



PHILADELPHIA GAS WORKS

800 West Montgomery Avenue • Philadelphia, PA 19122

August 28, 2024

Gemela N. McClendon, Esquire
Executive Director
Philadelphia Gas Commission
One Parkway Building
1515 Arch Street, 9th Floor
Philadelphia, PA 19102

Re: PGW's Fiscal Year 2025 Compliance Operating Budget

Dear Ms. McClendon:

As directed in the Motion approved by the Philadelphia Gas Commission at its August 13, 2024 meeting, enclosed is a copy of PGW's Fiscal Year 2025 Compliance Operating Budget.

If you have any questions, please let me know.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'William J. Gallagher', is written over a large, faint, light-blue graphic of a flame or gas burner.

William J. Gallagher

Vice President - Budget and Strategic Development

WJG/mlo'b
Attachments

cc: Service List



PHILADELPHIA GAS WORKS

COMPLIANCE FISCAL 2025 OPERATING BUDGET

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

Line No.	Actual 2022-23	Budget 2023-24	Estimate 2023-24	Budget 2024-25	Adjustments	Compliance Budget 2024-25
<u>OPERATING REVENUES</u>						
1. Non-Heating	25,914	31,493	21,704	21,403	-	21,403
2. Gas Transportation Service	74,033	75,685	85,148	84,343	-	84,343
3. Heating	573,816	727,583	586,139	580,451	-	580,451
4. Revenue Enhancement / Cost Reduction	-	85,833	-	-	-	0
5. Weather Normalization Adjustment	32,396	-	8,386	3,693	-	3,693
6. Unbilled Gas Adjustment	(2,735)	(763)	(2,129)	168	-	168
7. Total Gas Revenues	703,424	919,831	699,248	690,058	-	690,058
8. Appropriation for Uncollectible Reserve	(40,270)	(36,919)	(40,778)	(41,887)	-	(41,887)
9. Appliance Repair & Other Revenues	7,339	7,807	7,807	7,886	-	7,886
10. Other Operating Revenues	40,533	25,370	25,055	38,576	-	38,576
11. Total Other Operating Revenues	7,602	(3,742)	(7,916)	4,575	-	4,575
12. Total Operating Revenues	711,026	916,089	691,332	694,633	-	694,633
<u>OPERATING EXPENSES</u>						
13. Natural Gas	223,978	323,502	175,506	183,037	-	183,037
14. Other Raw Material	19	31	31	31	-	31
15. Sub-Total Fuel	223,997	323,533	175,537	183,068	-	183,068
CONTRIBUTION MARGINS						
16. Gas Processing	25,569	23,890	24,309	26,475	(2,000)	24,475
17. Field Operations	89,803	98,811	94,001	100,991	-	100,991
18. Collection	3,779	5,087	4,142	5,193	-	5,193
19. Customer Service	13,962	21,278	15,879	21,718	-	21,718
20. Account Management	9,115	10,515	9,794	10,859	-	10,859
21. Marketing	3,856	4,657	3,316	4,710	-	4,710
22. Administrative & General	76,280	102,381	92,604	98,796	-	98,796
23. Health Insurance	21,082	27,715	24,243	25,960	-	25,960
24. Pandemic Expenses	-	10,833	-	-	-	-
25. Capitalized Fringe Benefits	(11,912)	(10,717)	(12,292)	(11,278)	-	(11,278)
26. Capitalized Administrative Charges	(18,745)	(31,571)	(27,812)	(30,408)	-	(30,408)
27. Pensions	31,544	44,759	38,906	27,448	-	27,448
28. Taxes	9,121	10,434	9,908	10,735	-	10,735
29. Other Post Employment Benefits	4,791	(10,095)	13,488	25,484	-	25,484
30. Labor Costs (Retirement Payout)	-	(302)	-	(2,715)	-	(2,715)
31. Sub-Total Other Oper. & Maintenance	258,245	307,675	290,486	313,968	(2,000)	311,968
32. Depreciation	72,720	65,412	66,253	63,782	-	63,782
33. Cost of Removal	9,242	6,729	8,729	9,879	-	9,879
34. Sub-Total Other Oper. & Maint. & Depreciation	81,962	72,141	74,982	73,661	-	73,661
35. TOTAL OPERATING EXPENSES	564,204	703,349	541,005	570,697	(2,000)	568,697
36. OPERATING INCOME	146,822	212,740	150,327	123,936	-	123,936
37. Interest Gain / (Loss) and Other Income	14,000	7,211	9,442	21,597	-	21,597
38. INCOME BEFORE INTEREST	160,822	219,951	159,769	145,532	2,000	147,532
<u>INTEREST</u>						
39. Long-Term Debt	44,776	62,738	42,832	58,236	-	58,236
40. Other	(9,444)	(1,776)	(5,656)	(8,406)	-	(8,406)
41. Loss From Extinguishment of Debt	3,558	3,348	3,314	2,953	-	2,953
42. Total Interest	38,890	64,310	40,490	52,783	-	52,783
43. Federal Grant Revenue (PHMSA)	-	10,752	7,000	13,728	-	13,728
44. NET INCOME	<u>\$ 121,933</u>	<u>\$ 166,393</u>	<u>\$ 126,279</u>	<u>\$ 106,477</u>	<u>2,000</u>	<u>\$ 108,477</u>
45. City Payment	18,000	18,000	18,000	18,000	-	18,000
46. NET EARNINGS	<u>\$ 103,933</u>	<u>\$ 148,393</u>	<u>\$ 108,279</u>	<u>\$ 88,477</u>	<u>2,000</u>	<u>\$ 90,477</u>

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

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<u>OPERATING REVENUES</u>						
1. Non-Heating	25,914	31,493	21,704	21,403	-	21,403
2. Gas Transportation Service	74,033	75,685	85,148	84,343	-	84,343
3. Heating	573,816	727,583	586,139	580,451	-	580,451
4. Revenue Enhancement / Cost Reduction - FY2021	-	85,833	-	-	-	-
5. Weather Normalization Adjustment	32,396	-	8,386	3,693	-	3,693
6. Unbilled Gas Adjustment	(2,735)	(763)	(2,129)	168	-	168
7. Total Gas Revenues	703,424	919,831	699,248	690,058	-	690,058
8. Appropriation for Uncollectible Reserve	(40,270)	(36,919)	(40,778)	(41,887)	-	(41,887)
9. Appliance Repair & Other Service Revenues	7,339	7,807	7,807	7,886	-	7,886
10. Other Operating Revenues	40,533	25,370	25,055	38,576	-	38,576
11. Total Other Revenues	7,602	(3,742)	(7,916)	4,575	-	4,575
12. Total Operating Revenues	711,026	916,089	691,332	694,633	-	694,633
<u>OPERATING EXPENSES</u>						
13. Natural Gas	223,978	323,502	175,506	183,037	-	183,037
14. Other Raw Material	19	31	31	31	-	31
15. Sub-Total Fuel	223,997	323,533	175,537	183,068	-	183,068
16. Contribution Margins	487,029	592,556	515,795	511,565	-	511,565
17. Labor & Fringe Benefits	180,667	220,654	202,431	206,306	-	206,306
18. Other Expenses & Depreciation	159,540	159,162	163,037	181,323	(2,000)	179,323
19. Sub-Total Other O&M & Depreciation	340,207	379,816	365,468	387,629	(2,000)	385,629
20. Total Operating Expenses	564,204	703,349	541,005	570,697	(2,000)	568,697
21. Operating Income	146,822	212,740	150,327	123,936	2,000	125,936
22. Interest Gain / (Loss) and Other Income	14,000	7,211	9,442	21,597	-	21,597
23. Income Before Interest	160,822	219,951	159,769	145,532	2,000	147,533
<u>INTEREST</u>						
24. Long Term Debt	44,776	62,738	42,832	58,236	-	58,236
25. Other Interest	(9,444)	(1,776)	(5,656)	(8,406)	-	(8,406)
26. Loss from Extinguishment of Debt	3,558	3,348	3,314	2,953	-	2,953
27. Total Interest	38,890	64,310	40,490	52,783	-	52,783
28. Federal Grant Revenue (PHMSA)	-	10,752	7,000	13,728	-	13,728
29. Net Income	<u>\$ 121,933</u>	<u>\$ 166,393</u>	<u>\$ 126,279</u>	<u>\$ 106,477</u>	<u>\$ 2,000</u>	<u>108,477</u>
30. City Payment	18,000	18,000	18,000	18,000	-	18,000
31. Net Earnings	<u>\$ 103,933</u>	<u>\$ 148,393</u>	<u>\$ 108,279</u>	<u>\$ 88,477</u>	<u>\$ 2,000</u>	<u>90,477</u>

PHILADELPHIA GAS WORKS
CASH FLOW STATEMENT
(Dollars in Thousands)

Line No.	Actual 2022-23	Budget 2023-24	Estimate 2023-24	Budget 2024-25	Adjustments	Compliance Budget 2024-25
SOURCES						
1. Net Income	121,933	166,393	126,279	106,477	2,000	108,477
2. Depreciation & Amortization	65,845	62,947	59,755	55,717	-	55,717
3. Earnings on Restricted Funds	(5,561)	(4,334)	1,371	2,703	-	2,703
4. Proceeds from Bond Refunding to Pay Cost of Issuance	-	3,480	3,156	-	-	-
5. Increased/(Decreased) Other Assets/Liabilities	(44,179)	(34,850)	(12,966)	(7,405)	-	(7,405)
6. Available From Operations	138,037	193,636	177,594	157,493	2,000	159,492
7. Drawdown of Bond Proceeds	71,000	102,000	42,000	108,000	-	108,000
8. Release of Bond Proceeds to Pay Temporary Financing	-	-	65,000	-	-	-
9. Temporary Financing	-	-	65,000	-	-	-
10. TOTAL SOURCES	\$ 209,037	\$ 295,636	\$ 349,594	\$ 265,493	\$ 2,000	\$ 267,492
USES						
11. Net Construction Expenditures	150,225	206,959	217,000	216,000	-	216,000
12. Revenue Bonds	53,770	60,795	53,770	66,810	-	66,810
13. Temporary Financing Repayment	-	-	65,000	-	-	-
14. GASB 87 Lease Principal Payments	22,430	1,968	4,600	4,700	-	4,700
15. Distribution of Earnings	18,000	18,000	18,000	18,000	-	18,000
Additions to (Reductions of):						
16. Non-Cash Working Capital	(59,053)	9,020	15,337	14,510	-	14,510
17. Cash Needs	185,372	296,742	373,707	320,020	-	320,020
18. Cash Surplus (Shortfall)	23,665	(1,106)	(24,112)	(54,527)	2,000	(52,528)
19. TOTAL USES	\$ 209,037	\$ 295,636	\$ 349,594	265,493	2,000	267,492
20. Cash - Beginning of Period	115,637	116,328	139,302	115,189	-	115,189
21. Cash - Surplus (Shortfall)	23,665	(806)	(24,112)	(54,527)	2,000	(52,527)
22. Ending Cash	\$ 139,302	\$ 115,521	\$ 115,189	\$ 60,662	\$ 2,000	\$ 62,662
24. Incremental DSIC Revenue	34,627	41,000	41,000	41,000	-	41,000
25. Internally Generated Funds	44,598	63,959	69,000	67,000	-	67,000
26. TOTAL IGF + Incremental DSIC Revenue	79,225	104,959	110,000	108,000	-	108,000

**PHILADELPHIA GAS WORKS
DEBT SERVICE COVERAGE**
(Dollars in Thousands)

Line No.	Actual 2022-23	Budget 2023-24	Estimate 2023-24	Budget 2024-25	Adjustments	Compliance Budget 2024-25
FUNDS PROVIDED						
1. Total Gas Revenues	663,154	919,831	699,248	690,058	-	690,058
2. Other Operating Revenues	<u>47,872</u>	<u>(3,742)</u>	<u>(7,916)</u>	<u>4,575</u>	-	<u>4,575</u>
3. Total Operating Revenues	711,026	916,089	691,332	694,633	-	694,633
4. Other Income Inc. / (Dec.) Restricted Funds	11,596	2,877	10,813	24,300	-	24,300
5. Non Operating Revenue	<u>-</u>	<u>10,752</u>	<u>7,000</u>	<u>13,728</u>	-	<u>13,728</u>
6. TOTAL FUNDS PROVIDED	<u>722,622</u>	<u>929,718</u>	<u>709,145</u>	<u>732,661</u>	-	<u>732,661</u>
FUNDS APPLIED						
7. Fuel Costs	223,997	323,533	175,537	183,068	-	183,068
8. Other Operating Costs	<u>340,207</u>	<u>379,816</u>	<u>365,468</u>	<u>387,629</u>	<u>(2,000)</u>	<u>385,629</u>
9. Total Operating Expenses	564,204	703,349	541,005	570,697	(2,000)	568,697
10. Less: Non-Cash Expenses	<u>91,079</u>	<u>89,718</u>	<u>87,284</u>	<u>74,148</u>	-	<u>74,148</u>
11. TOTAL FUNDS APPLIED	<u>473,125</u>	<u>613,631</u>	<u>453,721</u>	<u>496,549</u>	<u>(2,000)</u>	<u>494,549</u>
12. Funds Available to Cover Revenue Bond Debt	249,497	316,087	255,423	236,112	2,000	238,112
13. Net Available after Prior Debt Service	249,497	316,087	255,423	236,112	2,000	238,112
14. 1998 Ordinance Bonds Debt Service	99,144	115,230	96,977	124,745	-	124,745
15. 1999 Ordinance Subordinate Bonds Debt Service - (TXCP)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16. Total New Debt Service	99,144	115,230	96,977	124,745	-	124,745
17. Debt Service Coverage 1998 Revenue Bonds	2.52	2.74	2.63	1.89	1.89	1.89
18. Net Available After 1998 Debt Service	\$150,353	\$200,857	\$158,446	\$111,367	2,000	124,745
19. Aggregate Debt Service (Combined Liens)	99,144	115,230	96,977	124,745	1.89	124,745
20. Fixed Coverage Charge (Combined Liens)	2.52	2.74	2.63	1.89	1.89	1.91
21. Fixed Coverage Charge including \$18.0MM City Fee	2.33	2.59	2.45	1.75	1.75	1.76

PHILADELPHIA GAS WORKS
BALANCE SHEET
(Dollars in Thousands)

Line No.		Actual	Budget	Estimate	Budget	Adjustments	Compliance
		2022-23	2023-24	2023-24	2024-25		Budget 2024-25
ASSETS							
1.	Utility Plant Net	1,815,469	1,980,842	1,962,071	2,113,560	-	2,113,560
2.	Sinking Fund Reserve	109,581	135,159	133,527	131,175	-	131,175
3.	Capital Improvement Fund Restricted Investment Worker Comp Fund	43,730	220,527	315,603	207,209	-	207,209
4.	& Health Insurance Escrow	2,778	2,686	2,874	2,918	-	2,918
5.	Cash	139,302	115,521	115,189	60,662	2,000	62,662
Accounts Receivable:							
6.	Gas Receivable	190,746	189,809	187,111	182,978	-	182,978
7.	Other	1,618	4,474	1,643	2,143	-	2,143
8.	Accrued Gas Revenues	8,586	7,372	6,457	6,625	-	6,625
9.	Reserve for Uncollectible	(108,990)	(95,064)	(112,717)	(115,570)	-	(115,570)
10.	Accounts Receivable Net	91,960	106,592	82,494	76,176	-	76,176
11.	Materials & Supplies	79,453	92,810	72,560	73,695	-	73,695
12.	Other Current Assets	8,401	4,909	8,406	8,411	-	8,411
13.	Deferred Debits	6,984	5,453	6,622	6,748	-	6,748
14.	Unamortized Bond Issuance Expense	681	933	727	685	-	685
15.	Unamortized Extraordinary Loss	19,763	16,358	16,449	13,496	-	13,496
16.	Deferred Environmental	23,610	27,226	20,717	19,183	-	19,183
17.	Deferred Pension Outflows	29,060	59,055	59,904	32,147	-	32,147
18.	Deferred OPEB Outflows	100,068	36,251	73,072	57,766	-	57,766
19.	Other Assets	34,149	27,148	40,283	24,156	-	24,156
20.	TOTAL ASSETS	\$2,504,988	\$2,831,471	\$2,910,498	2,827,987	2,000	2,829,987
EQUITY & LIABILITIES							
21.	City Equity	\$728,283	\$864,563	\$836,562	\$925,039	2,000	927,039
Long Term Debt:							
22.	Revenue Bonds	943,250	1,222,398	1,260,625	1,193,815	-	1,193,815
23.	Unamortized Discount	(44)	(40)	(40)	(36)	-	(36)
24.	Unamortized Premium	107,482	105,867	138,063	127,000	-	127,000
25.	Lease Obligations	61,809	57,613	57,249	52,549	-	52,549
Accounts Payable:							
26.	Natural Gas	5,896	15,404	10,251	12,700	-	12,700
27.	General	74,737	89,031	74,386	74,037	-	74,037
28.	Customer Deposits	2,653	2,081	2,540	2,433	-	2,433
29.	Other Current Liabilities	5,835	1,848	3,818	3,719	-	3,719
30.	Pension Liability	229,433	257,698	226,361	223,240	-	223,240
31.	OPEB Liability	208,706	84,529	180,315	149,095	-	149,095
32.	Deferred Credits	55,442	1,852	23,351	1,717	-	1,717
33.	Deferred Pension Inflows	-	25,865	42,822	15,634	-	15,634
34.	Deferred OPEB Inflows	40,372	22,616	7,374	-	-	0
Accrued Credits:							
35.	Interest	6,807	16,246	7,182	6,882	-	6,882
36.	Taxes & Wages	6,978	5,337	5,361	5,561	-	5,561
37.	Distribution to City	3,000	3,000	3,000	3,000	-	3,000
38.	Other Liabilities	24,350	55,562	31,280	31,603	-	31,603
39.	TOTAL EQUITY & LIABILITIES	\$2,504,988	\$2,831,471	\$2,910,498	\$2,827,987	\$2,000	\$2,829,988
40.	Debt to Equity	59.1%	60.6%	62.6%	58.8%		58.8%

Philadelphia Gas Works
Fiscal Year 2025
Operating Budget Adjustment

Statement of Income

- a) The Compliance Budget reflects a \$2,000,000 overall decrease in Non-Fuel Operating Expenses. See below for details:
 - a. Expenses associated with Advanced Engineering for the new LNG Liquefier were adjusted downward (\$2,000,000) as a result of the decision to remove that item from the Gas Processing budget.

Cash Flow Statement

- b) Ending cash increased \$2,000,000 from \$60,662,000 to \$62,662,000. This was caused by the increase to Net income as described above.

Debt Service Coverage

- c) The Fixed Coverage Charge (Including the \$18.0 MM City Fee) increased 0.01 from 1.75 to 1.76. This was caused by the \$2,000,000 reduction to other operating costs described above.

Balance Sheet

- d) Cash increased by \$2,000,000 as a result of lower non-fuel operating expenses outlined above.
- e) City Equity increased by \$2,000,000; this is due to the revised FY2025 Net Income.