



August 17, 2023

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

Re: PGW's (Revised) Fiscal Year 2024 Compliance Operating Budget

Dear Ms. McClendon:

Enclosed is a copy of PGW's (Revised) Fiscal Year 2024 Compliance Operating Budget.

If you have any questions, please let me know.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. Gallagher", is written over the typed name below.

William J. Gallagher
VP Budget and Strategic Development

WJG/mlo'b
Enclosure

cc: Service List



PHILADELPHIA GAS WORKS

COMPLIANCE FISCAL 2024 OPERATING BUDGET

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

Line No.	Actual 2021-22	Budget 2022-23	Estimate 2022-23	Budget 2023-24	Adjustments	Compliance Budget 2023-24
OPERATING REVENUES						
1.	32,064	29,570	34,618	31,493	-	31,493
2.	69,065	79,447	76,080	75,685	-	75,685
3.	663,298	678,023	782,404	727,583	-	727,583
4.	-	-	-	-	-	-
5.	-	-	-	85,833	-	-
6.	23,160	4,228	2,044	-	-	-
7.	-	-	-	-	-	-
8.	3,329	205	(3,186)	(763)	-	(763)
9.	790,916	791,473	891,960	919,831	-	919,831
10.	(25,287)	(34,955)	(36,037)	(36,919)	-	(36,919)
11.	6,656	7,983	6,641	7,807	-	7,807
12.	33,152	12,695	25,031	25,370	-	25,370
13.	14,521	(14,277)	(4,365)	(3,742)	-	(3,742)
14.	805,437	777,196	887,595	916,089	-	916,089
OPERATING EXPENSES						
15.	272,438	260,504	381,757	323,502	-	323,502
16.	30	23	31	31	-	31
17.	272,468	260,527	381,788	323,533	-	323,533
18.	532,969	516,669	505,807	592,556	-	592,556
19.	24,085	28,201	22,976	23,890	-	23,890
20.	80,640	99,494	93,719	98,811	-	98,811
21.	4,256	4,959	4,670	5,087	-	5,087
22.	13,996	18,445	18,075	21,278	-	21,278
23.	8,981	10,335	9,711	10,515	-	10,515
24.	4,433	4,432	4,238	4,657	-	4,657
25.	73,596	87,642	92,370	102,881	(500)	102,381
26.	23,064	25,000	25,740	27,715	-	27,715
27.	-	-	-	10,833	-	10,833
28.	(11,668)	(11,036)	(11,746)	(10,717)	-	(10,717)
29.	(20,011)	(25,361)	(21,294)	(31,571)	-	(31,571)
30.	20,675	9,881	42,833	44,759	-	44,759
31.	8,984	10,098	9,747	10,434	-	10,434
32.	(1,242)	(7,025)	(13,699)	(10,095)	-	(10,095)
33.	-	-	-	-	-	-
34.	-	(355)	1,251	296	(598)	(302)
35.	229,789	254,710	278,591	308,773	(1,098)	307,675
36.	64,961	71,939	64,747	65,412	-	65,412
37.	5,358	4,500	9,479	6,729	-	6,729
38.	-	-	-	-	-	-
	70,319	76,439	74,226	72,141	-	72,141
39.	300,108	331,149	352,817	380,914	(1,098)	379,816
40.	572,576	591,676	734,605	704,447	(1,098)	703,349
41.	232,861	185,520	152,991	211,642	1,098	212,740
42.	(1,523)	3,191	6,147	7,211	-	7,211
43.	231,338	188,712	159,138	218,853	1,098	219,951
INTEREST						
44.	47,044	51,870	50,635	62,738	-	62,738
45.	(11,859)	(6,380)	(5,242)	(1,776)	-	(1,776)
46.	-	-	-	-	-	-
47.	4,166	3,615	3,615	3,348	-	3,348
48.	39,351	49,105	49,008	64,310	-	64,310
NON-OPERATING REVENUE						
49.	-	-	-	10,752	-	10,752
50.	\$ 191,987	\$ 139,607	\$ 110,130	\$ 165,295	\$ 1,098	\$ 166,393
51.	18,000	18,000	18,000	18,000	-	18,000
52.	\$ 173,987	\$ 121,607	\$ 92,130	\$ 147,295	\$ 1,098	\$ 148,393

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

Line No.	Actual 2021-22	Budget 2022-23	Estimate 2022-23	Budget 2023-24	Adjustments	Compliance Budget 2023-24
<u>OPERATING REVENUES</u>						
1. Non-Heating	32,064	29,570	34,618	31,493	-	31,493
2. Gas Transportation Service	69,065	79,447	76,080	75,685	-	75,685
3. Heating	663,298	678,023	782,404	727,583	-	727,583
4. Revenue Adjustment (TED/BUS Rate)	-	-	-	-	-	-
5. Revenue Enhancement / Cost Reduction - FY2024	-	-	-	85,833	-	-
6.						
7. Weather Normalization Adjustment	23,160	4,228	2,044	-	-	-
8. Unbilled Gas Adjustment	3,329	205	(3,186)	(763)	-	(763)
9. Total Gas Revenues	790,916	791,473	891,960	919,831	-	919,831
10. Appropriation for Uncollectible Reserve	(25,287)	(34,955)	(36,037)	(36,919)	-	(36,919)
11. Appliance Repair & Other Service Revenues	6,656	7,983	6,641	7,807	-	7,807
12. Other Operating Revenues	33,152	12,695	25,031	25,370	-	25,370
13. Total Other Revenues	14,521	(14,277)	(4,365)	(3,742)	-	(3,742)
14. Total Operating Revenues	805,437	777,196	887,595	916,089	-	916,089
<u>OPERATING EXPENSES</u>						
15. Natural Gas	272,438	260,504	381,757	323,502	-	323,502
16. Other Raw Material	30	23	31	31	-	31
17. Sub-Total Fuel	272,468	260,527	381,788	323,533	-	323,533
18. Contribution Margins	532,969	516,669	505,807	592,556	-	592,556
19. Labor & Fringe Benefits	175,656	177,026	203,656	222,058	(1,098)	220,960
20. Other Expenses & Depreciation	124,453	154,122	149,161	158,856	-	158,856
21. Sub-Total Other O&M & Depreciation	300,108	331,149	352,817	380,914	(1,098)	379,816
22. Total Operating Expenses	572,576	591,676	734,605	704,447	(1,098)	703,349
23. Operating Income	232,861	185,520	152,990	211,642	1,098	212,740
24. Interest Gain / (Loss) and Other Income	(1,523)	3,191	6,147	7,211	-	7,211
25. Income Before Interest	231,338	188,712	159,138	218,853	1,098	219,951
<u>INTEREST</u>						
26. Long Term Debt	47,044	51,870	50,635	62,738	-	62,738
27. Other Interest	(11,859)	(6,380)	(5,242)	(1,776)	-	(1,776)
28. Loss from Extinguishment of Debt	4,166	3,615	3,615	3,348	-	3,348
29. Total Interest	39,351	49,105	49,008	64,310	-	64,310
<u>NON-OPERATING REVENUE</u>						
30. Federal Grant Revenue (PHMSA)	-	-	-	10,752	-	10,752
31. Net Income	191,987	139,607	110,130	165,295	1,098	166,393
32. City Payment	18,000	18,000	18,000	18,000	-	18,000
33. Net Earnings	173,987	121,607	92,130	147,295	1,098	148,393

PHILADELPHIA GAS WORKS
CASH FLOW STATEMENT
(Dollars in Thousands)

Line No.	Actual 2021-22	Budget 2022-23	Estimate 2022-23	Budget 2023-24	Adjustments	Compliance Budget 2023-24
SOURCES						
1. Net Income	191,987	139,607	110,130	165,295	1,098	166,393
2. Depreciation & Amortization	57,764	65,144	62,032	62,947	-	62,947
3. Earnings on Restricted Funds	(616)	(1,083)	(3,290)	(4,334)	-	(4,334)
4. Proceeds from Bond Refunding to Pay Cost of Issuance	-	-	-	3,480	-	3,480
5. Increased/(Decreased) Other Assets/Liabilities	(56,648)	(77,655)	(30,824)	(34,850)	-	(34,850)
6. Available From Operations	<u>192,487</u>	<u>126,013</u>	<u>138,047</u>	<u>192,538</u>	<u>1,098</u>	<u>193,636</u>
7. Drawdown of Bond Proceeds	72,000	107,822	113,000	102,000	-	102,000
8. Grant Income	-	-	-	-	-	-
9. Release of Sinking Fund Asset	-	-	-	-	-	-
10. Release of Bond Proceeds to Pay Temporary Financing	-	-	-	-	-	-
11. Temporary Financing	-	-	-	-	-	-
12. TOTAL SOURCES	<u>\$ 264,487</u>	<u>\$ 233,835</u>	<u>\$ 251,047</u>	<u>\$ 294,538</u>	<u>\$ 1,098</u>	<u>\$ 295,636</u>
USES						
13. Net Construction Expenditures	151,129	196,247	170,490	206,959	-	206,959
14. Funded Debt Reduction:						
15. Revenue Bonds	54,030	58,135	61,610	60,795	-	60,795
16. Revenue Bonds Subordinate Debt	-	-	-	-	-	-
19. Temporary Financing Repayment	-	-	-	-	-	-
20. GASB 87 Lease Principal Payments	-	18,337	19,000	1,968	-	1,968
21. Distribution of Earnings	18,000	18,000	18,000	18,000	-	18,000
Additions to (Reductions of):						
22. Non-Cash Working Capital	<u>84,082</u>	<u>(30,954)</u>	<u>(18,744)</u>	<u>9,020</u>	<u>-</u>	<u>9,020</u>
23. Cash Needs	307,241	259,765	250,356	296,742	-	296,742
24. Cash Surplus (Shortfall)	<u>(42,754)</u>	<u>(25,930)</u>	<u>691</u>	<u>(1,904)</u>	<u>1,098</u>	<u>(1,106)</u>
25. TOTAL USES	<u>\$ 264,487</u>	<u>\$ 233,835</u>	<u>\$ 251,047</u>	<u>294,838</u>	<u>1,098</u>	<u>295,636</u>
26. Cash - Beginning of Period	158,390	150,658	115,612	116,328	-	116,328
27. Cash - Surplus (Shortfall)	<u>(42,754)</u>	<u>(25,930)</u>	<u>716</u>	<u>(1,904)</u>	<u>-</u>	<u>(1,904)</u>
28. Ending Cash	<u>\$ 115,637</u>	<u>\$ 124,728</u>	<u>\$ 116,328</u>	<u>\$ 114,423</u>	<u>\$ -</u>	<u>\$ 114,424</u>
29. Outstanding Commercial Paper - Working Capital	-	-	-	-	-	-
30. Outstanding Commercial Paper - Capital	-	-	-	-	-	-
31. Incremental DSIC Revenue	36,813	38,000	39,000	41,000	-	41,000
32. Internally Generated Funds	42,316	50,425	18,490	63,959	-	63,959
33. TOTAL IGF + Incremental DSIC Revenue	<u>79,129</u>	<u>88,425</u>	<u>57,490</u>	<u>104,959</u>	<u>-</u>	<u>104,959</u>

**PHILADELPHIA GAS WORKS
DEBT SERVICE COVERAGE**

(Dollars in Thousands)

Line No.	Actual 2021-22	Budget 2022-23	Estimate 2022-23	Budget 2023-24	Adjustments	Compliance Budget 2023-24
<u>FUNDS PROVIDED</u>						
1. Total Gas Revenues	765,629	791,473	891,960	919,831	-	919,831
2. Other Operating Revenues	39,808	(14,277)	(4,365)	(3,742)	-	(3,742)
3. Total Operating Revenues	805,437	777,196	887,595	916,089	-	916,089
4. Other Income Inc. / (Dec.) Restricted Funds	(2,139)	2,108	2,857	2,877	-	2,877
5. Non Operating Revenue	-	-	-	10,752	-	10,752
6. AFUDC (Interest)	-	-	-	-	-	-
7. TOTAL FUNDS PROVIDED	803,298	779,305	890,452	929,718	-	929,718
<u>FUNDS APPLIED</u>						
8. Fuel Costs	272,468	260,527	381,788	323,533	-	323,533
9. Other Operating Costs	300,108	331,149	352,817	380,914	(1,098)	379,816
10. Total Operating Expenses	572,576	591,676	734,605	704,447	-	703,349
11. Less: Non-Cash Expenses	68,773	59,083	89,822	89,718	-	89,718
12. TOTAL FUNDS APPLIED	503,803	532,593	644,782	614,729	-	613,631
13. Funds Available to Cover Revenue Bond Debt	299,495	246,712	245,669	314,989	-	316,087
14. 1975 Ordinance Bonds Debt Service	-	-	-	-	-	-
15. Debt Service Coverage 1975 Revenue Bonds	-	-	-	-	-	-
16. Net Available after Prior Debt Service	299,495	246,712	245,669	314,989	-	316,087
17. Equipment Leasing Debt Service	-	-	-	-	-	-
18. Net Available After Prior Capital Leases	299,495	246,712	245,669	314,989	-	316,087
19. 1998 Ordinance Bonds Debt Service	98,430	106,467	109,942	115,230	-	115,230
20. 1999 Ordinance Subordinate Bonds Debt Service - (TXCP)	-	-	-	-	-	-
21. Total New Debt Service	98,430	106,467	109,942	115,230	-	115,230
22. Debt Service Coverage 1998 Revenue Bonds	3.04	2.32	2.23	2.73	-	2.74
23. Net Available After 1998 Debt Service	\$201,065	\$140,244	\$135,727	\$199,759	-	\$200,857
24. Aggregate Debt Service (Combined Liens)	98,430	106,467	109,942	115,230	-	115,230
25. Fixed Coverage Charge (Combined Liens)	3.04	2.32	2.23	2.73	-	2.74
26. Fixed Coverage Charge including \$18.0MM City Fee	2.86	2.15	2.07	2.58	-	2.59

**PHILADELPHIA GAS WORKS
BALANCE SHEET
(Dollars in Thousands)**

Line No.		Actual 2021-22	Budget 2022-23	Estimate 2022-23	Budget 2023-24	Adjustments	Compliance Budget 2023-24
ASSETS							
1.	Utility Plant Net	1,653,424	1,840,874	1,841,232	1,980,842	-	1,980,842
2.	Sinking Fund Reserve	106,188	107,959	108,873	135,159	-	135,159
3.	Capital Improvement Fund Restricted Investment Worker Comp Fund &	112,673	-	238	220,527	-	220,527
4.	Health Insurance Escrow	2,678	2,681	2,646	2,686	-	2,686
5.	Cash	115,637	124,728	116,328	114,423	1,098	115,521
Accounts Receivable:							
6.	Gas Receivable	199,442	174,287	194,685	189,809	-	189,809
7.	Other	4,424	4,700	4,449	4,474	-	4,474
8.	Accrued Gas Revenues	11,321	6,982	8,135	7,372	-	7,372
9.	Reserve for Uncollectible	(108,187)	(109,554)	(101,837)	(95,064)	-	(95,064)
10.	Accounts Receivable Net	107,000	76,415	105,432	106,592	-	106,591
11.	Materials & Supplies	92,867	58,203	96,899	92,810	-	92,810
12.	Other Current Assets	4,903	6,045	4,906	4,909	-	4,909
13.	Deferred Debits	11,737	7,610	5,963	5,453	-	5,453
14.	Unamortized Bond Issuance Expense	725	866	989	933	-	933
15.	Unamortized Extraordinary Loss	23,321	19,825	19,706	16,358	-	16,358
16.	Deferred Environmental	28,871	25,247	29,235	27,226	-	27,226
17.	Deferred Pension Outflows	68,189	15,930	97,108	59,055	-	59,055
18.	Deferred OPEB Outflows	62,576	59,794	45,781	36,251	-	36,251
19.	Other Assets	35,321	38,070	38,028	27,148	-	27,148
20.	TOTAL ASSETS	\$2,426,109	\$2,384,247	\$2,513,365	2,830,373	1,098	2,831,471
EQUITY & LIABILITIES							
21.	City Equity	\$624,040	\$715,376	\$716,170	\$863,465	1,098	\$864,563
Long Term Debt:							
22.	Revenue Bonds	996,803	946,472	935,193	1,222,398	-	1,222,398
23.	Unamortized Discount	(48)	(44)	(44)	(40)	-	(40)
24.	Unamortized Premium	118,135	107,609	111,741	105,867	-	105,867
27.	Lease Obligations	245	57,749	62,471	57,613	-	57,613
28.	Notes Payable	-	-	-	-	-	-
Accounts Payable:							
29.	Natural Gas	12,712	15,404	22,630	21,153	-	21,153
30.	General	84,053	72,595	83,691	83,282	-	83,282
31.	Customer Deposits	2,262	1,536	2,169	2,081	-	2,081
32.	Other Current Liabilities	2,700	2,991	1,004	1,848	-	1,848
33.	Pension Liability	261,082	117,241	259,757	257,698	-	257,698
34.	OPEB Liability	149,231	141,743	118,542	84,529	-	84,529
35.	Deferred Credits	12,035	3,085	3,448	1,852	-	1,852
36.	Deferred Pension Inflows	5,937	60,913	47,906	25,865	-	25,865
37.	Deferred OPEB Inflows	102,608	51,562	56,151	22,616	-	22,616
Accrued Credits:							
38.	Interest	7,652	26,072	24,549	16,246	-	16,246
39.	Taxes & Wages	6,735	4,558	5,151	5,337	-	5,337
40.	Distribution to City	3,000	3,000	3,000	3,000	-	3,000
41.	Other Liabilities	36,927	56,386	59,836	55,562	-	55,562
42.	TOTAL EQUITY & LIABILITIES	\$2,426,109	\$2,384,247	\$2,513,365	\$2,830,373	\$1,098	\$2,831,471
43.	Debt to Equity	64.1%	59.6%	59.4%	60.6%		60.6%

Philadelphia Gas Works
Fiscal Year 2024
Operating Budget Adjustment

Statement of Income

- a) The Compliance Budget reflects a \$1,098,000 overall decrease in Non-Fuel Operating Expenses. See below for details:
 - a. Expenses associated with the Retirement Benefit Allocation were adjusted downward (\$598,000) as a result of the decision to reduce the number of expected retirees from 50 to 30 during FY 2023-24.
 - b. Expenses associated with the Enterprise Strategic Services were adjusted downward \$500,000. The decrease was caused by a reduction in budgeted expenses. PGW has initiated a RFP process and expects to award a contract below the originally budgeted amount.

Cash Flow Statement

- b) Ending cash increased \$1,098,000 from \$114,423,000 to \$115,521,000. 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 2.58 to 2.59. This was caused by the \$1,098,000 reduction to other operating costs described above.

Balance Sheet

- d) Cash increased by \$1,098,000 as a result of lower non-fuel operating expenses outlined above.
- e) City Equity increased by \$1,098,000; this is due to the revised FY2024 Net Income.