



August 19, 2021

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

Re: PGW's Fiscal Year 2022 Compliance Operating Budget

Dear Ms. McClendon:

Enclosed is PGW's Fiscal Year 2022 Compliance Operating Budget approved by the Philadelphia Gas Commission at its August 10, 2021 Meeting.

I would like to commend the Gas Commission's efforts in granting this approval prior to the beginning of PGW's FY 2021 Fiscal Year. This accomplishment allowed PGW to avoid the need to prepare an interim budget, thereby improving the efficiency of the budget review process.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "William J. Gallagher", is written over a faint, larger version of the same signature.

William J. Gallagher
VP Budget and Strategic Development

WJG/mlo'b
Enclosures

cc: Service List



PHILADELPHIA GAS WORKS

COMPLIANCE FISCAL 2022 OPERATING BUDGET

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

| Line No. | Actual 2019-20 | Budget 2020-21 | Estimate 2020-21 | Budget 2021-22 | Adjustments | Compliance Budget 2021-22 |
|---|-------------------|-------------------|---------------------|-------------------|-------------|---------------------------------|
| OPERATING REVENUES | | | | | | |
| 1. Non-Heating | 21,599 | 21,466 | 21,024 | 21,941 | - | 21,941 |
| 2. Gas Transportation Service | 62,846 | 67,767 | 68,583 | 74,584 | - | 74,584 |
| 3. Heating | 517,783 | 576,418 | 533,443 | 590,704 | - | 590,704 |
| 4. Revenue Adjustment (TED/BUS Rate) | - | 400 | - | - | - | - |
| 5. Revenue Enhancement / Cost Reduction | - | 70,000 | - | - | - | - |
| 6. Weather Normalization Adjustment | 10,789 | - | 6,848 | 1,900 | - | 1,900 |
| 7. Pro Forma Adjustment 20HDD Avg. | - | - | - | - | - | - |
| 8. Unbilled Gas Adjustment | 2,864 | (36) | (2,290) | 279 | - | 279 |
| 9. Total Gas Revenues | 615,881 | 736,015 | 627,608 | 689,408 | - | 689,408 |
| 10. Appropriation for Uncollectible Reserve | (44,088) | (33,101) | (28,802) | (30,287) | - | (30,287) |
| 11. Appliance Repair & Other Revenues | 6,190 | 7,964 | 6,948 | 7,832 | - | 7,832 |
| 12. Other Operating Revenues | 6,954 | 12,161 | 10,532 | 11,228 | - | 11,228 |
| 13. Total Other Operating Revenues | (30,944) | (12,976) | (11,322) | (11,227) | - | (11,227) |
| 14. Total Operating Revenues | 584,937 | 723,039 | 616,286 | 678,181 | - | 678,181 |
| OPERATING EXPENSES | | | | | | |
| 15. Natural Gas | 146,732 | 191,548 | 163,987 | 180,724 | - | 180,724 |
| 16. Other Raw Material | 22 | 10 | 23 | 23 | - | 23 |
| 17. Sub-Total Fuel | 146,754 | 191,558 | 164,010 | 180,747 | - | 180,747 |
| 18. CONTRIBUTION MARGINS | 438,183 | 531,481 | 452,276 | 497,434 | - | 497,434 |
| 19. Gas Processing | 24,316 | 21,740 | 22,221 | 23,625 | - | 23,625 |
| 20. Field Operations | 78,699 | 86,412 | 83,985 | 88,760 | - | 88,760 |
| 21. Collection | 4,118 | 4,430 | 4,396 | 4,624 | - | 4,624 |
| 22. Customer Service | 13,686 | 15,751 | 14,487 | 17,412 | (260) | 17,152 |
| 23. Account Management | 8,290 | 9,245 | 8,845 | 9,465 | - | 9,465 |
| 24. Marketing | 3,999 | 4,916 | 4,173 | 4,384 | - | 4,384 |
| 25. Administrative & General | 69,255 | 85,191 | 78,649 | 87,846 | 88 | 87,934 |
| 26. Health Insurance | 20,560 | 28,210 | 23,151 | 25,000 | - | 25,000 |
| 27. Environmental | - | - | - | - | - | - |
| 28. Capitalized Fringe Benefits | (10,428) | (8,969) | (10,717) | (10,896) | - | (10,896) |
| 29. Capitalized Administrative Charges | (13,867) | (22,707) | (19,040) | (24,549) | - | (24,549) |
| 30. Pensions | 19,473 | 23,577 | 20,621 | 27,915 | - | 27,915 |
| 31. Taxes | 8,957 | 9,435 | 9,114 | 9,852 | - | 9,852 |
| 32. Other Post Employment Benefits | 10,862 | 25,422 | (4,182) | (1,249) | - | (1,249) |
| 33. Proposed Bond Refunding Savings | - | (589) | - | - | - | - |
| 34. Labor Costs (Retirement Payout) | - | (164) | - | 1,765 | (3,319) | (1,554) |
| 35. Sub-Total Other Oper. & Maintenance | 237,920 | 281,900 | 235,703 | 263,954 | (3,491) | 260,463 |
| 36. Depreciation | 59,661 | 67,934 | 65,912 | 68,242 | - | 68,242 |
| 37. Cost of Removal | 4,500 | 4,500 | 4,500 | 4,500 | - | 4,500 |
| 38. To Clearing Accounts | - | - | - | - | - | - |
| | 64,161 | 72,434 | 70,412 | 72,742 | - | 72,742 |
| 39. Sub-Total Other Oper. & Maint. & Depreciation | 302,081 | 354,334 | 306,115 | 336,696 | (3,491) | 333,205 |
| 40. TOTAL OPERATING EXPENSES | 448,835 | 545,892 | 470,125 | 517,443 | (3,491) | 513,952 |
| 41. OPERATING INCOME | 136,102 | 177,147 | 146,161 | 160,738 | 3,491 | 164,229 |
| 42. Interest Gain / (Loss) and Other Income | 5,594 | 7,400 | 6,406 | 7,302 | - | 7,302 |
| 43. INCOME BEFORE INTEREST | 141,696 | 184,547 | 152,567 | 168,041 | 3,491 | 171,532 |
| INTEREST | | | | | | |
| 44. Long-Term Debt | 43,552 | 54,442 | 48,577 | 47,938 | - | 47,938 |
| 45. Other | (10,791) | (9,612) | (10,527) | (10,119) | - | (10,119) |
| 46. AFUDC | (1,860) | (2,212) | (1,899) | (2,369) | - | (2,369) |
| 47. Loss From Extinguishment of Debt | 4,829 | 4,460 | 4,651 | 4,047 | - | 4,047 |
| 48. Total Interest | 35,730 | 47,078 | 40,802 | 39,497 | - | 39,497 |
| 49. NET INCOME | \$ 105,966 | \$ 137,469 | \$ 111,765 | \$ 128,544 | \$ 3,491 | \$ 132,035 |
| 50. City Payment | 18,000 | 18,000 | 18,000 | 18,000 | - | 18,000 |
| 51. NET EARNINGS | \$ 87,966 | \$ 119,469 | \$ 93,765 | \$ 110,544 | \$ 3,491 | \$ 114,035 |

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

| Line No. | Actual <u>2019-20</u> | Budget <u>2020-21</u> | Estimate <u>2020-21</u> | Budget <u>2021-22</u> | Adjustments | Compliance Budget <u>2021-22</u> |
|--|--------------------------|--------------------------|----------------------------|--------------------------|-----------------|--|
| <u>OPERATING REVENUES</u> | | | | | | |
| 1. Non-Heating | 21,599 | 21,466 | 21,024 | 21,941 | - | 21,941 |
| 2. Gas Transportation Service | 62,846 | 67,767 | 68,583 | 74,584 | - | 74,584 |
| 3. Heating | 517,783 | 576,418 | 533,443 | 590,704 | - | 590,704 |
| 4. Revenue Adjustment (TED/BUS Rate) | - | 400 | - | - | - | - |
| 5. Revenue Enhancement / Cost Reduction - FY2021 | - | 70,000 | - | - | - | - |
| 6. Revenue Enhancement / Cost Reduction - FY2022 | - | - | - | - | - | - |
| 7. Weather Normalization Adjustment | 10,789 | - | 6,848 | 1,900 | - | 1,900 |
| 8. Unbilled Gas Adjustment | 2,864 | (36) | (2,290) | 279 | - | 279 |
| 9. Total Gas Revenues | 615,881 | 736,015 | 627,608 | 689,408 | - | 689,408 |
| 10. Appropriation for Uncollectible Reserve | (44,088) | (33,101) | (28,802) | (30,287) | - | (30,287) |
| 11. Appliance Repair & Other Service Revenues | 6,190 | 7,964 | 6,948 | 7,832 | - | 7,832 |
| 12. Other Operating Revenues | 6,954 | 12,161 | 10,532 | 11,228 | - | 11,228 |
| 13. Total Other Revenues | (30,944) | (12,976) | (11,322) | (11,227) | - | (11,227) |
| 14. Total Operating Revenues | 584,937 | 723,039 | 616,286 | 678,181 | - | 678,181 |
| <u>OPERATING EXPENSES</u> | | | | | | |
| 15. Natural Gas | 146,732 | 191,548 | 163,987 | 180,724 | - | 180,724 |
| 16. Other Raw Material | 22 | 10 | 23 | 23 | - | 23 |
| 17. Sub-Total Fuel | 146,754 | 191,558 | 164,010 | 180,747 | - | 180,747 |
| 18. Contribution Margins | 438,183 | 531,481 | 452,276 | 497,434 | - | 497,434 |
| 19. Labor & Fringe Benefits | 173,182 | 182,639 | 169,573 | 187,960 | (3,319) | 184,641 |
| 20. Other Expenses & Depreciation | 128,899 | 171,695 | 136,542 | 148,735 | (172) | 148,563 |
| 21. Sub-Total Other O&M & Depreciation | 302,081 | 354,334 | 306,115 | 336,695 | (3,491) | 333,204 |
| 22. Total Operating Expenses | 448,835 | 545,892 | 470,125 | 517,442 | (3,491) | 513,951 |
| 23. Operating Income | 136,102 | 177,147 | 146,161 | 160,739 | 3,491 | 164,230 |
| 24. Interest Gain / (Loss) and Other Income | 5,594 | 7,400 | 6,406 | 7,302 | - | 7,302 |
| 25. Income Before Interest | 141,696 | 184,547 | 152,567 | 168,041 | 3,491 | 171,532 |
| <u>INTEREST</u> | | | | | | |
| 26. Long Term Debt | 43,552 | 54,442 | 48,577 | 47,938 | - | 47,938 |
| 27. Other Interest | (10,791) | (9,612) | (10,527) | (10,119) | - | (10,119) |
| 28. AFUDC | (1,860) | (2,212) | (1,899) | (2,369) | - | (2,369) |
| 29. Loss from Extinguishment of Debt | 4,829 | 4,460 | 4,651 | 4,047 | - | 4,047 |
| 30. Total Interest | 35,730 | 47,078 | 40,802 | 39,497 | - | 39,497 |
| 31. Net Income | <u>\$ 105,966</u> | <u>\$ 137,469</u> | <u>\$ 111,765</u> | <u>\$ 128,544</u> | <u>\$ 3,491</u> | <u>\$ 132,035</u> |
| 32. City Payment | 18,000 | 18,000 | 18,000 | 18,000 | - | 18,000 |
| 33. Net Earnings | <u>\$ 87,966</u> | <u>\$ 119,469</u> | <u>\$ 93,765</u> | <u>\$ 110,544</u> | <u>\$ 3,491</u> | <u>\$ 114,035</u> |

PHILADELPHIA GAS WORKS
CASH FLOW STATEMENT
(Dollars in Thousands)

| Line No. | Actual 2019-20 | Budget 2020-21 | Estimate 2020-21 | Budget 2021-22 | Adjustments | Compliance Budget 2021-22 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|---------------------------------|
| <u>SOURCES</u> | | | | | | |
| 1. Net Income | 105,966 | 137,469 | 111,765 | 128,544 | 3,491 | 132,035 |
| 2. Depreciation & Amortization | 54,825 | 63,079 | 56,647 | 60,981 | - | 60,981 |
| 3. Earnings on Restricted Funds | (6,709) | (4,708) | (4,205) | 1,070 | - | 1,070 |
| 4. Proceeds from Bond Refunding to Pay Cost of Issuance | - | - | - | - | - | - |
| 5. Increased/(Decreased) Other Assets/Liabilities | <u>(46,137)</u> | <u>(37,907)</u> | <u>(63,498)</u> | <u>(59,973)</u> | - | <u>(59,973)</u> |
| 6. Available From Operations | 107,945 | 157,932 | 100,709 | 130,621 | 3,491 | 134,113 |
| 7. Drawdown of Bond Proceeds | 65,009 | 78,084 | 68,363 | 93,595 | - | 93,595 |
| 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>\$ 172,954</u> | <u>\$ 236,016</u> | <u>\$ 169,072</u> | <u>\$ 224,216</u> | <u>\$ 3,491</u> | <u>\$ 227,708</u> |
| <u>USES</u> | | | | | | |
| 13. Net Construction Expenditures | 99,336 | 154,084 | 132,727 | 165,595 | - | 165,595 |
| 14. Funded Debt Reduction: | - | - | - | - | - | - |
| 15. Revenue Bonds | 52,870 | 54,956 | 49,825 | 54,030 | - | 54,030 |
| 16. Revenue Bonds Subordinate Debt | - | - | - | - | - | - |
| 19. Temporary Financing Repayment | - | - | - | - | - | - |
| 20. Distribution of Earnings | 18,000 | 18,000 | 18,000 | 18,000 | - | 18,000 |
| Additions to (Reductions of): | - | - | - | - | - | - |
| 21. Non-Cash Working Capital | <u>(45,541)</u> | <u>(3,470)</u> | <u>9,741</u> | <u>16,020</u> | - | <u>16,020</u> |
| 22. Cash Needs | 124,665 | 223,570 | 210,293 | 253,645 | - | 253,645 |
| 23. Cash Surplus (Shortfall) | <u>48,289</u> | <u>12,447</u> | <u>(41,222)</u> | <u>(29,428)</u> | - | <u>(25,937)</u> |
| 24. TOTAL USES | <u>\$ 172,954</u> | <u>\$ 236,016</u> | <u>\$ 169,071</u> | <u>224,217</u> | <u>-</u> | <u>227,708</u> |
| 25. Cash - Beginning of Period | 124,146 | 101,805 | 172,434 | 131,213 | - | 131,213 |
| 26. Cash - Surplus (Shortfall) | <u>48,289</u> | <u>12,447</u> | <u>(41,222)</u> | <u>(29,428)</u> | - | <u>(25,937)</u> |
| 27. Ending Cash | <u>\$ 172,434</u> | <u>\$ 114,252</u> | <u>\$ 131,213</u> | <u>\$ 101,785</u> | <u>\$ -</u> | <u>\$ 105,276</u> |
| 28. Outstanding Commercial Paper - Working Capital | - | - | - | - | - | - |
| 29. Outstanding Commercial Paper - Capital | - | - | - | - | - | - |
| 30. Incremental DSIC Revenue | 31,800 | 35,000 | 35,000 | 37,000 | - | 37,000 |
| 31. Internally Generated Funds | 2,527 | 41,000 | 29,364 | 35,000 | - | 35,000 |
| 32. TOTAL IGF + Incremental DSIC Revenue | 34,327 | 76,000 | 64,364 | 72,000 | - | 72,000 |

**PHILADELPHIA GAS WORKS
DEBT SERVICE COVERAGE**

(Dollars in Thousands)

| Line No. | Actual 2019-20 | Budget 2020-21 | Estimate 2020-21 | Budget 2021-22 | Adjustments | Compliance Budget 2021-22 |
|--|-------------------|-------------------|---------------------|-------------------|-------------|---------------------------------|
| FUNDS PROVIDED | | | | | | |
| 1. Total Gas Revenues | 615,881 | 736,015 | 627,608 | 689,408 | - | 689,408 |
| 2. Other Operating Revenues | (30,944) | (12,976) | (11,322) | (11,227) | - | (11,227) |
| 3. Total Operating Revenues | 584,937 | 723,039 | 616,286 | 678,181 | - | 678,181 |
| 4. Other Income Inc. / (Dec.) Restricted Funds | 12,303 | 2,691 | 2,201 | 8,372 | - | 8,372 |
| 5. AFUDC (Interest) | 1,860 | 2,212 | 1,899 | 2,369 | - | 2,369 |
| 6. TOTAL FUNDS PROVIDED | 599,100 | 727,942 | 620,386 | 688,922 | - | 688,922 |
| FUNDS APPLIED | | | | | | |
| 7. Fuel Costs | 146,754 | 191,558 | 164,010 | 180,747 | - | 180,747 |
| 8. Other Operating Costs | 302,081 | 354,334 | 306,115 | 336,696 | (3,491) | 333,205 |
| 9. Total Operating Expenses | 448,835 | 545,892 | 470,125 | 517,443 | - | 513,952 |
| 10. Less: Non-Cash Expenses | 61,105 | 69,157 | 63,646 | 73,057 | - | 73,057 |
| 11. TOTAL FUNDS APPLIED | 387,730 | 476,735 | 406,479 | 444,386 | - | 440,895 |
| 12. Funds Available to Cover Revenue Bond Debt | 211,370 | 251,207 | 213,907 | 244,537 | - | 248,028 |
| 13. 1975 Ordinance Bonds Debt Service | - | - | - | - | - | - |
| 14. Debt Service Coverage 1975 Revenue Bonds | - | - | - | - | - | - |
| 15. Net Available after Prior Debt Service | 211,370 | 251,207 | 213,907 | 244,537 | - | 248,028 |
| 16. Equipment Leasing Debt Service | - | - | - | - | - | - |
| 17. Net Available After Prior Capital Leases | 211,370 | 251,207 | 213,907 | 244,537 | - | 248,028 |
| 18. 1998 Ordinance Bonds Debt Service | 96,182 | 106,790 | 98,002 | 102,598 | - | 102,598 |
| 19. 1999 Ordinance Subordinate Bonds Debt Service - (TXCP) | - | - | - | - | - | - |
| 20. Total New Debt Service | 96,182 | 106,790 | 98,002 | 102,598 | - | 102,598 |
| 21. Debt Service Coverage 1998 Revenue Bonds | 2.20 | 2.35 | 2.18 | 2.38 | - | 2.42 |
| 22. Net Available After 1998 Debt Service | \$115,188 | \$144,417 | \$115,905 | \$141,939 | - | \$145,430 |
| 23. Aggregate Debt Service (Combined Liens) | 96,182 | 106,790 | 98,002 | 102,598 | - | 102,598 |
| 24. Fixed Coverage Charge (Combined Liens) | 2.20 | 2.35 | 2.18 | 2.38 | - | 2.42 |
| 25. Fixed Coverage Charge including \$18.0MM City Fee | 2.01 | 2.18 | 2.00 | 2.21 | - | 2.24 |

PHILADELPHIA GAS WORKS
BALANCE SHEET
(Dollars in Thousands)

| Line No. | Actual 2019-20 | Budget 2020-21 | Estimate 2020-21 | Budget 2021-22 | Adjustment | Compliance Budget 2021-22 |
|---|--------------------|--------------------|---------------------|--------------------|--------------|---------------------------------|
| ASSETS | | | | | | |
| 1. Utility Plant Net | 1,491,420 | 1,591,691 | 1,547,942 | 1,645,295 | - | 1,645,295 |
| 2. Leasehold Asset | - | 852 | - | 739 | - | 739 |
| 3. Sinking Fund Reserve | 102,824 | 127,803 | 110,136 | 107,079 | - | 107,079 |
| 4. Capital Improvement Fund | - | 169,798 | 195,039 | 103,403 | - | 103,403 |
| 5. Capital Expenditures | - | - | - | - | - | 0 |
| 6. Restricted Investment Worker Comp Fund & Health Insurance Escrow | 2,736 | 2,759 | 2,756 | 2,784 | - | 2,784 |
| 7. Cash | 172,267 | 113,294 | 131,213 | 101,785 | 3,491 | 105,276 |
| Accounts Receivable: | | | | | | 0 |
| 8. Gas Receivable | 152,215 | 140,392 | 151,230 | 147,695 | - | 147,695 |
| 9. Other | 4,076 | 1,825 | 1,800 | 1,825 | - | 1,825 |
| 10. Accrued Gas Revenues | 7,811 | 5,528 | 5,521 | 5,800 | - | 5,800 |
| 11. Reserve for Uncollectible | (80,422) | (65,565) | (79,773) | (78,413) | - | (78,413) |
| 12. Accounts Receivable Net | 83,680 | 82,180 | 78,778 | 76,907 | - | 76,907 |
| 13. Materials & Supplies | 46,703 | 50,851 | 53,333 | 55,582 | - | 55,582 |
| 14. Other Current Assets | 8,297 | 3,160 | 8,070 | 8,230 | - | 8,230 |
| 15. Deferred Debits | 10,188 | 12,940 | 12,912 | 12,912 | - | 12,912 |
| 16. Unamortized Bond Issuance Expense | 233 | 209 | 821 | 777 | - | 777 |
| 17. Unamortized Extraordinary Loss | 31,947 | 27,471 | 27,487 | 23,440 | - | 23,440 |
| 18. Deferred Environmental | 33,758 | 47,108 | 35,753 | 34,145 | - | 34,145 |
| 19. Deferred Pension Outflows | 24,408 | 8,590 | 23,099 | 35,224 | - | 35,224 |
| 20. Deferred OPEB Outflows | 61,199 | 52,091 | 51,805 | 42,173 | - | 42,173 |
| 21. Other Assets | 21,130 | 28,934 | 31,311 | 31,070 | - | 31,070 |
| 22. TOTAL ASSETS | \$2,090,790 | \$2,319,729 | \$2,310,455 | 2,281,544 | 3,491 | 2,285,036 |
| EQUITY & LIABILITIES | | | | | | |
| 23. City Equity | \$295,528 | \$380,114 | \$389,395 | \$499,938 | \$3,491 | \$503,429 |
| Long Term Debt: | | | | | | |
| 24. Revenue Bonds | 911,606 | 1,116,650 | 1,064,941 | 1,010,911 | - | 1,010,911 |
| 25. Unamortized Discount | (52) | (48) | (52) | (48) | - | (48) |
| 26. Unamortized Premium | 88,267 | 78,577 | 129,448 | 118,057 | - | 118,057 |
| 27. Lease Obligations | - | 852 | - | 775 | - | 775 |
| 28. Notes Payable | - | - | - | - | - | 0 |
| Accounts Payable: | | | | | | 0 |
| 29. Natural Gas | 9,730 | 14,488 | 10,661 | 10,890 | - | 10,890 |
| 30. General | 59,925 | 54,281 | 59,704 | 59,484 | - | 59,484 |
| 31. Customer Deposits | 2,282 | 2,828 | 2,956 | 2,828 | - | 2,828 |
| 32. Other Current Liabilities | 4,619 | 4,647 | 3,733 | 4,647 | - | 4,647 |
| 33. Pension Liability | 237,562 | 244,675 | 229,143 | 251,730 | - | 251,730 |
| 34. OPEB Liability | 248,209 | 293,105 | 185,198 | 152,512 | - | 152,512 |
| 35. Deferred Credits | 32,932 | 4,013 | 24,868 | 8,939 | - | 8,939 |
| 36. Deferred Pension Inflows | 28,147 | 6,344 | 24,488 | 10,988 | - | 10,988 |
| 37. Deferred OPEB Inflows | 91,524 | 22,099 | 94,823 | 66,900 | - | 66,900 |
| Accrued Credits: | | | | | | 0 |
| 38. Interest | 8,010 | 7,073 | 7,601 | 7,073 | - | 7,073 |
| 39. Taxes & Wages | 6,106 | 4,222 | 4,042 | 4,222 | - | 4,222 |
| 40. Distribution to City | 3,000 | 3,000 | 3,000 | 3,000 | - | 3,000 |
| 41. Other Liabilities | 63,395 | 82,810 | 76,507 | 68,701 | - | 68,701 |
| 42. TOTAL EQUITY & LIABILITIES | \$2,090,790 | \$2,319,729 | \$2,310,455 | \$2,281,544 | 3,491 | \$2,285,038 |
| 43. Debt to Equity | 77.2% | 75.9% | 75.4% | 69.3% | | 69.2% |

**Philadelphia Gas Works
Fiscal Year 2022
Operating Budget Adjustment**

Statement of Income

- a) The Compliance Budget reflects a \$3,491,000 overall decrease in Non-Fuel Operating Expenses.
- Expenses associated with Customer Service were adjusted downward (\$260,000) as a result of reducing the cost of CIS Temporary Employees.
 - The Administrative & General Expenses reflects a upward adjustment of \$88,000 due to:
 - i. An increase in 2023 Rate Case Amortization expense of \$340,000.
 - ii. A decrease in 2020 Rate Case Amortization expense of (\$172,000).
 - iii. A decrease in PFMC purchase services of (\$80,000) consistent with the historical level of funding.
 - A reduction in expenses (\$3,319,000) shown on the Labor Costs (Retirement Payout) line associated are associated with:
 - i. A reduction in the budgeted number of retirees from 75 to 50 which reduces the Retirement Benefit Allocations (\$540,000).
 - ii. A reduction in headcount of 25 FTEs which resulted in a downwards adjustment in Labor and Fringe Benefits (\$2,779,000).

Cash Flow Statement

- b) Net Income increased by \$3,491,000 which is described in detail in the previously mentioned adjustments.

Debt Service Coverage

- c) Other Operating Costs decreased by \$3,491,000; please reference above for the explanation.

Balance Sheet

- d) Cash increased by \$3,491,000; please refer to the previously mentioned adjustments on the Statement of Income and Cash Flow Statement.
- e) City Equity increased by \$3,491,000; this is due to the revised 2022 Net Income.