



ENERGY MATTERS

Philadelphia Gas Works

(A Component Unit of the City of Philadelphia)
Annual Comprehensive Financial Report
For Fiscal Years Ended August 31, 2024 and 2023

www.pgworks.com
800 West Montgomery Avenue
Philadelphia, PA 19122





Philadelphia Gas Works (A Component Unit of the City of Philadelphia) Annual Comprehensive Financial Report For Fiscal Years Ended August 31, 2024 and 2023

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Mayor, City of Philadelphia

Leigh Whitaker
Chair, Board of Directors,
Philadelphia Facilities
Management Corporation

Seth Shapiro
President & Chief Executive Officer,
Philadelphia Gas Works

Joseph F. Golden, Jr.
Executive Vice President
& Acting Chief Financial Officer,
Philadelphia Gas Works

Prepared by:
Office of the Chief Financial Officer
Philadelphia Gas Works
Philadelphia, PA

On the cover: PGW General Foreman Anthony Benjamin (front) sets up a nitrogen tank along with Senior Pressure Mechanic Mark Slavin at a PGW worksite in order to purge a section of natural gas main within our 6,000-mile distribution system.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
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INTRODUCTORY SECTION

PGW delivers safe, affordable, reliable and sustainable natural gas to over **492,000** residential customers and **25,500** business and commercial customers across Philadelphia.

Our customers rely on us every day to provide vital energy. And, when we learned that **Marcy the new Snow Leopard at the Philadelphia Zoo** loves hardhats, we couldn't wait to bring her a few of ours to play with.



PHILADELPHIA GAS WORKS

Joseph F. Golden, Jr. • Executive Vice President & Acting Chief Financial Officer

800 West Montgomery Avenue • Philadelphia, PA 19122

Phone: 215-684-6464

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To the Board of Directors of the Philadelphia Facilities Management Corporation, Stakeholders, and People of the City of Philadelphia:

The Annual Comprehensive Financial Report (ACFR) of Philadelphia Gas Works (PGW) for the years ended August 31, 2024, and 2023 is attached hereto. The financial statements included were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (U.S. GAAP).

PGW management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. The internal controls are subject to periodic evaluation by management in order to determine their adequacy. This evaluation recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The financial statements were audited by KPMG LLP (KPMG), a firm of licensed certified public accountants. The annual audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that KPMG plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PGW's internal control over financial reporting. Accordingly, no such opinion was expressed as to PGW's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

KPMG's opinion was unqualified and states, in part, that the financial statements "present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Company, as of August 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles." The Independent Auditors' Report is presented as the first component of the financial section of this report and should be read in its entirety.

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. This letter and the MD&A should be read in their entireties.

PROFILE OF PHILADELPHIA GAS WORKS

Since 1836, PGW has supplied and delivered safe, affordable, and reliable natural gas that heats homes and fuels businesses across the City of Philadelphia. As the nation's largest municipally owned gas utility, PGW serves 500,000 customers across its 134.18 square mile service territory.

PGW safely manages and maintains 6,000 miles of critical pipeline infrastructure, which includes nine gate stations and two natural gas storage and processing plants, to meet Philadelphia's evolving energy demands while improving the quality of life for all. Those demands include a focus on reducing greenhouse gas emissions and improving the energy efficiency of its customers.

Under management by the non-profit corporation, the Philadelphia Facilities Management Corporation (PFMC), PGW's 1,600-member workforce performs the essential work of providing dependable service supported by steadfast leadership and oversight and sound fiscal practices.

In Fiscal Year 2024 (FY 2024), PGW's bond rating from Moody's Investors Services Inc., was affirmed at A3; Fitch Ratings Inc., affirmed an A- rating and updated the outlook from Stable to Positive; and S&P Global Inc., designated an A rating to PGW.

ENERGY MATTERS

Safety is number one at PGW. In FY 2024, PGW responded to 31,130 safety calls and responded to 98.6% of those calls in an hour or less.

PGW also responded to approximately 80,000 calls to 8-1-1, Pennsylvania's one-call hotline, to mark underground natural gas structures. This proactive safety measure helps ensure PGW's communities, and all utility service providers, are kept safe.

Along with safety, PGW customers rely on the availability of affordable natural gas to help lower their energy costs and improve their quality of life. Natural gas remains the cheapest way to heat a Philadelphia home compared to other fuel sources like electricity, propane, or heating oil. This is due in part to the abundance in supply and extensive infrastructure in the United States but also because of the unique efforts PGW takes to proactively support its customers.

PGW offers a robust portfolio of energy efficiency programs, financial assistance programs and gives support to its income eligible customers with accessing federally funded assistance like Low Income Home Energy Assistance Program (LIHEAP) which offers a grant up to \$1,000 toward a customer's bill. Between FY 2014 and FY 2024, the average annual natural gas cost for a PGW residential customer has decreased 3.4% in part due to efforts led by PGW to help households further reduce energy usage, and access financial support.

One such program is the PGW Customer Responsibility Program (CRP), which offers a discount on customers' bills. With CRP, income eligible customers enrolled in the program can lower their bill by up to half each month and eliminate past debt. The CRP discount is based on factors like your household size, gross household income and the home's average natural gas bill. Over 61,000 accounts were enrolled in CRP in FY 2024. Over 40,000 customers received a LIHEAP grant in FY 2024, helping to ease their financial burden.

PGW's work to reduce the cost of energy for customers and provide affordable energy bills has supported the company's strong collection rate. In FY 2024 PGW reported a collection rate of 98%.

INFRASTRUCTURE INVESTMENT



In FY 2024, PGW was provisionally awarded a \$75 million Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA). This means that PGW can perform necessary infrastructure upgrades while eliminating costs for customers, improve public safety, protect public health, and reduce methane emissions from natural gas distribution pipes.

The PHMSA NGDISM grant program was made possible by the Bipartisan Infrastructure Law signed by President Biden on November 15, 2021. The program offers nearly \$200 million in grants annually over five years to improve the safety of high-risk, leak-prone natural gas distribution infrastructure and create well-paying jobs, with an emphasis on benefiting

underserved communities, in both rural and urban areas. In addition to the NGDISM grants, PGW invested \$83 million in pipeline replacement in FY 2024, replacing 32.6 miles of pipeline, and reducing emissions by 6,642 tons of CO₂e, helping to fast-track PGW's 2050 carbon reduction goals.

CUSTOMER GROWTH

PGW joined the Mid-Atlantic Clean Hydrogen Hub (MACH2) in FY 2022. MACH2 is a conglomerate of the City of Philadelphia, local unions, industry, educational institutions and organizations from Pennsylvania, Delaware and New Jersey, all committed to diversifying energy through hydrogen research and implementation.

In FY 2024, the U.S. Department of Energy (DOE) announced the launch of \$7 billion of grant funding for America's first clean Hydrogen Hub; MACH2 was one of the seven organizations selected to receive this grant. Within that \$7 billion, PGW and the Philadelphia region will receive up to \$750 million to start developing hydrogen facilities and assisting in the development of new dedicated hydrogen pipelines.

In addition, PGW considers Combined Heat and Power (CHP) an important energy option for customers, providing increased resiliency, diminished redundancy, improved efficiency, reduced operational costs, and enhanced environmental benefits. PGW's CHP offerings provide valuable technical assistance and incentives to support new CHP systems. With the assistance of PGW, large commercial customers are also

assisted with identifying state and federal grants and can benefit from free preliminary grade audits and economic analyses.

PAVING THE WAY FORWARD

In FY 2024, PGW's Diverse Business Development Program (DBDP) launched its first cohort, helping diverse and local suppliers prepare for and navigate the procurement process and potential contracting opportunities in the natural gas industry.

This first cohort was tailored to natural gas main replacement construction. By allocating resources toward the DBDP, PGW diversifies its vendor pool while also prioritizing its Main Replacement Program, creating jobs in Philadelphia and reducing emissions.

FY 2024 saw PGW set a comprehensive emission reductions target and published these goals in its first official Greenhouse Gas Emissions Reduction Report, available on pgworks.com. To reach this target, PGW will continue infrastructure upgrades; consolidation of its physical buildings; and expansion of its demand side management programs such as EnergySense, which provide customer rebates on energy efficient equipment.

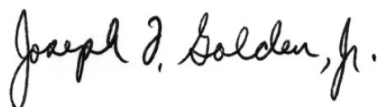
The affordability of natural gas remains a critical factor in meeting energy needs for both individual customers and industries overall. As PGW moves into the future, it will continue to deliver Philadelphians affordable energy without compromising on safety, reliability or sustainability.

ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PGW for its ACFR for the fiscal year ended August 31, 2023. This was the twelfth straight year that PGW received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an ACFR that satisfies both U.S. GAAP and legal requirements. The Certificate of Achievement is valid for a period of one year only. PGW believes that its current report continues to conform to the Certificate of Achievement program requirements and is submitting it to the GFOA for consideration for another certificate. This report for FY 2024 is PGW's Thirteenth submission to the program. The preparation of the ACFR on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Chief Financial Officer as well as various other departments within PGW. Each has my sincere appreciation for their valuable contributions.

On behalf of Philadelphia Gas Works, which has proudly served the needs of Philadelphia, its residents and its businesses since 1836, I am pleased to present PGW's ACFR, for the fiscal year ended August 31, 2024.

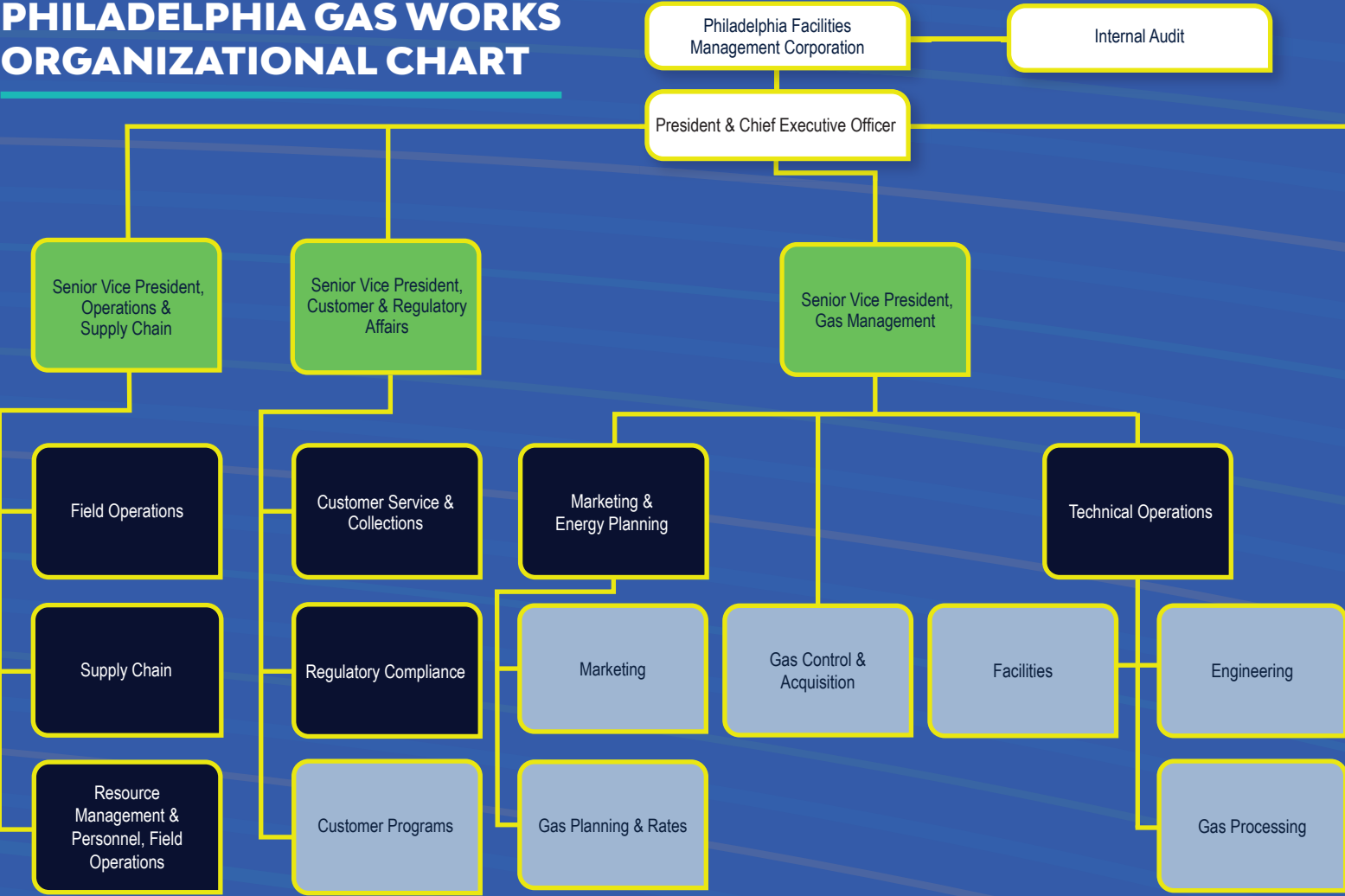
Respectfully submitted,



Joseph F. Golden, Jr.
Executive Vice President and Acting Chief Financial Officer

February 17, 2025

PHILADELPHIA GAS WORKS ORGANIZATIONAL CHART



LEADERSHIP¹

Seth A. Shapiro
President & Chief Executive Officer

Joseph F. Golden, Jr.
Executive Vice President & Acting Chief Financial Officer

Denise Adamucci
Senior Vice President, Customer & Regulatory Affairs

Raquel N. Guzmán, Esquire
Senior Vice President, Administration & General Counsel

Melanie O. McCottry
Chief of Staff & Senior Vice President, Corporate Communications & External Affairs

Robert K. Smith
Senior Vice President, Operations & Supply Chain

Frank Weigert
Chief Information Officer, Information Services

John C. Zuk
Senior Vice President, Gas Management

Daniel J. Cassidy
Vice President, Technical Operations

Bernard L. Cummings
Vice President, Customer Service & Collections

Kelly A. DeLussey
Vice President, Operations Resource Management

Anthony Dinkins
Vice President, Human Resources & Organizational Development

David L. Forde
Vice President, External Affairs

Daniel M. Furtek
Vice President, Data Analytics & Reporting

William J. Gallagher
Vice President, Budget & Strategic Development

Elliott S. Gold
Vice President, Corporate Planning

Joseph R. Hawkinson
Vice President, Field Operations

Tyra Jackson
Vice President, Regulatory Compliance

Joanne M. Kelly
Vice President, Information Services Infrastructure & Service Management

Jane E. Lamb
Vice President, Risk Management & Environmental Services

Daniel E. Leonard, Jr.
Vice President, Finance & Controller

Anthony P. Mauro
Vice President, Supply Chain

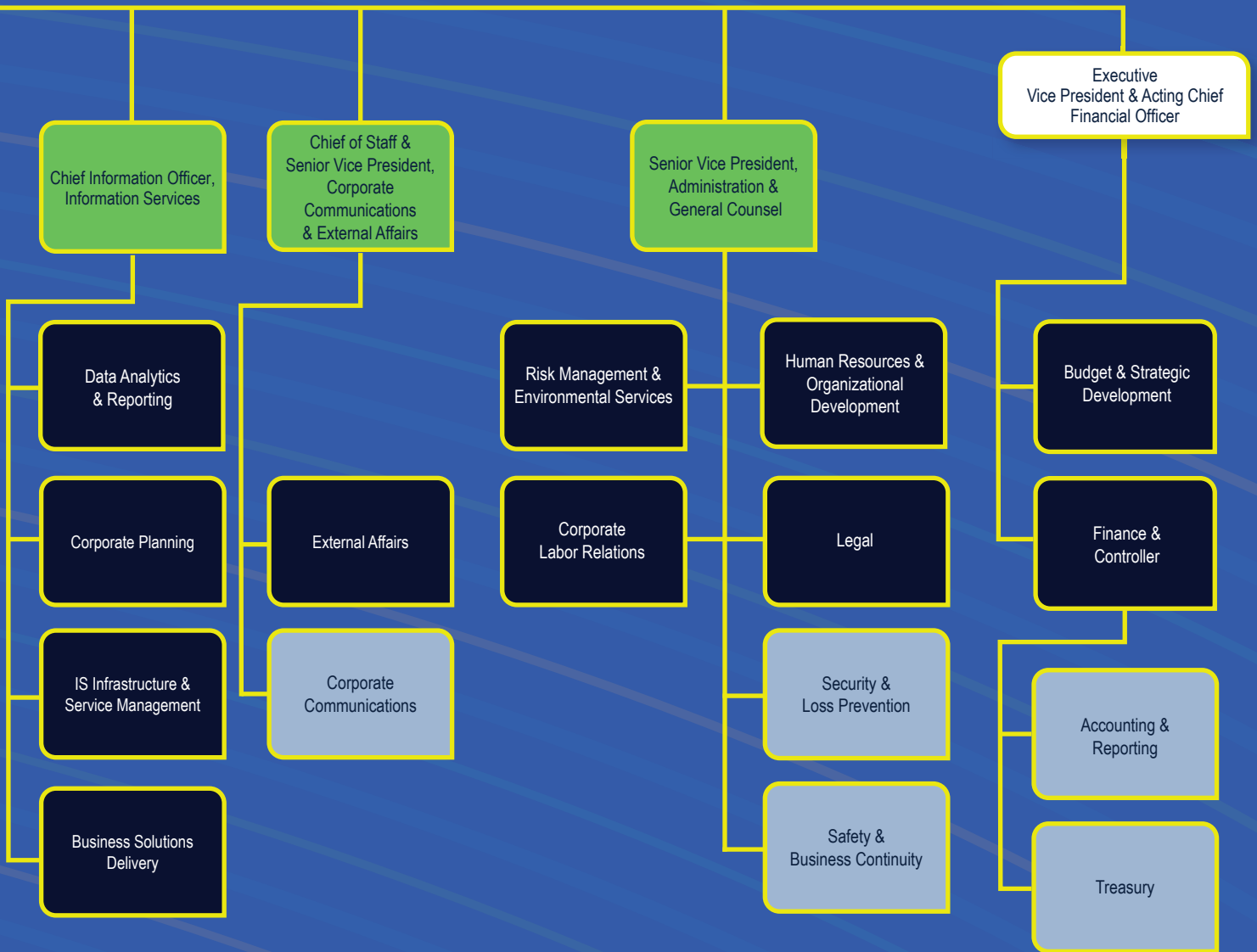
Vaneeda L. McDonald
Vice President, Corporate Labor Relations

Nimeshkumar S. Patel
Vice President, Business Solution Delivery

Florian Teme
Vice President, Marketing & Energy Planning

Brett A. Zahorchak
Vice President, Legal & Associate General Counsel

¹As of August 31, 2024.



BOARD OF DIRECTORS²



Leigh N. Whitaker, Esq.
Principal,
Government Relations,
Buchanan Ingersoll
& Rooney PC
Board Chair



Sinceré Harris
Chief Deputy Mayor,
Office of
Mayor Cherelle L. Parker,
City of Philadelphia
Board Vice-Chair



Gregory Segall
Chairman & CEO,
Versa Capital Group,
LLC
Board Treasurer



Lauren Gilchrist
Executive Vice President,
Market Leader,
Newmark
Board Secretary



Obra S. Kernodle, IV
Director of
Government Affairs,
American Airlines
Board Member



Albert Mezzaroba, Esq.
Of Counsel,
Genova Burns
Board Member



**Natalia Dominguez
Buckley**
Director, Bureau
of Redevelopment,
Capital & Debt,
Commonwealth of Pennsylvania
Board Member

² As of February 17, 2025



Government Finance Officers Association

Certificate of
Achievement
for Excellence
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Reporting

Presented to

**Philadelphia Gas Works
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2023

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

In FY 2024, PGW was provisionally **awarded a \$75 million Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant** from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA).

The funding will be used toward PGW's Main Replacement Program, which directly supports the delivery of safe, reliable energy and advances PGW's methane reduction program efforts. PGW expects to complete its cast iron replacement project by 2058. This \$75 million grant will allow the replacement of 40 miles of cast iron main.



KPMG LLP
Suite 4000
1735 Market Street
Philadelphia, PA 19103-7501

Independent Auditors' Report

The Controller of the City of Philadelphia and
Chairman and members of Philadelphia Facilities
Management Corporation
Philadelphia, Pennsylvania:

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Philadelphia Gas Works (the Company), a component unit of the City of Philadelphia, as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Company, as of August 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the Philadelphia Gas Works OPEB Trust (the Trust), which represents 100% of the fiduciary activities as of and for the years ended December 31, 2023 and 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Trust, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and the required supplementary information related to the pension and other postemployment benefit obligations as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Philadelphia, Pennsylvania
December 20, 2024

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PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2024 and 2023 (Unaudited)

The narrative overview and analysis of the financial statements of Philadelphia Gas Works (the Company or PGW) for the years ended August 31, 2024 and 2023 have been prepared by PGW's management. The information presented here is unaudited and should be read in conjunction with additional information contained in PGW's basic financial statements and notes to basic financial statements.

Financial Highlights

- The Fiscal Year (FY) 2024 weather reflected a 12.2% warmer than normal winter. The FY 2024 period was 1.8% colder than the prior year and total gas sales were approximately 35.8 Billion Cubic Feet (Bcf). The Weather Normalization Adjustment (WNA) Clause, which was in effect from October 2023 through April 2024, resulted in heating customers receiving charges totaling \$25.6 million. The FY 2023 weather reflected a 13.7% warmer than normal winter. The FY 2023 period was 2.9% warmer than the prior year and total gas sales were approximately 36.6 Bcf. The WNA Clause, which was in effect from October 2022 through April 2023, resulted in heating customers receiving charges totaling \$32.4 million. Actual degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport.
- PGW achieved 24-month collection rates of 98.4% in FY 2024, 97.8% in FY 2023, and 96.7% in FY 2022. For FY 2024, the collection rate is calculated by dividing the total gas receipts collected from September 1, 2022 through August 31, 2024 by the total gas billings that were applied to PGW customers' accounts from September 1, 2022 through August 31, 2024. The same methodology was utilized in FY 2023 and FY 2022.
- PGW continues to have various business initiatives that pertain to improving collections, productivity, and operational efficiencies throughout the Company. PGW, at the end of FY 2024, had \$35.0 million in Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) and no Gas Works Revenue Notes outstanding. See note 6 for more information. PGW, at the end of FY 2023 and FY 2022, had no Capital Project Notes or Gas Works Revenue Notes outstanding. The cash balances at the end of FY 2024, FY 2023, and FY 2022 were \$115.6 million, \$139.3 million, and \$115.6 million, respectively.
- At December 15, 2024 and 2023, \$120.0 million was available from the commercial paper program. The cash balance on December 13, 2024 and on December 15, 2023 was \$45.1 million and \$114.5 million, respectively.
- The Company's FY 2024 Capital Budget was approved by the City Council of the City of Philadelphia in an amount not to exceed \$194.4 million and funding was provided to continue the implementation of an 18-mile Cast Iron Main Replacement (CIMR) Program. The CIMR Program cost for FY 2025 is expected to be \$61.6 million. The total six-year cost of the CIMR Program is forecasted to be \$347.1 million.
- Base rates:
 - On February 27, 2023, PGW filed for an increase in its distribution base rates with the Pennsylvania Public Utility Commission (PUC). The filing sought a general rate increase calculated to produce \$85.8 million, or 10.3%, in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates.

(Continued)

PHILADELPHIA GAS WORKS
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Management's Discussion and Analysis
August 31, 2024 and 2023 (Unaudited)

- PGW and all other rate case parties did not reach a settlement agreement, leading to litigation of the rate case issues. On September 5, 2023, the Administrative Law Judges (ALJ) issued their Recommended Decision for a \$22.3 million, or 2.7%, increase over present rates. On September 15, 2023, PGW submitted Exceptions to the ALJ's Recommended Decision.
- On November 9, 2023, the PUC entered its Order and Opinion in the case, which approved an annual operating revenue increase of \$26.2 million, or 3.15% over present rates. The Order and Opinion granted, in part, exceptions filed by the Office of Consumer Advocate (OCA), the Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG), and PGW. PGW filed the new tariff November 28, 2023 with rate increase for service rendered on or after November 29, 2023.
- Management anticipates that PGW may make its next filing with the PUC for a base rate increase in FY 2025 in an amount of approximately \$70.0 million.
- In FY 2024, the Company adopted the following provisions of the Governmental Accounting Standards Board (GASB):
 - GASB Statement No. 99, *Omnibus* (GASB 99). The Company early adopted financial reporting requirements regarding subscription-based information technology arrangements (SBITAs) and London Interbank Offered Rate (LIBOR). The remaining components of this Statement had no impact on PGW's current accounting practices nor its financial reporting.
 - GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* (GASB 100), had no impact on PGW's current financial report.

For further information, see Note 1(v), New Accounting Pronouncements.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction and overview of PGW's basic financial statements. PGW's financial statements comprise the following:

Basic financial statements provide both long-term and short-term information about PGW's overall financial condition, results of operations, and cash flows.

The notes to basic financial statements provide additional information that is essential for a full understanding of the data presented in PGW's financial statements. The notes can be found immediately following the basic financial statements.

The financial statements report information about PGW as a whole using accounting methods similar to those used by private sector business. The three statements presented are as follows:

The balance sheets include all PGW's assets, liabilities, and deferred inflows and outflows of resources, with the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position are indicators of whether PGW's financial position is improving or deteriorating.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2024 and 2023 (Unaudited)

The statements of revenues and expenses and changes in net position present revenues and expenses and their effects on the change in net position during the fiscal year. These changes in net position are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The statements of cash flows provide relevant information about the cash receipts and cash payments of an enterprise during a period and the impact on PGW's financial position.

Condensed Statements of Revenues and Expenses and Changes in Net Position

(Thousands of U.S. dollars)

	As of August 31		
	2024	2023	2022
Total gas revenues	\$ 627,489	663,154	765,629
Other revenues	36,580	47,872	39,808
Total operating revenues	664,069	711,026	805,437
Fuel expense	164,192	223,996	272,468
All other operating expenses	347,269	340,207	299,416
Total operating expenses	511,461	564,203	571,884
Operating income	152,608	146,823	233,553
Investment gain (loss) and other income	14,467	14,000	(1,523)
Total interest expense	(39,507)	(38,890)	(39,597)
Distribution to the City of Philadelphia	(18,000)	(18,000)	(18,000)
Excess of revenues over expenses	109,568	103,933	174,433
Net position, beginning of year	728,282	624,349	450,053
Implementation of GASB 96	—	—	(137)
Net position, end of year	\$ 837,850	728,282	624,349

Operating Revenues

Operating revenues in FY 2024 were \$664.1 million, a decrease of \$46.9 million, or 6.6%, from FY 2023. The decrease was primarily the result of lower Gas Cost Rates (GCR), which was driven by decreased commodity prices, and a \$10.4 million, or 25.8%, decrease in the appropriation for uncollectible accounts. Operating revenues in FY 2023 were \$711.0 million, a decrease of \$94.4 million, or 11.7%, from FY 2022. The decrease was primarily the result of lower Gas Cost Rates (GCR), which was driven by decreased commodity prices, and a \$15.0 million, or 59.3%, increase in the appropriation for uncollectible accounts.

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Total sales volumes, including gas transportation deliveries, in FY 2024 decreased by 0.5 Bcf, or 0.7%, to 67.2 Bcf from the FY 2023 sales volumes of 67.6 Bcf. In FY 2024, firm gas sales of 35.3 Bcf were 0.4 Bcf, or 1.1%, lower than FY 2023. Interruptible gas sales were 0.4 Bcf lower than the FY 2023 level. The volume of natural gas transported for gas transportation customers in FY 2024 increased by 0.1 Bcf compared to the FY 2023 level. Total sales volumes, including gas transportation deliveries, in FY 2023 decreased by 3.9 Bcf, or 5.4%, to 67.6 Bcf from the FY 2022 sales volumes of 71.5 Bcf. In FY 2023, firm gas sales of 35.7 Bcf were 4.2 Bcf, or 10.6%, lower than FY 2022 and interruptible gas sales approximated the FY 2022 level. The volume of natural gas transported for gas transportation customers in FY 2023 decreased by 0.3 Bcf compared to the FY 2022 level.

Provision for Uncollectible Accounts – The provision for uncollectible accounts in FY 2024 totaled \$29.9 million, a decrease of \$10.4 million, or 25.8%, compared to FY 2023. The decrease in the provision for uncollectible accounts in FY 2024 is mainly due to higher collection rates achieved in FY 2024. The provision for uncollectible accounts in FY 2023 totaled \$40.3 million, an increase of \$15.0 million, or 59.3%, compared to FY 2022. The increase in the provision for uncollectible accounts in FY 2023 reflects the cessation of the PUC moratorium and a return to normal collections efforts. In FY 2022, PGW established a regulatory asset for outstanding delinquent account balances in anticipation that it would recover losses relating to the COVID-19 pandemic. The losses are specifically associated with the PUC moratorium, beginning in March 2020, and ending in March 2021, on shutting off gas services to customers who otherwise would be eligible for shutoff.

The total number of customers served by PGW was approximately 518,000 in FY 2024 and FY 2023 and 522,000 in FY 2022. In FY 2024, there were approximately 25,000 Commercial accounts and 500 Industrial accounts, reflecting no change from the previous two fiscal years. The number of residential accounts in FY 2024 was approximately 493,000 customers, which reflected no change from the FY 2023 level and a 3,600 decrease of customers from the FY 2022 level.

Operating Expenses

Total operating expenses, including fuel costs, in FY 2024 were \$511.5 million, a decrease of \$52.7 million, or 9.3%, from FY 2023. The decrease for FY 2024 was mainly caused by the decreased cost of fuel. This decrease was partially offset by the increase in field operations and administrative and general expenses. Total operating expenses, including fuel costs, in FY 2023 were \$564.2 million, a decrease of \$7.7 million, or 1.3%, from FY 2022. The decrease for FY 2023 was mainly caused by the decreased cost of fuel. This decrease was partially offset by the increase in amortization of the unfunded actuarially determined pension and other postemployment benefits liability and an increase in net depreciation expense.

Cost of Fuel – The cost of natural gas utilized decreased by \$59.8 million, or 26.7%, to \$164.2 million in FY 2024 compared with \$224.0 million in FY 2023. In FY 2024 compared to FY 2023, the average commodity price per Thousand Cubic Feet (Mcf) decreased by \$1.92, or \$72.3 million, and the volume of natural gas utilized decreased by 0.3 Bcf, or \$1.3 million. Demand charges in FY 2024 were approximately \$1.2 million greater in FY 2024 when compared to the same period in FY 2023. There were relatively no pipeline supplier refunds compared to refunds of \$12.4 million in FY 2023. The cost of natural gas utilized decreased by \$48.5 million, or 17.8%, to \$224.0 million in FY 2023 compared with \$272.5 million in FY 2022. In FY 2023 compared to FY 2022, the average commodity price per Thousand Cubic Feet (Mcf) decreased by \$0.16, or \$6.3 million, and the volume of natural gas utilized decreased by 5.7 Bcf, or \$26.0 million. Demand charges in FY 2023 were approximately \$3.7 million less in FY 2023 when compared to the same period in FY 2022. The

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pipeline supplier refunds in FY 2023 were approximately \$12.4 million as compared to refunds of \$0.3 million in FY 2022.

Variations in the cost of purchased gas are passed through to customers under the GCR provision of PGW's rate schedules. Over recoveries or under recoveries of purchased gas costs are subtracted from or added to gas revenues and are included in other current assets or other current liabilities on the balance sheets, thereby eliminating the effect that recovery of gas costs would otherwise have on net income.

The average natural gas commodity prices for utilized natural gas for FY 2024, FY 2023, and FY 2022 were \$2.47, \$4.39, and \$4.55 per Mcf, respectively.

Other Operating Expenses – Expenditures for street operations, infrastructure improvements, and plant operations in FY 2024 were \$122.2 million, a \$6.8 million, or 5.9%, increase from the FY 2023 total of \$115.4 million. The increase in FY 2024 was caused primarily by higher material and labor costs. Expenditures for street operations, infrastructure improvements, and plant operations in FY 2023 were \$115.4 million, a \$10.7 million, or 10.2%, increase from the FY 2022 total of \$104.7 million. The increase in FY 2023 was caused primarily by higher material, tools and uniforms, and information services costs.

Additionally, expenses of \$113.6 million related to collection and account management, customer services, marketing, and the administrative area increased by \$16.1 million, or 16.5%, in FY 2024 primarily as compared to FY 2024 due to higher expenses relating to regulatory compliance and customer programs, risk management, and corporate settlements. Expenses of \$97.5 million related to collection and account management, customer services, marketing, and the administrative area increased by \$2.6 million, or 2.7%, in FY 2023 primarily as compared to FY 2022 due to higher expenses relating to security and risk management, including higher purchased services cost and higher appropriations to the reserve.

Pension expense decreased by \$6.2 million to \$25.3 million in FY 2024 as compared to FY 2023 primarily due to asset gain. The investment gain was primarily due to the difference between projected and actual investment earnings recognized over a closed five-year period. Pension expense increased by \$10.8 million to \$31.5 million in FY 2023 as compared to FY 2022 due primarily to the increase of amortization of unfunded liability under GASB 68. The increase in the unfunded liability in FY 2023 was due primarily to lower than anticipated earnings experienced during the respective period.

OPEB expense decreased by \$3.7 million to \$1.1 million in FY 2024 as compared to FY 2023. The decrease in 2024 was due primarily to the difference between projected and actual investment earnings recognized over a closed five-year period and changes to demographic assumptions. OPEB expense increased by \$6.0 million to \$4.8 million in FY 2023 as compared to FY 2022. The increase in 2023 was due primarily to lower than anticipated earnings experienced during the respective periods and changes to demographic assumptions.

Net Depreciation Expense – Net depreciation expense decreased by \$6.7 million in FY 2024 compared with FY 2023. Net depreciation expense increased by \$9.7 million in FY 2023 compared with FY 2022. The composite depreciation rates was 2.0% for FY 2024 and 2.1% FY 2023 and FY 2022. Cost of removal is charged to expense as incurred.

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Investment Gain (Loss) and Other Income – Investment gain (loss) and other income in FY 2024 was \$0.5 million higher than FY 2023. The increase was primarily due to a \$5.4 million increase in interest and dividends earned. The increase was partially offset by a decrease in gains on investments. Investment gain (loss) and other income in FY 2023 was \$15.5 million higher than FY 2022. The increase was primarily due to a \$6.9 million increase in interest and dividends earned and a \$4.3 million mark to market gain on restricted and unrestricted investments.

Interest Expense – Total interest expense was \$39.5 million in FY 2024, an increase of \$0.6 million, or 1.5%, when compared with FY 2023. The increase was primarily due to a \$1.6 million increase of interest paid on lease assets. The increase was offset by a decrease of \$1.5 million, or 3.3% in interest paid on long-term debt. Interest on long-term debt was lower in FY 2024 due to the normal amortization of long-term debt. Total interest expense was \$38.9 million in FY 2023, a decrease of \$0.7 million, or 1.8%, when compared with FY 2022. Interest on long-term debt was \$44.8 million, a decrease of \$2.2 million, or 4.7%, lower in FY 2023 when compared to FY 2022. Interest expense was lower in FY 2023 due to the normal amortization of long-term debt.

Excess of Revenues over Expenses – In FY 2024, the Company's excess of revenues over expenses was \$109.6 million, an increase of \$5.7 million from FY 2023. This increase is primarily due to a \$12.8 higher contribution margin and a \$6.7 million decrease in depreciation, which was offset by a \$13.8 million increase in operating expenses, excluding the cost of fuel. In FY 2023, the Company's excess of revenues over expenses was \$103.9 million, a decrease of \$70.5 million from FY 2022. This decrease is primarily due to lower contribution margins, a \$9.7 million increase in depreciation, and a \$31.3 million increase in operating expenses, excluding the cost of fuel.

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Condensed Balance Sheets

(Thousands of U.S. dollars)

Assets and Deferred Outflows of Resources	As of August 31		
	2024	2023	2022
Current assets:			
Accounts receivable (net of accumulated provision for uncollectible accounts of \$89,594, \$108,990, and \$108,186 for 2024, 2023, and 2022, respectively)	\$ 89,137	91,957	107,001
Restricted investment funds	2,929	46,508	110,489
Cash and cash equivalents, cash designated for capital expenditures, gas inventories, materials, and supplies and other current assets	197,931	234,141	224,704
Total current assets	289,997	372,606	442,194
Noncurrent assets:			
Utility plant, net	1,900,043	1,815,469	1,657,809
Unamortized bond insurance costs	639	681	725
Capital improvement fund	—	—	4,851
Sinking fund, revenue bonds	116,145	109,581	106,188
Other assets	59,462	57,760	64,192
Total noncurrent assets	2,076,289	1,983,491	1,833,765
Total assets	2,366,286	2,356,097	2,275,959
Deferred outflows of resources:			
Unamortized losses on bond refunding	16,449	19,763	23,321
Deferred outflows related to pension	11,113	29,060	68,189
Deferred outflows related to OPEB	91,583	100,068	62,576
Total deferred outflows	119,145	148,891	154,086
Total assets and deferred outflows of resources	\$ 2,485,431	2,504,988	2,430,045

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Net Position, Liabilities, and Deferred Inflows of Resources	As of August 31		
	2024	2023	2022
Net position:			
Net investment in capital assets	\$ 857,452	744,673 *	674,529
Restricted	119,074	112,359	108,855
Unrestricted	(138,676)	(128,750) *	(159,035)
Total net position	837,850	728,282	624,349
Noncurrent liabilities:			
Long-term revenue bonds	914,850	980,578	1,050,687
Other noncurrent liabilities	93,128	82,992	38,811
Net pension liability	186,671	229,433	261,082
Total OPEB liability	113,707	208,706	149,231
Total noncurrent liabilities	1,308,356	1,501,709	1,499,811
Current liabilities:			
Current portion of revenue bonds	65,728	70,110	64,202
Notes payable	35,000	—	—
Other current liabilities	132,876	159,155	130,492
Total current liabilities	233,604	229,265	194,694
Deferred inflows of resources:			
Deferred inflows related to gain on bond refunding	145	156	168
Deferred inflows related to pension	20,160	—	5,937
Deferred inflows related to OPEB	82,154	40,372	102,608
Deferred inflows related to interest rate swap	3,162	5,204	2,478
Total deferred inflows	105,621	45,732	111,191
Total net position, liabilities, and deferred inflows of resources	\$ 2,485,431	2,504,988	2,430,045

* FY 2023 has been restated to include payables, lease liabilities, and the deferred inflows and outflows related to bond refunding.

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Assets

Accounts Receivable – In FY 2024, accounts receivable (net) of \$89.1 million decreased by \$2.9 million, or 3.2%, from FY 2023. This correlates with the decrease in total operating revenues of 6.6% compared to FY 2023. Customer accounts receivables at August 31, 2024 reflect a balance of \$167.8 million, a decrease of \$22.9 million compared to \$190.7 million balance at August 31, 2023. Accrued gas revenues at August 31, 2024 reflect a balance of \$8.9 million, an increase of \$0.3 million compared to the \$8.6 million balance at August 31, 2023. The accumulated provision for uncollectible accounts at August 31, 2024 reflects a balance of \$89.6 million, a decrease of \$19.4 million compared to the \$109.0 million balance at August 31, 2023. In FY 2023, accounts receivable (net) of \$92.0 million decreased by \$15.0 million, or 14.0%, from FY 2022. This correlates with the decrease in total operating revenues of 11.7% compared to FY 2022. Customer accounts receivables at August 31, 2023 reflect a balance of \$190.7 million, a decrease of \$8.7 million compared to \$199.4 million balance at August 31, 2022. Accrued gas revenues at August 31, 2023 reflect a balance of \$8.6 million, a decrease of \$2.7 million compared to the \$11.3 million balance at August 31, 2022. The accumulated provision for uncollectible accounts at August 31, 2023 reflects a balance of \$109.0 million, an increase of \$0.8 million compared to the \$108.2 million balance at August 31, 2022. Net write-offs for FY 2024 were \$49.3 million as compared to \$39.5 million in FY 2023 and \$30.3 million in FY 2022.

Cash and Cash Equivalents, Gas Inventories, Materials, and Supplies, and Other Current Assets – In FY 2024, cash and cash equivalents totaled \$115.6 million, a decrease of \$23.7 million from the FY 2023 total of \$139.3 million. The decrease in the cash balance at the end of FY 2024 was primarily a result of a decrease of receipts from customers and overall decrease in net cash provided by operating activities. In FY 2023, cash and cash equivalents totaled \$139.3 million, an increase of \$23.7 million from the FY 2022 total of \$115.6 million. The increase in the cash balance at the end of FY 2023 was primarily a result of an increase of receipts from customers and overall increase in net cash provided by operating activities.

In FY 2024, gas inventories, materials, and supplies totaled \$67.4 million, a decrease of \$12.1 million, or 15.2% from the FY 2023 total of \$79.5 million. In FY 2024, gas storage totaled \$50.1 million, a decrease of \$15.2 million when compared to FY 2023. The decrease in gas inventory reflects a decrease in the weighted average cost of gas stored in inventory. The weighted average cost of gas as of August 31, 2024 decreased approximately \$1.0 per Mcf, or 24.9%, compared to August 31, 2023. Volumes in storage stayed relatively consistent. Actual volumes in storage as of August 31, 2024 volumes were 15.6 Bcf, a 0.3 Bcf, or 1.9%, increase when compared to FY 2023. In FY 2023, gas inventories, materials, and supplies totaled \$79.5 million, a decrease of \$13.4 million, or 14.4% from the FY 2022 total of \$92.9 million. In FY 2023, gas storage totaled \$65.3 million, a decrease of \$16.2 million when compared to FY 2022. The decrease in gas inventory reflects a decrease in the weighted average cost of gas stored in inventory. The weighted average cost of gas as of August 31, 2023 decreased approximately \$1.1 per Mcf, or 21.6%, compared to August 31, 2022. Volumes in storage stayed relatively consistent. Actual volumes in storage as of August 31, 2023 volumes were 15.3 Bcf, a 0.4 Bcf, or 2.4%, increase when compared to FY 2022.

Other current assets totaled \$14.9 million in FY 2024, a decrease of \$0.5 million, from FY 2023. Other current assets totaled \$15.4 million in FY 2023, a decrease of \$0.8 million, from FY 2022.

Restricted Investment Funds – Restricted Investment Funds include the current portion of the Capital Improvement Fund and the Workers' Compensation Escrow Fund. Restricted Investment Funds decreased by \$43.6 million in FY 2024 compared to FY 2023. The balances of the current portion of the Capital Improvement

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Fund at August 31, 2024, 2023, and 2022 were \$0.0 million, \$43.7 million, and \$107.8 million, respectively. PGW withdrew \$43.9 million, \$81.0 million, and \$72.0 million to finance various capital initiatives in FY 2024, FY 2023, and FY 2022, respectively. Pursuant to the Pennsylvania Department of Labor and Industry Bureau of Workers' Compensation Self-Insurance policy, the Company has established and maintains a restricted trust account. As of August 31, 2024, 2023, and 2022, the trust account balances were \$2.9 million, \$2.8 million, and \$2.7 million, respectively.

Utility Plant and Other Noncurrent Assets – In FY 2024, noncurrent assets including utility plant, net, the long-term portion of the Capital Improvement Fund, the revenue bonds' Sinking Fund, and unamortized bond insurance costs, totaled \$2,076.3 million, an increase of \$92.8 million from FY 2023. This increase is due to the large amounts of capital projects placed in service in FY 2024. In FY 2023, noncurrent assets including utility plant, net, the long-term portion of the Capital Improvement Fund, the revenue bonds' Sinking Fund, and unamortized bond insurance costs, totaled \$1,983.5 million, an increase of \$149.7 million from FY 2022. This increase is due to the large amounts of capital projects placed in service in FY 2023.

Utility plant, net, totaled \$1,900.0 million in FY 2024, an increase of \$84.5 million, or 4.7%, compared with the FY 2023 balance. Utility plant, net, totaled \$1,815.5 million in FY 2023, an increase of \$157.7 million, or 9.5%, compared with the FY 2022 balance. Capital expenditures for construction of distribution facilities, purchase of equipment, information technology enhancements, and other general improvements were \$149.1 million in FY 2024 compared to \$150.2 million in FY 2023 and \$151.1 million in FY 2022. In FY 2023, PGW added a capital lease for the Company's North Operations Center ("NOC"), which contributed approximately \$78.0 million to the increase of utility plant, net. For additional information on the Company's capital assets, see note 1(g) *Utility Plant* of the basic financial statements.

In early 2012, Act 11 was enacted by the Pennsylvania Legislature. Act 11 permitted public utilities to file a request with the PUC for the implementation of a Distribution System Improvement Charge (DSIC). A DSIC permits natural gas distribution companies to recover the costs related to main and service replacement not already recovered in base rates. This legislation provides utility companies with a supplemental recovery mechanism for costs related to incremental/accelerated distribution system repair, improvement, and replacement. Act 11 permits gas utilities to recover 5.0% of their nonages revenues via the recovery mechanism and permits greater percentage increases if approved by the PUC. The Company started billing customers a DSIC surcharge as of July 1, 2013. On September 1, 2015, PGW proposed an increase in the DSIC from 5.0% to 7.5% of distribution revenues and to levelize and annualize the DSIC. The PUC issued an Order and Opinion granting PGW's request to increase its DSIC to 7.5% on January 28, 2016 which went into effect on February 1, 2016. In FY 2024, FY 2023 and FY 2022, the Company billed customers \$35.0 million, \$34.6 million, and \$36.8 million respectively, for the DSIC surcharge. The DSIC surcharge is fully reconcilable on a calendar-year basis. For additional information, see note 1(h) *Revenue Recognition* of the basic financial statements.

Deferred Outflows of Resources Related to Hedging Derivatives and Bond Refunding – Deferred outflows of resources related to hedging derivatives and bond refunding represent amounts that will result in a reduction of net position in a subsequent period. Deferred outflows of resources related to hedging derivatives and bond refunding include the accumulated fair value of hedging derivatives that will be recognized in the statement of revenues and expenses and changes in net position upon termination of the hedging relationship, and unamortized losses on bond refunding. Deferred outflows of resources related to hedging derivatives and bond

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refunding decreased \$3.4 million in FY 2024 from the FY 2023 total of \$19.8 million. Deferred outflows of resources related to hedging derivatives and bond refunding decreased \$3.5 million in FY 2023 from the FY 2022 total of \$23.3 million.

Deferred Outflows of Resources Related to Pension – Deferred outflows of resources related to pensions represent amounts that will result in a reduction of net position in a subsequent period. Deferred outflows of resources related to pension include increases in the pension liability that will be amortized into pension expense in future periods. Deferred outflows of resources related to pension decreased \$18.0 million in FY 2024 from the FY 2023 total of \$29.1 million. Deferred outflows of resources related to pension decreased \$39.1 million in FY 2023 from the FY 2022 total of \$68.2 million.

Deferred Outflows of Resources Related to OPEB – Deferred outflows of resources related to OPEB represent amounts that will result in a reduction of net position in a subsequent period. Deferred outflows of resources related to OPEB include increases in the OPEB liability that will be amortized into OPEB expense in future periods. Deferred outflows of resources related to OPEB decrease \$8.5 million, or 8.5%, in FY 2024 from the FY 2023 total of \$100.1 million. Deferred outflows of resources related to OPEB increased \$37.5 million, or 59.9%, in FY 2023 from the FY 2022 total of \$62.6 million.

Liabilities

Long-Term Revenue Bonds – Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$980.6 million as of August 31, 2024. This was \$70.1 million less than the previous year due to scheduled principal payments and the normal amortization of bond discounts and premiums. This represents 53.9% of total capitalization as of August 31, 2024. Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$1,050.7 million as of August 31, 2023. This was \$64.2 million less than the previous year due to scheduled principal payments and the normal amortization of bond discounts and premiums. This represents 59.1% of total capitalization as of August 31, 2023. Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$1,114.9 million as of August 31, 2022. This was \$73.1 million less than the previous year due to scheduled principal payments. This represents 64.1% of total capitalization as of August 31, 2022. For additional information, see note 8, *Long-Term Debt and Other Liabilities* of the basic financial statements.

Debt Service Coverage Ratio and Ratings – PGW has a mandatory debt service coverage ratio of 1.50 times debt service on the 1998 Ordinance Bonds. On August 31, 2024, debt service coverage on Senior 1998 Ordinance Bonds was 2.05 times, compared to 2.52 and 3.04 times on August 31, 2023 and 2022, respectively. PGW's current bond ratings are "A3" from Moody's Investors Service (Moody's), "A" from Standard & Poor's Rating Service (S&P), and "A-" from Fitch Ratings.

Notes Payable – Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also sell additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding

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notes plus interest at \$120.0 million in both 2024 and 2023. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreement is June 16, 2026. As of August 31, 2024 and 2023 the notes payable balance was \$35.0 million and \$0.0 million, respectively.

Other Current Liabilities – As of August 31, 2024 other current liabilities totaled \$132.9 million, a decrease of \$26.3 million from FY 2023. The decrease was caused mainly by the decrease in accounts payable and other miscellaneous current liabilities. As of August 31, 2024, accounts payable totaled \$73.4 million, a decrease of \$7.2 million, or 8.9%, compared with FY 2023 primarily due to a decrease of general accounts payable, natural gas payables, and unbilled liabilities. As of August 31, 2024, other miscellaneous current liabilities totaled \$35.2 million, a decrease of \$12.8 million from FY 2023. The decrease of other miscellaneous current liabilities in FY 2024 is primarily due to the GCR and surcharges compared to FY 2023. As of August 31, 2023 other current liabilities totaled \$159.2 million, an increase of \$28.7 million from FY 2022. The increase in FY 2023 is primarily due to the over recovery of GCR and surcharges compared to FY 2022.

Other Noncurrent Liabilities – As of August 31, 2024, other noncurrent liabilities totaled \$93.1 million, an increase of \$10.1 million compared to August 31, 2023. The increase was caused mainly by the increase in other miscellaneous noncurrent liabilities. Other miscellaneous noncurrent liabilities totaled \$34.7 million, an increase of \$10.3 million compared to August 31, 2023. The increase was due to an increase in the environmental liability. As of August 31, 2024, noncurrent lease liabilities totaled \$57.7 million, a decrease of \$0.9 million. The decrease was due to normal amortization of the noncurrent lease liabilities. As of August 31, 2023, other noncurrent liabilities totaled \$83.0 million, an increase of \$44.2 million compared to August 31, 2022. The increase is due to an increase in noncurrent lease liabilities. As of August 31, 2023, noncurrent lease liabilities totaled \$58.6 million, an increase of \$58.5 million. The increase is due to the addition of the lease liability for the NOC.

Net OPEB Liability – The net OPEB obligation was \$113.7 million as of August 31, 2024, a \$95.0 million decrease from the \$208.7 million obligation as of August 31, 2023. The net OPEB obligation was \$208.7 million as of August 31, 2023, a \$59.5 million increase from the \$149.2 million obligation as of August 31, 2022. The changes in FY 2024 and FY 2023 were caused by changes in benefit, demographic, and economic assumptions.

Net Pension Liability – The net pension liability was \$186.7 million as of August 31, 2024, a decrease of \$42.7 million, or 18.6%, from the \$229.4 million liability as of August 31, 2023. The decrease in net pension liability is primarily due to an increase in the plan fiduciary net position that resulted from a large net investment gain in FY 2024. The net pension liability was \$229.4 million as of August 31, 2023, a decrease of \$31.7 million, or 12.1%, from the \$261.1 million liability as of August 31, 2022. The decrease is primarily due to net investment gain in FY 2023 compared to the net investment loss in FY 2022.

Deferred Inflows of Resources Related to Pension – Deferred inflows of resources related to pension represent amounts that will result in an increase of net position in a subsequent period. Deferred inflows of resources related to pension represent the difference between actual and expected earnings on pension plan investments. The increase in deferred inflows of resources related to pension of \$20.2 million as of August 31, 2024, as compared to August 31, 2023, is primarily due to changes in investment performance. The decrease

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in deferred inflows of resources related to pension of \$5.9 million as of August 31, 2023, as compared to August 31, 2022, is primarily due to changes in investment performance.

Deferred Inflows of Resources Related to OPEB – Deferred inflows of resources related to OPEB represent amounts that will result in an increase of net position in a subsequent period. Deferred inflows of resources related to OPEB as of August 31, 2024, were \$82.2 million as compared to \$40.4 million as of August 31, 2023. The increase in deferred inflows of resources related to OPEB of \$41.8 million between FY 2024 and FY 2023 is primarily driven by benefit, demographic, and economic assumptions. There were \$102.6 million in deferred inflows of resources related to OPEB on August 31, 2022. The decrease in deferred inflows of resources related to OPEB of \$62.2 million, or 60.6%, between FY 2023 and FY 2022 is primarily driven by benefit, demographic, and economic assumptions.

Net Position – On August 31, 2024, total net position totaled \$837.9 million, an increase of \$109.6 million compared to August 31, 2023. The increase in FY 2024 is due to an excess of revenues over expenses generated by PGW operations during FY 2024. As of August 31, 2024, unrestricted net position totaled negative \$138.7 million, a decrease of \$9.9 million compared to August 31, 2023. On August 31, 2023, total net position totaled \$728.3 million, an increase of \$104.0 million compared to August 31, 2022. The increase in FY 2023 is due to an excess of revenues over expenses generated by PGW operations during FY 2023. As of August 31, 2023, unrestricted net position totaled negative \$128.8 million, an increase of \$30.2 million compared to August 31, 2022. Due to the long-term nature of the Company's net pension and OPEB liability, the Company's negative unrestricted net position is not indicative of its near-term liquidity.

Upcoming Accounting Pronouncements

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of PGW upon implementation. The Company has not yet evaluated the effect of the implementation of these standards.

GASB Statement No.	GASB Accounting Standard	GASB Accounting Standard
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026

Contacting the Company's Financial Management

This financial report is designed to provide the citizens of Philadelphia, customers, investors, and creditors with a general overview of PGW's finances and to demonstrate PGW's accountability for the money it receives. If you have questions pertaining to this report or need additional financial information, please contact Philadelphia Gas Works, 800 W. Montgomery Avenue, Philadelphia, PA 19122 Attn: Vice President, Finance and Controller or on the Web at www.pgworks.com.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Balance Sheets

August 31, 2024 and 2023
(Thousands of U.S. dollars)

Assets	2024	2023
Current assets:		
Cash, cash equivalents, and short-term investments	\$ 115,612	139,302
Accounts receivable (net of provision for uncollectible accounts of \$89,594 and \$108,990 for 2024 and 2023, respectively)	89,137	91,957
Gas inventories, materials, and supplies	67,390	79,454
Current portion of capital improvement fund	—	43,730
Workers' compensation escrow fund	2,929	2,778
Other current assets	14,929	15,385
Total current assets	<u>289,997</u>	<u>372,606</u>
Noncurrent assets:		
Utility plant, at original cost:		
In service	2,995,617	2,902,469
Lease assets	80,747	80,351
Software subscriptions	10,387	8,135
Under construction	213,317	161,751
Total	<u>3,300,068</u>	<u>3,152,706</u>
Less accumulated depreciation	1,387,474	1,329,678
Less accumulated depreciation – lease assets	5,955	2,488
Less accumulated depreciation – software subscriptions	6,596	5,071
Utility plant, net	<u>1,900,043</u>	<u>1,815,469</u>
Sinking fund, revenue bonds	116,145	109,581
Unamortized bond insurance costs	639	681
Regulatory asset – environmental	28,228	23,610
Regulatory asset – pandemic	25,302	30,485
Other noncurrent assets	5,932	3,665
Total noncurrent assets	<u>2,076,289</u>	<u>1,983,491</u>
Total assets	<u>2,366,286</u>	<u>2,356,097</u>
Deferred Outflows of Resources		
Unamortized losses on bond refunding	16,449	19,763
Deferred outflows related to pension	11,113	29,060
Deferred outflows related to OPEB	91,583	100,068
Total deferred outflows of resources	<u>119,145</u>	<u>148,891</u>
Total assets and deferred outflows of resources	<u>\$ 2,485,431</u>	<u>2,504,988</u>

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Balance Sheets

August 31, 2024 and 2023
(Thousands of U.S. dollars)

Liabilities	2024	2023
Current liabilities:		
Current portion of revenue bonds	\$ 65,728	70,110
Notes payable	35,000	—
Accounts payable	73,357	80,632
Current portion of long-term liabilities	4,860	7,947
Customer deposits	2,396	2,653
Current portion of lease liabilities	1,534	1,329
Current portion of software subscription liabilities	727	1,838
Other current liabilities	35,170	47,970
Accrued accounts:		
Interest, taxes, and wages	11,832	13,786
Distribution to the City	3,000	3,000
Total current liabilities	233,604	229,265
Noncurrent liabilities:		
Long-term revenue bonds	914,850	980,578
Long-term lease liabilities	57,705	58,642
Long-term software subscription liabilities	761	—
Other noncurrent liabilities	34,662	24,350
Net pension liability	186,671	229,433
Net OPEB liability	113,707	208,706
Total noncurrent liabilities	1,308,356	1,501,709
Total liabilities	1,541,960	1,730,974
Deferred Inflows of Resources		
Deferred inflows related to gain on bond refunding	145	156
Deferred inflows related to pension	20,160	—
Deferred inflows related to OPEB	82,154	40,372
Accumulated fair value of hedging derivatives	3,162	5,204
Total deferred inflows of resources	105,621	45,732
Total liabilities and deferred inflows of resources	1,647,581	1,776,706
Net Position		
Net investment in capital assets	822,451	744,673 *
Restricted (debt service)	116,145	109,581
Restricted (workers' compensation)	2,929	2,778
Unrestricted	(103,675)	(128,750) *
Total net position	837,850	728,282
Total liabilities, deferred inflows of resources, and net position	\$ 2,485,431	2,504,988

* FY 2023 has been restated to include payables, lease liabilities, and the deferred inflows and outflows related to bond refundings.

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Statements of Revenues and Expenses and Changes in Net Position

Years ended August 31, 2024 and 2023
(Thousands of U.S. dollars)

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Gas revenues:		
Non-heating	\$ 21,231	25,914
Gas transport service	82,542	77,530
Heating	553,613	599,980
Provision for uncollectible accounts	<u>(29,897)</u>	<u>(40,270)</u>
Total gas revenues	627,489	663,154
Appliance and other revenues	7,019	7,339
Other operating revenues	<u>29,561</u>	<u>40,533</u>
Total operating revenues	<u>664,069</u>	<u>711,026</u>
Operating expenses:		
Natural gas	164,192	223,996
Gas processing	25,576	25,569
Field operations	96,588	89,803
Collection and account management	12,483	12,894
Customer services	15,995	13,962
Marketing	3,765	3,857
Administrative and general	81,319	66,704
Pensions	25,345	31,544
Other postemployment benefits	1,075	4,791
Taxes	<u>9,830</u>	<u>9,121</u>
Total operating expenses before depreciation	436,168	482,241
Depreciation	<u>75,293</u>	<u>81,962</u>
Total operating expenses	<u>511,461</u>	<u>564,203</u>
Operating income	152,608	146,823
Interest and other income	<u>14,467</u>	<u>14,000</u>
Income before interest expense	<u>167,075</u>	<u>160,823</u>
Interest expense:		
Long-term debt	43,283	44,776
Other	<u>(3,776)</u>	<u>(5,886)</u>
Total interest expense	39,507	38,890
Distribution to the City of Philadelphia	<u>(18,000)</u>	<u>(18,000)</u>
Excess of revenues over expenses	109,568	103,933
Net position, beginning of year	<u>728,282</u>	<u>624,349</u>
Net position, end of year	<u><u>\$ 837,850</u></u>	<u><u>728,282</u></u>

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Statements of Cash Flows

Years ended August 31, 2024 and 2023
(Thousands of U.S. dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers	\$ 684,468	802,200
Payments to suppliers	(373,302)	(437,337)
Payments to employees	(152,313)	(139,739)
Claims paid	(3,300)	(2,671)
Other receipts	19,496	20,957
Net cash provided by operating activities	<u>175,049</u>	<u>243,410</u>
Cash flows from non-capital financing activities:		
Income (loss) from non-utility operations	1,144	6,497
Interest and fees	(2,720)	(469)
Distribution to the City of Philadelphia	(18,000)	(18,000)
Net cash provided by (used in) non-capital financing activities	<u>(19,576)</u>	<u>(11,972)</u>
Cash flows from investment activities:		
Sinking fund reserve deposits	(6,564)	(3,390)
Capital improvement fund deposits	—	(10,000)
Capital improvement fund withdrawals	43,730	78,943
Interest income / capital gain from short-term investments	8,194	5,185
Interest income / capital gain on capital improvement fund	338	1,028
Interest income / capital gain on sinking fund	4,791	1,291
Net cash provided by (used in) investment activities	<u>50,489</u>	<u>73,057</u>
Cash flows from capital and related financing activities:		
Issuance of commercial paper	35,000	—
Purchases of capital assets	(156,222)	(159,256)
Principal paid on long-term debt	(60,255)	(53,770)
Interest paid on long-term debt	(43,449)	(45,374)
Principal paid on lease liability	(1,428)	(20,021)
Principal paid on software subscription liability	(3,298)	(2,409)
Net cash provided by (used in) capital and related financing activities	<u>(229,652)</u>	<u>(280,830)</u>
Net decrease in cash and cash equivalents	(23,690)	23,665
Cash and cash equivalents at beginning of year	<u>139,302</u>	<u>115,637</u>
Cash and cash equivalents at end of year	<u>\$ 115,612</u>	<u>139,302</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 152,608	146,822
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	75,293	81,962
Provision for uncollectible accounts	29,897	40,270
Change in assets and liabilities:		
Receivables, net	(27,077)	(25,226)
Gas inventories, materials, and supplies	12,064	13,422
Other current assets	456	806
Other assets and deferred outflows of resources	24,731	8,069
Accounts payable	(7,275)	(16,132)
Customer deposits	(257)	391
Other current liabilities	(15,887)	43,826
Accrued accounts	(1,954)	(602)
Other liabilities, deferred inflows of resources, net OPEB and pension liabilities	(67,550)	(50,198)
Net cash provided by operating activities	<u>\$ 175,049</u>	<u>243,410</u>

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS OPEB PLAN
(A Fiduciary Component Unit of the Philadelphia Gas Works)

Statements of Fiduciary Net Position

December 31, 2023 and 2022

(Thousands of U.S. dollars)

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 2,020	1,713
Accrued interest income	<u>140</u>	<u>120</u>
Total cash and accrued income	<u>2,160</u>	<u>1,833</u>
Investments, at fair value:		
Domestic equity	186,010	150,485
International equity	98,054	74,856
Fixed income	<u>109,808</u>	<u>95,156</u>
Total investments	<u>393,872</u>	<u>320,497</u>
Total assets	<u>396,032</u>	<u>322,330</u>
Liabilities:		
Accrued expenses	95	54
Pending cash	<u>2,024</u>	<u>1,641</u>
Total liabilities	<u>2,119</u>	<u>1,695</u>
Fiduciary net position restricted for other postemployment benefits	<u>\$ 393,913</u>	<u>320,635</u>

PHILADELPHIA GAS WORKS OPEB PLAN
(A Fiduciary Component Unit of the Philadelphia Gas Works)

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2023 and 2022

(Thousands of U.S. dollars)

	<u>2023</u>	<u>2022</u>
Additions:		
Contributions:		
Philadelphia Gas Works – contribution to OPEB Trust	\$ 18,500	18,500
Philadelphia Gas Works – benefits paid	<u>25,356</u>	<u>25,677</u>
Total contributions	<u>43,856</u>	<u>44,177</u>
Investment income:		
Net realized gains	3,957	3,080
Interest and dividend income	8,798	6,955
Net unrealized gains (losses)	42,192	(73,669)
Less: Investment management expenses	<u>(100)</u>	<u>(107)</u>
Net investment income (loss)	<u>54,847</u>	<u>(63,741)</u>
Total additions (reductions)	<u>98,703</u>	<u>(19,564)</u>
Deductions:		
Benefits paid	25,356	25,677
Administrative expenses and bank fees	<u>69</u>	<u>68</u>
Total deductions	<u>25,425</u>	<u>25,745</u>
Net increase (decrease) in fiduciary net position	73,278	(45,309)
Net position restricted for other postemployment benefits – beginning of year	<u>320,635</u>	<u>365,944</u>
Net position restricted for other postemployment benefits – end of year	<u>\$ 393,913</u>	<u>320,635</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2024 and 2023

(1) Summary of Significant Accounting Policies

The accounting methods employed by the Philadelphia Gas Works (the Company or PGW) are in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and are in conformity with reporting requirements for the City of Philadelphia (the City).

As described in note 2, the Company is accounted for as a component unit of the City, and consequently follows accounting principles promulgated by the Governmental Accounting Standards Board (GASB) as they apply to business type activities. Under the Regulated Operations guidance within GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, assets or liabilities may be created by certain actions of regulatory bodies.

Philadelphia Gas Works' fiduciary activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are accounted for in a fiduciary fund with investments recorded at fair value and benefits paid directly from its general resources on a pay-as-you-go basis.

The principal accounting policies within this framework are described as follows:

(a) Regulation

Pursuant to the passage of the Pennsylvania Natural Gas Choice and Competition Act (the Act), the Company came under the regulatory jurisdiction of the Pennsylvania Public Utility Commission (PUC). Under the PUC's jurisdiction, the Company filed a restructuring plan, which among other things, provided for an unbundled tariff permitting customer choice of the commodity supplier. Under the Act, the PUC is required to follow the same ratemaking methodology and requirements that were previously applicable to the Philadelphia Gas Commission (PGC) when determining the Company's revenue requirements and approving overall rates and tariffs. Tariff rates are designed to maintain revenue neutrality and the tariff rules and regulations are designed to comport with the Pennsylvania Public Utility Code. For additional information related to PGW's tariff and base rates, see note 1(d) Base Rates.

The PGC continues to approve the Company's Operating Budget and review its Capital Budget. The Company's Capital Budget must also be approved by Philadelphia City Council.

(b) Operating Budget

On May 14, 2024, PGW filed a proposed Fiscal Year (FY) 2025 Operating Budget with the PGC. The PGC Hearing Examiners conducted Informal Discovery (ID) sessions on May 23, 2024 and on June 7, 2024. On June 27, 2024, a public hearing was convened via Zoom. On July 23, 2024, a recommended decision was rendered by the Hearing Examiners, which proposed adjustments to the Operating Budget as filed. On August 13, 2024, the PGC approved, with adjustments, PGW's FY 2025 Operating Budget. PGW filed a Compliance Budget with the PGC on August 28, 2024.

On May 11, 2023, PGW filed a proposed FY 2024 Operating Budget with the PGC. The PGC Hearing Examiners conducted ID sessions on May 25, 2023 and June 5, 2023.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2024 and 2023

On June 26, 2023, a public hearing was convened via Zoom. On July 18, 2023, a recommended decision was rendered by the Hearing Examiners, which proposed adjustments to the Operating Budget as filed. On August 8, 2023, the PGC approved, with adjustments, PGW's FY 2024 Operating Budget. PGW filed a Compliance Budget with the PGC on August 17, 2023.

(c) Capital Budget

On January 2, 2024, PGW filed with the PGC its proposed FY 2025 Capital Budget in the amount of \$196.3 million. After a due diligence review and related ID process on January 23, 2024 and February 07, 2024, a public hearing was held on February 27, 2024. The PGC's review culminated in the endorsement at a public hearing on March 19, 2024 of a FY 2025 Capital Budget in an amount not to exceed \$194.4 million. The endorsed budget was approved by City Council on June 13, 2024 and signed by the Mayor on June 26, 2024. On August 30, 2024, PGW filed a resolution approving FY 2025 Capital Budget reauthorization of spending for certain FY 2023 projects, to allow for project completion, and PGW requested additional funding of two projects, bringing the total Capital Budget to \$194.8 million. PGW is awaiting the approval of the reauthorizations by City Council and by the Mayor.

On January 3, 2023, PGW filed with the PGC its proposed FY 2024 Capital Budget in the amount of \$212.4 million. After a due diligence review and related ID process on January 31, 2023, and February 14, 2023 a public hearing was held on March 7, 2023. The PGC's review culminated in the endorsement at a public hearing on March 31, 2023 of a FY 2024 Capital Budget in an amount not to exceed \$192.4 million. The endorsed budget was approved by City Council on June 22, 2023, and signed by the Mayor on July 12, 2023. On June 2, 2023 and July 24, 2023, PGW filed a request to the PGC to amend the FY 2024 Capital Budget to reauthorize three projects in the FY 2022 Capital Budget to extend the two-year lifespan to complete the projects, as well as adding two new projects to the FY 2024 Capital Budget bringing the total Capital Budget to \$261.2 million. On September 12, 2023, the PGC endorsed PGW's request to amend the FY 2024 Capital Budget. The amended budget was approved by City Council on June 13, 2024, and the Mayor on June 26, 2024.

(d) Base Rates

On February 27, 2023, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$85.8 million, or 10.3%, in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates.

PGW and all other rate case parties did not reach a settlement agreement, leading to litigation of the rate case issues. On September 5, 2023, the Administrative Law Judges (ALJ) issued their Recommended Decision for a \$22.3 million, or 2.7%, increase over present rates. On September 15, 2023, PGW submitted Exceptions to the ALJ's Recommended Decision.

On November 9, 2023, the PUC entered its Order and Opinion in the case, which approved an annual operating revenue increase of \$26.2 million, or 3.15% over present rates. The Order and Opinion granted, in part, exceptions filed by the Office of Consumer Advocate (OCA), the Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, the Philadelphia Industrial and Commercial

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2024 and 2023

Gas Users Group (PICGUG), and PGW. PGW filed the new tariff November 28, 2023 with the rate increase effective for service rendered on or after November 29, 2023.

Management anticipates that PGW may make its next filing with the PUC for a base rate increase in FY 2025 in an amount of approximately \$70.0 million.

(e) Weather Normalization Adjustment Clause

The Weather Normalization Adjustment (WNA) Clause was approved by the PUC. The purpose of the WNA Clause is to neutralize the impact of weather on the Company's revenues. This allows the Company to achieve the recovery of appropriate costs as authorized by the PUC. The WNA Clause results in neither a rate increase nor a rate decrease but acts as a billing adjustment. The main benefits of the WNA Clause are the stabilization of cash flow and the reduction of the need for short-term borrowing from year to year. The WNA Clause adjustment is applied to customer invoices rendered during the period of October 1 through April 30 of each year for each billing cycle. The WNA Clause adjustment for the years ended August 31, 2024 and 2023 was an increase in billings of \$25.6 million and \$32.4 million, respectively.

On April 27, 2023, PGW filed an Emergency Petition to revise its Gas Service Tariff, effective May 1, 2023, eliminating all May 2023 usage for residential and commercial customers from the WNA calculation. On April 28, 2023, the PUC approved the Emergency Petition to allow PGW to remove May 2023 usage from the formula used currently for the Company's approved WNA clause. As a result of the PUC ruling, no WNA charges or credits were assessed on residential and commercial customers relating to May 2023 usage.

(f) Gas Cost Rate

The Company's single greatest operating expense is the cost of natural gas. The rate charged to the Company's customers to recover these costs is called the Gas Cost Rate (GCR). The GCR reflects the increases or decreases in natural gas costs and other applicable GCR costs. This GCR mechanism provides the flexibility to rapidly reflect current conditions without the time delay inherent in full base rate alteration. The intent is to achieve an annual balance between the costs incurred for fuel and their pass-through to customers.

At the end of the fiscal year, costs recovered through the GCR and surcharges are compared to the actual cost of fuel and other applicable costs. Customers are then credited or charged for the over recovery or under recovery of costs. The GCR and surcharges charge or credit may be updated quarterly or in the subsequent fiscal year to reflect the under recovery or over recovery. Changes in the GCR impact the reported amounts of gas revenues but do not affect operating income or net income because they are passed through to the customer without markup. At August 31, 2024 and 2023, approximately \$31.4 million and \$44.6 million was recorded in other current liabilities for the over

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2024 and 2023

recovery of the GCR and surcharges. The GCR comprises the purchased gas costs plus the gas adjustment charge minus the interruptible revenue credit.

GCR Effective Dates and Rates

(Amounts in U.S. dollars)

Effective date	GCR rate per Mcf*	Change
December 1, 2024	\$ 3.8001	0.5509
September 1, 2024	3.2492	(0.0886)
June 1, 2024	3.3378	(0.5018)
March 1, 2024	3.8396	(0.1634)
December 1, 2023	4.0030	0.4974
September 1, 2023	3.5056	(0.0460)
June 1, 2023	3.5516	(1.4224)
March 1, 2023	4.9740	(3.0502)
December 1, 2022	8.0242	(0.6129)
September 1, 2022	8.6371	(0.2017)

*Mcf – thousand cubic feet

(g) Utility Plant

Utility plant is stated at original cost. The cost of additions, replacements, and betterments of units of property is capitalized and included in the utility plant accounts in the balance sheets. The cost of property sold or retired is removed from the utility plant accounts and accumulated depreciation. Normal repairs, maintenance, the cost of minor property items, and expenses associated with retirements are charged to operating expenses as incurred.

In a previous rate order, the PGC disallowed the accrual of the net negative salvage component in depreciation. Cost of removal in the amounts of \$7.2 million and \$9.2 million was charged to expense as incurred in FY 2024 and FY 2023, respectively, and is included in depreciation in the statements of revenues and expenses and changes in net position. Depreciation is calculated on an asset-by-asset basis on the estimated useful lives of plant and equipment on a straight-line method. The composite rate for FY 2024 and FY 2023 was 2.0% and 2.1%, respectively. The composite rates are supported by a depreciation study of utility plant as of August 2020. The effective composite depreciation rates, as a percentage of cost, for FY 2024 were as follows:

Production plant	1.3 %
Transmission, distribution, and storage	1.9 %
General plant	3.3 %

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2024 and 2023

The most recent depreciation study was completed in FY 2020 for the plant activity subsequent to the last depreciation study and through FY 2019. It is anticipated that PGW will complete the next depreciation study in FY 2025 for the plant activity subsequent to the last depreciation study and through FY 2024.

The following is a summary of utility plant activity for the fiscal years ended August 31, 2024 and 2023 (thousands of U.S. dollars):

	August 31, 2024			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets not being depreciated:				
Land	\$ 5,595	—	—	5,595
Under construction	161,751	149,110	(97,544)	213,317
Total capital assets not being depreciated	167,346	149,110	(97,544)	218,912
Other capital assets:				
Distribution and collection systems	2,310,535	93,639	(2,346)	2,401,828
Buildings and equipment (including software)	586,339	3,906	(2,051)	588,194
Lease assets	80,351	696	(300)	80,747
Software subscription assets	8,135	2,948	(696)	10,387
Total other capital assets	2,985,360	101,189	(5,393)	3,081,156
Less accumulated depreciation for:				
Distribution and collection systems	(1,078,462)	(45,493)	598	(1,123,357)
Buildings and equipment (including software)	(251,216)	(14,728)	1,827	(264,117)
Lease assets	(2,488)	(3,767)	300	(5,955)
Software subscription assets	(5,071)	(2,221)	696	(6,596)
Total accumulated depreciation	(1,337,237)	(66,209)	3,421	(1,400,025)
Utility plant, net	\$ 1,815,469	184,090	(99,516)	1,900,043

* Cost of removal of approximately \$7.2 million was charged to depreciation as incurred in FY 2024 and is not included in accumulated depreciation.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2024 and 2023

	August 31, 2023			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets not being depreciated:				
Land	\$ 5,595	—	—	5,595
Under construction	141,469	150,225	(129,943)	161,751
Total capital assets not being depreciated	147,064	150,225	(129,943)	167,346
Other capital assets:				
Distribution and collection systems	2,213,798	98,652	(1,915)	2,310,535
Buildings and equipment (including software)	591,502	31,457	(36,620)	586,339
Lease assets	1,202	79,746	(597)	80,351
Software subscription assets	8,438	620	(923)	8,135
Total other capital assets	2,814,940	210,475	(40,055)	2,985,360
Less accumulated depreciation for:				
Distribution and collection systems	(1,035,533)	(44,241)	1,312	(1,078,462)
Buildings and equipment (including software)	(263,755)	(14,253)	26,792	(251,216)
Lease assets	(854)	(2,231)	597	(2,488)
Software subscription assets	(4,053)	(1,941)	923	(5,071)
Total accumulated depreciation	(1,304,195)	(62,666)	29,624	(1,337,237)
Utility plant, net	\$ 1,657,809	298,034	(140,374)	1,815,469

* Cost of removal of approximately \$9.2 million was charged to depreciation as incurred in FY 2023 and is not included in accumulated depreciation.

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The following is a summary of the amount of lease assets by major classes of assets as of August 31, 2024 and 2023 (thousands of U.S. dollars):

	<u>Ending balance as of August 31,</u>	
	<u>2024</u>	<u>2023</u>
Lease equipment	\$ 2,795	2,399
Less accumulated depreciation	<u>(1,278)</u>	<u>(929)</u>
Total lease equipment, net	1,517	1,470
Lease building	77,952	77,952
Less accumulated depreciation	<u>(4,677)</u>	<u>(1,559)</u>
Total lease building, net	<u>73,275</u>	<u>76,393</u>
Total lease assets less accumulated depreciation	<u>\$ 74,792</u>	<u>77,863</u>

(h) Revenue Recognition

The Company is primarily a natural gas distribution company. Operating revenues include revenues from the sale of natural gas to residential, commercial, and industrial heating and non-heating customers. The Company also provides natural gas transportation services on behalf of outside natural gas providers. Appliance and other revenues primarily consist of revenue from the Company's parts and labor repair program. Revenue from this program is recognized on a monthly basis for the life of the individual parts and labor plans. Additional revenue is generated from collection fees, reconnection charges, and bulk liquefied natural gas sales contracts. Other operating revenues primarily consist of finance charges assessed on delinquent accounts.

In 2012, Act 11 was enacted by the Pennsylvania Legislature, which permitted public utilities to file a request with the PUC for the implementation of a Distribution System Improvement Charge (DSIC). A DSIC permits natural gas distribution companies to recover the costs related to main and service replacement not already recovered in base rates. This legislation provides utility companies with a supplemental recovery mechanism for costs related to incremental/accelerated distribution system repair, improvement, and replacement. Act 11 permits gas utilities to recover 5.0% of their nongas revenues via the recovery mechanism and permits greater percentage increases if the PUC approves. The Company started billing customers a 5.0% DSIC surcharge as of July 1, 2013. On September 1, 2015, PGW proposed an increase in the DSIC from 5.0% to 7.5% of distribution revenues and to levelize and annualize the DSIC. The PUC issued an Order and Opinion granting PGW's request to increase its DSIC to 7.5% on January 28, 2016 which went into effect on February 1, 2016. In FY 2024 and FY 2023, the Company billed customers \$35.0 million and \$34.6 million for the DSIC surcharge, respectively. The DSIC surcharge is fully reconcilable on a calendar year basis.

The Company bills customers for the cost of natural gas and the related costs incurred through the processing, distribution, and delivery of natural gas to residential, commercial, and industrial heating and non-heating customers.

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Revenues include amounts related to gas that customers have used but has not yet been billed. Revenues are recognized as gas is distributed. Estimated revenues from gas distributed and unbilled, less estimated uncollectible amounts are accrued and included in operating revenues on the statements of revenues and expenses and changes in net position and were \$8.9 million and \$8.6 million for the years ended August 31, 2024 and 2023, respectively.

(i) Operating Expenses

The Company recognizes costs incurred as part of the Company's regular business activities on the statements of revenues and expenses and changes in net position as operating expenses. These costs include field operations, marketing, gas processing, and other similar costs.

Costs incurred that do not involve normal business operations are recognized as nonoperating expenses.

(j) Provision for Uncollectible Accounts

The Company estimates its accumulated provision for uncollectible accounts based on a financial analysis and a collectability study performed as of the fiscal year end. For FY 2024 and FY 2023, management has provided an accumulated provision for uncollectible accounts in excess of the collectability study results based on its analysis of historical aging data. The actual results of the Company's collection efforts could differ significantly from the Company's estimate.

Due to the seasonal nature of the business, the Company carries credit balances in accounts receivable primarily as a result of prepayment by budget customers. Credit balances of \$20.9 million and \$28.2 million as of August 31, 2024 and 2023, respectively, have been reclassified to accounts payable in the balance sheets.

(k) Gas Inventories, Materials, and Supplies

Gas inventories, materials, and supplies, consisting primarily of fuel stock, gas stored to meet peak demand requirements, and spare parts, are stated at average cost at August 31, 2024 and 2023, as follows (thousands of U.S. dollars):

	<u>2024</u>	<u>2023</u>
Gas inventory	\$ 50,126	65,315
Material and supplies	<u>17,264</u>	<u>14,139</u>
Total	<u>\$ 67,390</u>	<u>79,454</u>

(l) Unamortized Bond Insurance Costs, Debt Discount, and Premium

Discounts or premiums and bond insurance costs arising from the sale of revenue bonds are amortized using the interest method over the term of the related bond issue. Other costs of bond issuance are expensed as incurred.

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(m) Unamortized Losses on Bond Refunding

Gains and losses on bond refunding are recorded as deferred inflows of resources and deferred outflows of resources, respectively, and amortized, using the interest method, to interest expense over the shorter of the life of the refunding bond issue or the remaining original amortization period.

(n) Pensions and Postemployment Benefits

As described in note 10, the City sponsors a single employer defined benefit pension plan, the Philadelphia Gas Works Pension Plan (the Pension Plan), to provide pension benefits for certain current and former PGW employees and their beneficiaries. As described in note 11, PGW sponsors a single employer defined benefit healthcare plan, the Philadelphia Gas Works OPEB Plan (the OPEB Plan), to provide postemployment healthcare and life insurance benefits to substantially all current and former PGW employees and their beneficiaries.

In May 2010, the PUC approved a surcharge proposed by PGW to fund its OPEB liability resulting in charges to customer bills of \$16.0 million annually, and required PGW to use that \$16.0 million and an additional \$2.5 million of its resources to contribute \$18.5 million to the Trust in each of the years 2011 through 2015. The Trust, which is irrevocable, was established on July 13, 2010 to receive these and other contributions from PGW. In July 2015, the PUC approved the continuance of the OPEB surcharge beyond August 31, 2015. The Trust is managed by five Trustees, consisting of the City of Philadelphia Director of Finance; the Chief Finance Officer of PGW; the Vice President of Human Resources of PGW; the Chair of the Finance Committee of the Philadelphia Facilities Management Corporation Board (PFMC), which serves as the Board of Directors for PGW; and the President of Gas Works Employees Union of Philadelphia, Local 686, representing the majority of PGW's bargaining unit employees. The Trust exists to accumulate assets for the Plan, and the Trust does not independently have the capacity to raise funds. Responsibility for determining and funding the benefits rests with PGW management.

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Pension and OPEB Plans, and the Pension and OPEB Plans' expense, information about the fiduciary net position of the Pension Plan and OPEB Plan, and additions to or deductions from the Pension and OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the Pension and OPEB Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. With the exception of deferred outflows of resources related to employer contributions made after the measurement date, deferred inflows and outflows of resources related to the Pension and OPEB Plans are amortized over a closed five-year period or the average remaining service life of employees in the pension plan. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net liability in the next fiscal year.

(o) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The

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fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity or involvement.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

The categorization of a financial instrument within the hierarchy is based upon pricing transparency and is not necessarily an indication of the Company's perceived risk of that instrument.

The following is a description of the valuation methodologies used for investments measured at fair value:

- Treasury obligations – The fair value of treasury obligations are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 1 inputs.
- U.S. government agencies – The fair value of U.S. government agencies are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 2 inputs.
- Corporate obligations – The fair value of corporate obligations are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 2 inputs.
- Foreign obligations – The fair value of foreign obligations are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 2 inputs.
- Commercial paper – The fair value of commercial paper are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 1 inputs.
- Money market mutual fund – The fair value of money market are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 1 inputs.

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(p) Cash, Cash Equivalents, and Short-Term Investments

For the purpose of reporting cash and cash equivalents, all highly liquid investments with original maturities of three months or less are considered cash equivalents, except those held for long-term purposes in the Sinking Fund Reserve, Workers' Compensation Escrow Fund, and Capital Improvement Fund as described in note 3.

(q) Reserve for Injuries and Damages

The Company is principally insured through insurance carriers. However, the Company is required to cover settlement of claims, which are excluded under the provisions of such insurance policies. An estimated liability has been established, in accordance with PGC regulations, for settlements to be paid by the Company in the next fiscal year.

Estimated losses from claims for occurrences not covered by insurance, which will not be paid in the next fiscal year, have been accrued. Such liabilities have been established based upon Company history and consultation with counsel. Such expenses are expected to be recovered through future rates. Reductions to the reserve are made as claims are settled.

(r) Segment Information

All of the Company's assets and operations are employed in only one segment, local transportation, and distribution of natural gas in the City.

(s) Pollution Remediation

The Company estimates its pollution remediation obligation using the expected cash flow method, in which measurement is based on the outlays expected to be incurred as a sum of probability weighted amounts in a range of possible estimated amounts. The Company's liability is based on a combination of internal and external cost estimates for the specific remediation activities agreed to as part of Pennsylvania Act 2, Land Recycling and Environmental Remediation Standards Act of 1995 and Pennsylvania Act 32, Storage Tank and Spill Prevention Act of 1989.

Estimated site liabilities are determined based upon existing remediation laws and technologies, specific site consultants' engineering studies, or by extrapolating experience with environmental issues at comparable sites. Estimates may change substantially as additional information becomes available regarding the level of contamination at specific sites, available remediation methods, and changes in price, technology, proposed land use, or applicable regulations.

(t) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the Company's financial statements include the accumulated provision for uncollectible accounts, the fair value of interest rate swap agreements, the self-insurance liability, and the valuation of total pension and OPEB liabilities.

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(u) Immaterial Correction

The components of net position as of August 31, 2023, have been revised for an immaterial correction (reclassification) to reduce the amount reported for net investment in capital assets and increase unrestricted net position by \$83.6 million, respectively.

(v) Pronouncements Effective in the Current Year

GASB Statement No. 99, *Omnibus 2022* (GASB 99), establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023 (the Company's fiscal year ended August 31, 2024). The Company early adopted financial reporting requirements regarding SBITAs and LIBOR. The remaining components of this Statement had no impact on PGW's current accounting practices nor its financial reporting.

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62 (GASB 100), supersedes Statement No. 62 and establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement do not apply to the initial application of U.S. generally accepted accounting principles (GAAP) established by the GASB as a financial reporting framework in circumstances in which a government is asserting for the first time that its financial statements are prepared in accordance with U.S. GAAP established by the GASB. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023 (the Company's fiscal year ended August 31, 2024). The adoption of GASB 100 had no impact on PGW's current financial report.

(w) Pronouncements Effective in Future Years

(i) Effective for the Year Ending August 31, 2025

GASB Statement No. 101, *Compensated Absences* (GASB 101), establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (the Company's fiscal year ending August 31, 2025). The Company is currently evaluating the impact of GASB 101 on its financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other

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reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued. This Statement defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024 (the Company's fiscal year ending August 31, 2025). The Company is currently evaluating the impact of GASB 102 on its financial statements.

(ii) *Effective for the Year Ending August 31, 2026*

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (the Company's fiscal year ending August 31, 2026). The Company is currently evaluating the impact of GASB 103 on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, it also requires additional disclosures for capital assets held for sale and be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (the Company's fiscal year ending August 31, 2026). The Company is currently evaluating the impact of GASB 104 on its financial statements.

(2) Ownership and Management and Related-Party Transactions and Balances

The Company is accounted for as a component unit of the City, and its component units. As of January 1, 1973, under the terms of a two-year agreement automatically extended for successive two-year periods unless canceled upon 90 days' notice by the City, the Company is being managed by the PFMC. The agreement, as amended, provides for reimbursement to PFMC of actual costs incurred in managing the Company, not to exceed a total of the prior fiscal year's maximum amount adjusted to reflect the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) All Items Index, Philadelphia, Pennsylvania, United States Department of Labor, Bureau of Labor Statistics, as most recently published and available to the Director of Finance of the City on March 1 of each such fiscal year. In FY 2024 and FY 2023, the applicable maximum amount was calculated to be \$1.7 million and \$1.6 million, respectively. The agreement requires the Company to make annual payments of \$18.0 million to the City. In FY 2024 and FY 2023, the Company made the annual payment of \$18.0 million to the City.

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The Company engages in various other transactions with the City and its component units. The Company provides gas service to the City. Operating revenues include \$22.5 million and \$30.2 million in FY 2024 and FY 2023, respectively, relating to sales to the City. Net amounts receivable from the City were \$3.0 million and \$12.9 million at August 31, 2024 and 2023, respectively. Water and sewer services and licenses are purchased from the City. Such purchases totaled \$1.6 million and \$1.5 million in FY 2024 and FY 2023, respectively.

Certain activities of the PGC are paid for by the Company. Such payments totaled \$0.9 million and \$1.0 million in FY 2024 and FY2023, respectively.

(3) Cash, Cash Equivalents, and Short-Term Investments

(a) Cash, Cash Equivalents, and Short-Term Investments

Cash and cash equivalents consist primarily of bank deposits, money market accounts, and investments purchased through various brokerage relationships. Bank balances of such deposits, accounts, and investments at August 31, 2024 and August 31, 2023 were \$115.6 million and \$139.3 million, respectively. Book balances of such deposits and accounts at August 31, 2024 and August 31, 2023 were \$115.6 million and \$139.3 million, respectively. Short-term investments with a carrying amount (at fair value) of \$98.4 million and \$94.7 million at August 31, 2024 and August 31, 2023, respectively, are included in the balances presented above. Federal depository insurance on these balances at August 31, 2024 and August 31, 2023 was \$0.4 million each year. The remaining balances are not insured. Investments are primarily in Treasury obligations, U.S. government agencies, corporate obligations (short-term investments), and commercial paper.

The following is a schedule that details the Company's short-term investments and investment maturities (thousands of U.S. dollars):

Investment type	2024 Investment Maturities (In Years)	
	Fair value	<1
Treasury obligations	\$ 79,145	79,145
U.S. government agencies	6,485	6,485
Corporate obligations	—	—
Commercial paper	12,730	12,730
Total fair value of investments	\$ 98,360	98,360

Investment type	2023 Investment Maturities (In Years)	
	Fair value	<1
Treasury obligations	\$ 41,636	41,636
U.S. government agencies	17,906	17,906
Corporate obligations	4,992	4,992
Commercial paper	30,172	30,172
Total fair value of investments	\$ 94,706	94,706

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The following table is a schedule that details the fair value hierarchy of the Company's short-term investments (thousands of U.S. dollars):

August 31, 2024				
Investment type	Total Fair Value	Level 1	Level 2	Level 3
Treasury obligations	\$ 79,145	79,145	—	—
U.S. government agencies	6,485	—	6,485	—
Commercial paper	12,730	12,730	—	—
Total fair value of investments	<u>\$ 98,360</u>	<u>91,875</u>	<u>6,485</u>	<u>—</u>

August 31, 2023				
Investment type	Total Fair Value	Level 1	Level 2	Level 3
Treasury obligations	\$ 41,636	41,636	—	—
U.S. government agencies	17,906	—	17,906	—
Corporate obligations	4,992	4,992	—	—
Commercial paper	30,172	30,172	—	—
Total fair value of investments	<u>\$ 94,706</u>	<u>76,800</u>	<u>17,906</u>	<u>—</u>

(b) Sinking Fund Reserve, Capital Improvement Fund, and Workers' Compensation Escrow

The investments in the Company's Sinking Fund Reserve, Capital Improvement Fund and Workers' Compensation Escrow Fund consist primarily of treasury obligations, U.S. government agencies, corporate obligations, foreign obligations, commercial paper, and money market mutual funds. These investments are maintained by the City or in the Company's name by its agent.

The Sinking Fund Reserve is required by bond ordinance to hold an amount equal to the greatest amount of debt service required by bonds secured by the Sinking Fund Reserve in any fiscal year. The balance of the Company's Sinking Fund Reserve at August 31, 2024 and 2023 was \$116.1 million and \$109.6 million, respectively. Interest income on these funds, to the extent not drawn, is reflected as an increase in the Sinking Fund Reserve and approximated \$4.8 million in FY 2024 and \$1.3 million in FY 2023.

The balance in the Capital Improvement Fund at August 31, 2024 and 2023 was \$0.0 million and \$43.7 million, respectively. Interest income on these funds, to the extent not drawn, is reflected as an increase in the Capital Improvement Fund and was approximately \$0.3 million in FY 2024 and \$1.0 million in FY 2023. PGW withdrew \$43.9 million and \$81.0 million during FY2024 and FY 2023, respectively.

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Pursuant to the Pennsylvania Department of Labor and Industry Bureau of Workers' Compensation Self-Insurance policy, the Company has established and maintained a restricted trust account. As of August 31, 2024 and 2023, the trust account balances were \$2.9 million and \$2.8 million, respectively.

Investments are recorded at fair value except for certain money market funds recorded at amortized cost. The adjustment to the fair value for the Sinking Fund Reserve, Capital Improvement Fund, and Workers' Compensation Escrow Fund resulted in gains of \$1.6 million and \$3.2 million in FY 2024 and FY 2023, respectively.

The following schedules detail the Company's investments and investment maturities in the Sinking Fund Reserve (thousands of U.S. dollars):

Investment type	2024 Investment Maturities (In Years)		
	Fair value	<1	1-5
Treasury obligations	\$ 19,442	4,981	14,461
U.S. government agencies	54,246	30,146	24,100
Corporate obligations	15,137	11,137	4,000
Foreign obligations	16,202	5,072	11,130
Commercial paper	10,743	10,743	—
Money market mutual funds	375	N/A	N/A
Total fair value of investments	\$ 116,145	62,079	53,691

Investment type	2023 Investment Maturities (In Years)		
	Fair value	<1	1-5
Treasury obligations	\$ 27,824	20,998	6,826
U.S. government agencies	42,250	12,972	29,278
Corporate obligations	8,241	5,421	2,820
Foreign obligations	3,442	2,021	1,421
Commercial paper	27,610	27,610	—
Money market mutual funds	214	N/A	N/A
Total fair value of investments	\$ 109,581	69,022	40,345

The following schedules detail the Company's investments and investment maturities in the Capital Improvement Fund (thousands of U.S. dollars):

Investment type	2023 Investment Maturities (In Years)	
	Fair value	<1
Treasury obligations	\$ 42,784	42,784
Commercial paper	900	900
Money market mutual funds	46	N/A
Total fair value of investments	\$ 43,730	43,684

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The following is a schedule that details the Company's investments and investment maturities in the Workers' Compensation Escrow Fund (thousands of U.S. dollars):

Investment type	2024 Investment Maturities (In Years)	
	Fair value	
Money market mutual funds	\$	2,929
Total fair value of investments	\$	2,929

Investment type	2023 Investment Maturities (In Years)	
	Fair value	<1
Treasury obligations	\$ 2,656	2,656
Money market mutual funds	113	N/A
Total fair value of investments	\$ 2,769	2,656

The following schedules detail the fair value hierarchy of the Company's investments in the Sinking Fund Reserve (thousands of U.S. dollars):

Investment type	August 31, 2024			
	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 19,442	19,442	—	—
U.S. government agencies	54,246	—	54,246	—
Corporate obligations	15,137	—	15,137	—
Foreign obligations	16,202	—	16,202	—
Commercial paper	10,743	10,743	—	—
Money market mutual funds	375	375	—	—
Total fair value of investments	\$ 116,145	30,560	85,585	—

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August 31, 2023				
Investment type	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 27,824	27,824	—	—
U.S. government agencies	42,250	—	42,250	—
Corporate obligations	8,241	—	8,241	—
Foreign obligations	3,442	—	3,442	—
Commercial paper	27,610	27,610	—	—
Money market mutual funds	214	214	—	—
Total fair value of investments	\$ <u>109,581</u>	<u>55,648</u>	<u>53,933</u>	<u>—</u>

The following schedule details the fair value hierarchy of the Company's investments in the Capital Improvement Fund (thousands of U.S. dollars):

August 31, 2023				
Investment type	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 42,784	41,884	900	—
Commercial paper	900	900	—	—
Money market mutual funds	46	46	—	—
Total fair value of investments	\$ <u>43,730</u>	<u>42,830</u>	<u>900</u>	<u>—</u>

The following schedules detail the fair value hierarchy of the Company's investments in the Workers' Compensation Escrow Fund (thousands of U.S. dollars):

August 31, 2024				
Investment type	Total fair value	Level 1	Level 2	Level 3
Money market mutual funds	\$ 2,929	2,929	—	—
Total fair value of investments	\$ <u>2,929</u>	<u>2,929</u>	<u>—</u>	<u>—</u>

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Investment type	August 31, 2023			
	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 2,656	2,656	—	—
Money market mutual funds	113	113	—	—
Total fair value of investments	\$ 2,769	2,769	—	—

(c) Interest Rate Risk

It is the policy of the City to diversify its investment portfolios. Portfolio diversification is employed as a way to control risk. Investments shall be diversified as to maturities and as to kind of investments to minimize the risk of loss, which might result from over concentration of assets in a specific maturity, in a specific kind of a security, or from a specific issuer or industry.

(d) Credit Risk

The City has adopted an investment policy relating to the investments of the Company. Per the investment policy, the Company's allowable investments are as follows:

- Bonds or notes of the U.S. government.
- U.S. Treasury obligations, including separate trading of registered interest and principal securities; receipts indicating an undivided interest in such U.S. Treasury obligations; and stripped coupons held under book entry with the New York Federal Reserve Bank.
- Investments in U.S. treasury and U.S. agency floating rate securities are allowed. The maturity limitation is two years and ten days from the trade date.
- Obligations of the following U.S. government sponsored agencies: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit System, Federal Home Loan Bank, Resolution Funding Corporation, and Tennessee Valley Authority.
- Collateralized banker's acceptances and certificate of deposit denominated in U.S. dollars and issued by a city code authorized depository certificates of deposit that must be secured by acceptable collateral with a total market value equal to 102.0% of the deposit.
- Commercial paper with a stated maturity of 397 days or less, which is rated P1 by Moody's or A1+ by Standard & Poor's (S&P). The senior long-term debt of the commercial paper issuer, or the entity providing an explicit guarantee, must be rated not lower than A2 by Moody's or A by S&P.
- Asset backed commercial paper (ABCP), which does not have a long-term rating, is an allowable investment if it meets the short-term rating requirements but is only allowed up to the ABCP sublimit.
- General obligation bonds of corporations rated Aa2 or better by Moody's or AA or better by S&P with a final maturity of two years or less.

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- Collateralized mortgage obligations and pass through securities directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States and with a final maturity of two years or less, the rating must be no lower than Aa2 by Moody's or AA by S&P.
- Money market mutual funds, as defined by the Securities and Exchange Commission, such money market funds must have assets over \$15.0 billion, have the highest rating from Moody's, S&P, and Fitch, and contain only government securities.
- Repurchase agreements that are fully collateralized in bonds or notes of the U.S. government pledged to the City and held in the City's name and deposited at the time the investment is made with an entity or a third-party selected and approved by the City the market value of the collateral shall be at least 102.0% of the funds being disbursed.
- Obligations of the Commonwealth of Pennsylvania (the Commonwealth) or any municipality or other political subdivision of the Commonwealth with a final maturity of two years or less and a rating of at least 'A' by Moody's or S&P provided that the entity has no NSRO taking lower than 'A'.

The Company's investments as of August 31, 2024 and 2023 were in compliance with the investment policy and were at investment grade or better.

Authorized investments for Sinking Fund Portfolios are dictated by the First Class City Revenue Bond Act of the General Assembly of the Commonwealth of Pennsylvania, approved October 18, 1972. This also includes any investment vehicle permitted for any Commonwealth state agency.

The Company's investment policy provides for the following percentage limitations of authorized investments, valued at market:

	Percent of portfolio allowed	Percent of portfolio per issuer	Percent of outstanding securities per issuer
U.S. government	100	100	N/A
Treasury obligations	100	100	N/A
U.S. agencies and instrumentalities	100	33	N/A
Banker's acceptances and certificates of deposit	15	3	3
Commercial paper	30	3	3
Corporate bonds	30	3	3
Collateralized mortgage obligations and pass-through securities	5	3	3
Commonwealth of PA and subdivisions of Commonwealth of PA	15	3	3
Money market mutual funds	25	10	3
Repurchase agreements	25	10	N/A

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Approximately 85.3% of the Company's cash and cash equivalents as of August 31, 2024 are in the following: U.S. Treasury bills (68.6%), Commercial Paper (11.1%), and Federal Home Loan Bank Bonds (5.6%). These investments are in accordance with the investment policy.

(e) Custodial Credit Risk

The Company has selected, as custodial bank, a member of the Federal Reserve System, to hold its investments. Delivery of the applicable investment documents to the Company's custodian is required for all investments. For secured transactions, such as repurchase agreements, either the title to or a perfected security interest in the securities, along with any necessary transfer documents, must be transferred to the custodian. Such transactions will always use delivery versus payment procedures.

(4) Recoverable Costs

In compliance with orders issued by the PGC, the cost of projects that produce benefits over an extended period is recorded on the balance sheets as a recoverable cost in other assets. There is no return on the asset being charged to the customers. The unamortized costs included in other noncurrent assets were \$0.4 million and \$0.6 million as of August 31, 2024 and 2023, respectively.

The Company has recognized the long-term portion of its environmental remediation liability as a regulatory asset, because based on available evidence, it is probable that the previously incurred costs will be recovered through rates. The Company estimates additional expenditures to be approximately \$28.2 million.

The recoverable pandemic costs reported in other noncurrent assets were \$25.3 million and \$30.5 million as of August 31, 2024 and 2023, respectively. The Company has recognized COVID-19 pandemic expenses as a regulatory asset because the PUC has allowed it to recover these costs through rates. COVID-19 pandemic costs, provisions for uncollectible accounts, and waived reconnection and finance charges were de minimis in FY 2024 and FY 2023 and recorded on the balance sheets as a recoverable cost in other noncurrent assets. In May 2023, PGW received \$0.2 million from Federal Emergency Management Agency (FEMA), which was used to offset a portion of the pandemic expenses.

(5) Deferred Compensation Plan

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Company employees with at least 30 days of service, permits them to defer a portion of their salary until future years. The Company provides an annual 50.0% matching contribution of applicable wages, up to a maximum of \$1,000, that immediately vests to the employee. The Company contributed \$1.2 million and \$1.1 million in FY 2024 and in FY 2023, respectively. PGW's contributions are accounted for as part of administrative and general expenses on the statements of revenues and expenses and changes in net position.

(6) Notes Payable

Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also issue additional

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short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in both FY 2024 and FY 2023. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreement is June 16, 2026.

As of August 31, 2024, there were \$35.0 million of Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) issued and outstanding. As of August 31, 2023, there were no Capital Project Notes or Gas Works Revenue Notes outstanding.

Capital Project Note activity for the year ended August 31, 2024 is as follows (thousands of U.S. dollars):

Year ended August 31, 2024				
	Beginning balance	Additions	Deletions	Ending balance
Capital Project Notes	\$ —	35,000	—	35,000

(7) GCR Tariff Reconciliation

During the fiscal year ended August 31, 2024, the Company's actual gas costs were lower than its billed gas costs by approximately \$34.4 million. This amount was netted with other applicable costs and recorded in other current liabilities on the balance sheet at August 31, 2024. Actual gas costs were \$47.1 million lower than billed gas costs in FY 2023. This amount was netted with other applicable costs and recorded in other current assets on the balance sheet at August 31, 2023.

(8) Long-Term Debt and Other Liabilities

The following summary of long-term debt consists primarily of bonds issued by the City under agreements whereby the Company must reimburse the City for the principal and interest payments required by the bond ordinances for the fiscal years ended August 31, 2024 and 2023 (thousands of U.S. dollars):

August 31, 2024				August 31, 2023		
	Current portion	Long-term	Total	Current portion	Long-term	Total
Revenue bonds	\$ 56,480	826,515	882,995	60,255	882,995	943,250
Unamortized discount	(4)	(36)	(40)	(4)	(40)	(44)
Unamortized premium	9,252	88,371	97,623	9,858	97,623	107,481
Total revenue bonds	\$ <u>65,728</u>	<u>914,850</u>	<u>980,578</u>	<u>70,109</u>	<u>980,578</u>	<u>1,050,687</u>

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The following is a summary of activity related to revenue bonds and other liabilities and the respective balances for the fiscal years ended August 31, 2024 and 2023 (thousands of U.S. dollars): PGW has issued Gas Works Revenue Bonds, Seventeenth Series (1998 Ordinance) on September 18, 2024. Please see note 16 subsequent events for additional information

Year ended August 31, 2024					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue bonds	\$ 943,250	—	(60,255)	882,995	56,480
Other liabilities:					
Claims and judgments	\$ 6,789	1,985	—	8,774	3,318
Environmental cleanup	23,610	4,618	—	28,228	1,542
Interest rate swap liability	1,897	622	—	2,519	—
Total other liabilities	<u>\$ 32,296</u>	<u>7,225</u>	<u>—</u>	<u>39,521</u>	<u>4,860</u>
Year ended August 31, 2023					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue bonds	\$ 997,020	—	(53,770)	943,250	60,255
Other liabilities:					
Claims and judgments	\$ 8,252	—	(1,463)	6,789	3,769
Environmental cleanup	28,557	—	(4,947)	23,610	4,178
Interest rate swap liability	6,044	—	(4,147)	1,897	—
Total other liabilities	<u>\$ 42,853</u>	<u>—</u>	<u>(10,557)</u>	<u>32,296</u>	<u>7,947</u>

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(a) Principal Maturities and Scheduled Interest and Swap Payments

Principal maturities and scheduled interest payments for revenue bonds and estimated payments on the interest rate swaps are as follows (thousands of U.S. dollars):

		Revenue bonds		
		Principal	Interest	Net swap amount
				Total
Fiscal year ending				
August 31:				
2025	\$	56,480	41,023	(151)
2026		58,975	38,409	(117)
2027		59,850	35,682	(81)
2028		62,570	32,974	(42)
2029		36,400	30,107	—
2030–2034		186,065	122,262	—
2035–2039		189,805	77,344	—
2040–2044		118,475	44,025	—
2045–2049		101,750	16,302	—
2050		12,625	631	—
Total	\$	<u>882,995</u>	<u>438,759</u>	<u>(391)</u>
				<u>1,321,363</u>

This table assumes that there are no draws on letters of credit supporting variable rate debt issuances resulting in bank bonds. Bank bonds are subject to accelerated payment terms and increased interest rates. Variable rate debt issuances represent \$131.6 million of the outstanding principal at August 31, 2024.

Future debt service is calculated using rates in effect at August 31, 2024 for variable rate bonds, which ranged from 2.91% to 4.03% in the month of August. The variable bond rate was 2.91% as of August 31, 2024. The variable rate received under the swaps is 70% of one month Secured Overnight Financing Rate (SOFR) plus 0.0801% until maturity, which was 3.82% at August 31, 2024.

(b) Bond Issuances – Refunding of Bonds and Defeasance of Bonds

Tenth Series Bonds (1998 Ordinance) Defeasance

The Company's Eight Series B variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of August 24, 2024. On July 21, 2022, this letter of credit was extended for an additional four-year term from the original stated expiration date resulting in a new stated expiration date of August 12, 2028.

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The Company's Eight Series C variable rate bonds are backed by an irrevocable letter of credit. The existing letter of credit was scheduled to expire on September 1, 2022. On July 21, 2022, a replacement letter of credit was issued with an expiration date of August 12, 2028.

The Company's Eight Series D variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of August 12, 2023. On July 21, 2022, this letter of credit was extended for an additional five-year term from the original stated expiration date resulting in a new stated expiration date of August 12, 2028.

The Company's Eight Series E variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of August 1, 2024. On July 21, 2022, this letter of credit was extended for an additional four-year term from the original stated expiration date resulting in a new stated expiration date of August 12, 2028.

The Company's Fifth Series A 2 variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of December 21, 2019. On April 22, 2019, this letter of credit was extended for a five-year term from the original stated expiration date resulting in a new stated expiration date of December 21, 2024.

In the event that the letter of credit agreements supporting the Eighth and Fifth Series bonds are not extended or replaced prior to their expiration dates, a mandatory tender of the then outstanding bonds will occur. If such mandatory tender results in draws on the letters of credit, the bonds will become bank bonds subject to accelerated payment terms and increased interest rates.

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Interest rates and maturities of the outstanding revenue bonds are detailed as follows (thousands of U.S. dollars):

	Interest rates	Maturity date (fiscal year)	Balance outstanding August 31	
			2024	2023
5th Series A-2	Variable *	2035	\$ 30,000	30,000
8th Series B	Variable *	2028	22,650	27,370
8th Series C	Variable *	2028	22,530	27,225
8th Series D	Variable *	2028	33,800	40,845
8th Series E	Variable *	2028	22,650	27,370
13th Series	3.00%–5.00%	2034	101,225	119,925
14th Series	2.00%–5.00%	2038	174,295	183,160
15th Series	2.00%–5.00%	2047	235,505	240,855
16th Series A	4.00%–5.00%	2050	196,120	199,845
16th Series B	4.00%–5.00%	2040	44,220	46,655
			<u>\$ 882,995</u>	<u>943,250</u>

* As of August 31, 2024, the SOFR based rate was 3.82%.

(c) Debt Coverage and Sinking Fund Requirements

Under the terms of both general ordinances, the City is required to maintain rates to allow the Company to satisfy 1975 and 1998 revenue bond debt coverage ratio requirements. Upon issuance of the Thirteenth Series Bonds, no debt under the 1975 General Ordinance remains outstanding.

Also provided by both general ordinances is the establishment of a Revenue Bond Sinking Fund Reserve into which deposits are made in an amount equal to the maximum annual debt service requirement on the bonds of each respective general ordinance in any fiscal year.

Funds in the Revenue Bond Sinking Fund Reserve are to be applied to the payment of debt service if, for any reason, other funds in the Sinking Fund, which operates as a debt service payment fund into which debt service payments are deposited as they come due, should be insufficient.

The revenue bonds are, and will be, equally and ratably collateralized by a security interest in all of the Company's project revenues, as defined in the general ordinances, and monies in the Sinking Fund, including the Sinking Fund Reserve.

Portions of certain revenue bonds were issued as zero-coupon securities. Interest on these securities is accrued and compounded on the payment dates of the current interest bonds within the issue. The accrued interest in the amount of \$6.4 million and \$6.6 million in FY 2024 and FY 2023, respectively, is reported as a component of accrued accounts.

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(d) Interest Rate Swap Agreements

Objective – In January 2006, the City entered into a fixed rate pay or floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

Terms – The swaps had an original termination date of August 1, 2031, which was subsequently amended to August 1, 2028. The swaps require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one month SOFR plus 0.0801% until maturity.

In August 2016, the underlying variable rate bonds maturing in FY 2017 through FY 2023 were refunded with fixed rate bonds and the related portions of the swaps, totaling \$102.7 million in notional amount, were terminated. PGW made a termination payment of \$13.9 million to fund this partial termination of the swaps which is included in unamortized loss on bond refunding on the Company's balance sheet.

As of August 31, 2024, the swaps had a notional amount of \$101.6 million and the associated variable rate debt had a \$101.6 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$22.7 million and the associated variable rate bonds had a \$22.7 million principal amount.
- The Series C swap had a notional amount of \$22.5 million and the associated variable rate bonds had a \$22.5 million principal amount.
- The Series D swap had a notional amount of \$33.8 million and the associated variable rate bonds had a \$33.8 million principal amount.
- The Series E swap had a notional amount of \$22.7 million and the associated variable rate bonds had a \$22.7 million principal amount.

The final maturity date for all swaps is August 1, 2028.

Fair Value – As of August 31, 2024, the swaps had a combined negative fair value of approximately \$2.5 million. The fair values of the interest rate swaps were estimated using the zero coupon method and are classified as Level 2 within the fair value hierarchy as described in note 1. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Risks – As of August 31, 2024, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard International Swaps and Derivatives Association, Inc. master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A – (Moody's/S&P), unless the counterparty has (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii)

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executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the City of Philadelphia Gas Works Revenue Bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month SOFR plus 0.0801% received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or if marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month SOFR plus 0.0801% received on the swap.

The impact of the interest rate swaps on the financial statements as of and for the years ended August 31, 2024 and 2023 is as follows (thousands of U.S. dollars):

	<u>Interest rate swap liability</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Balance, August 31, 2023	\$ (1,897)	—	(5,204)
Change in fair value through August 31, 2024	(622)	—	622
Amortization of terminated hedge	—	—	1,420
Balance, August 31, 2024	<u>\$ (2,519)</u>	<u>—</u>	<u>(3,162)</u>

	<u>Interest rate swap liability</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Balance, August 31, 2022	\$ (6,044)	—	(2,477)
Change in fair value through August 31, 2023	4,147	—	(4,147)
Amortization of terminated hedge	—	—	1,420
Balance, August 31, 2023	<u>\$ (1,897)</u>	<u>—</u>	<u>(5,204)</u>

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight line basis to expense over the life of the hedge.

The interest rate swap liability is included in other noncurrent liabilities on the balance sheets.

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There are no collateral posting requirements associated with the swap agreements.

(9) Leases and software subscriptions

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset, as specified in the contract for a period of time in an exchange or exchange-like transaction. PGW leases nonfinancial assets such as land, buildings, office equipment, vehicles, and machinery.

A software subscription, also known as subscription-based information technology arrangements (SBITAs), is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The related obligations are presented in the amounts equal to the present value of the lease/software subscription payments, payable during the remaining lease and software subscription term. As the lessee, the lease and software subscription assets and the respective liabilities are recognized on PGW's balance sheets. In addition, the interest and depreciation expenses changes are recognized on PGW's statement of revenues and expenses and changes in net position.

There are no variable payment clauses in any of PGW's lease and software subscription agreements. Lease and software subscription payments are discounted using a fixed interest rate if implicit in the contract. In instances where an interest rate was not readily implicit in the contract, PGW used a fixed long-term borrowing rate of 4.6% to determine the present value of the of the lease and software subscription obligations in FY 2024 and FY 2023.

PGW did not incur expenses related to its leasing and software subscription activities related to residual value guarantees, termination penalties, or losses due to impairment. PGW did not enter into any lease and software subscription arrangements with third parties in which PGW was a sublessee. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

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As of August 31, 2024, PGW had minimum principal and interest payment requirements for its leasing activities, with a remaining term greater than one year, as follows (thousands of U.S. dollars):

		Lease liability					
		Beginning balance	Additions	Principal payments	Interest payments	Total payments	Ending balance
Fiscal year ending August 31:							
2024	\$	59,971	696	1,428	3,158	4,586	59,239
2025		59,239	—	1,534	3,094	4,628	57,705
2026		57,705	—	1,586	3,015	4,601	56,119
2027		56,119	—	1,183	2,933	4,116	54,936
2028		54,936	—	1,189	2,870	4,059	53,747
2029-2033		53,747	—	7,407	13,275	20,682	46,340
2034-2038		46,340	—	11,001	10,869	21,870	35,339
2039-2043		35,339	—	15,784	7,379	23,163	19,555
2044-2048		19,555	—	19,555	2,472	22,027	—
Total	\$			60,667	49,065	109,732	

As of August 31, 2024, PGW had minimum principal and interest payment requirements for its software subscription activities, with a remaining term greater than one year, as follows (thousands of U.S. dollars):

		Software subscription liability					
	Beginning balance	Additions	Principal payments	Interest payments	Total payments	Ending balance	
Fiscal year ending August 31:							
2024	\$	1,838	1,494	1,843	86	1,929	1,489
2025		1,489	—	728	69	797	761
2026		761	—	761	35	796	—
Total	\$			3,332	190	3,522	

Currently there are no leasing and software subscription agreements where PGW is the lessor.

(10) Defined Benefit Pension Plan

(a) Plan Description

The single employer Pension Plan provides pension benefits for all eligible employees of PGW and other eligible class employees of PFMC and PGC.

The Pension Plan provides retirement payments for vested employees at age 65 or earlier under various options, which includes a disability pension provision, a preretirement spouse or domestic partner's death benefit, a reduced pension for early retirement, various reduced pension payments for

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the election of a survivor option, and a provision for retirement after thirty years of service without penalty for reduced age. In accordance with Resolutions of the PGC, Ordinances of City Council, and as prescribed by the City's Director of Finance, the Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, which serves as the Trustee. Management believes that the Pension Plan is in compliance with all applicable laws.

(b) Benefits Provided

Normal Retirement Benefits: The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60.0% of the highest annual earnings during the last ten years of credited service, or
- 2.0% of total earnings received during the period of credited service plus 22.5% of the first \$1,200 annual amount, applicable only to participants who were employees on or prior to March 24, 1967.

Death Benefits: Before retirement, the death beneficiary of deceased active participants or of deferred vested participants are entitled to vested benefits provided such participants died after having attained age 45 and completed at least fifteen years of Credited Service and whose age plus years of credited service equals at least 65 or whom have completed at least fifteen years (effective May 15, 2015 – formerly twenty years) of Credited Service regardless of age. The benefit is payable for the death beneficiary's remaining lifetime equal to the amount the participant would have received had the participant retired due to a disability on the day preceding his/her death and elected the 100% contingent annuitant option.

Disability Benefits: Disability benefits are the same as the Normal Retirement Benefits and are based on Final Average Compensation and Credited Service as of the date of disability.

Final Average Earnings are the employee's average pay, over the highest five years of the last ten years of credited service. Employees with fifteen years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with thirty years of service may retire without penalty for reduced age.

Except as noted in the following paragraph, covered employees are not required to contribute to the Pension Plan.

In December 2011, the Pension Plan was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined-benefit plan. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. The defined-benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The Ordinance did not affect the retirement

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benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

(c) Employees Covered by Benefit Terms

At June 30, 2024, the date of the most recent actuarial valuation, the Pension Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	2,525
Participants:	
Vested	820
Nonvested	315
	<hr/>
Total participants	1,135
	<hr/>
Total membership	3,660
	<hr/> <hr/>

(d) Contributions

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined amounts that are sufficient to accumulate assets to pay benefits when due considering employee contributions required for new hires after December 2011 who elect to participate in the Pension Plan. The employer contribution is determined using the Projected Unit Credit actuarial funding method. For the fiscal years ended August 31, 2024 and 2023, the actuarially determined employer contribution was \$25.9 million and \$26.1 million, respectively. For each of the fiscal years ended August 31, 2024 and 2023, PGW contributed \$30.0 million. The contributions for fiscal years ended August 31, 2024 and 2023 were based on the direction of the City of Philadelphia Director of Finance. Employee contributions were approximately \$2.6 million and \$2.2 million in the plan year ended June 30, 2024 and June 30, 2023, respectively.

(e) Net Pension Liability

The Company's net pension liability as of August 31, 2024 and 2023 was measured as of June 30, 2024 and 2023 based on an actuarial valuation as of June 30, 2024 and June 30, 2023, respectively.

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The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	<u>2024</u>	<u>2023</u>
Inflation	2.00 %	2.00 %
Investment rate of return	7.00 %	7.00 %
Salary increases:		
Years of service		
0	8.86	8.86
1	8.59	8.59
2	8.31	8.31
3	8.04	8.04
4	7.77	7.77
5	7.49	7.49
6	7.22	7.22
7	6.94	6.94
8	6.67	6.67
9	6.39	6.39
10	6.12	6.12
11	5.84	5.84
12	5.57	5.57
13	5.29	5.29
14	5.02	5.02
15	4.74	4.74
16	4.54	4.54
17	4.33	4.33
18	4.12	4.12
19	3.91	3.91
20 or more	3.71	3.71

Mortality rates: Mortality rates for FY 2024 and FY 2023 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2021.

Long-term rate of return: The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by

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expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2024 are summarized in the following table:

<u>Asset class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>	<u>Expected annual return</u>
Domestic equity	35.0 %	55.0 %	41.5 %	7.5 %
International equity	10.0	30.0	18.5	7.7
Fixed income	25.0	45.0	32.5	4.8
Alternatives	—	10.0	7.5	—
Cash equivalents	—	10.0	—	—
			100.0 %	

Discount rate: The discount rate used to measure the total pension liability at June 30, 2024 and 2023 was 7.0% in each year. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	<u>Increase (decrease)</u>		
	<u>Total Pension liability</u>	<u>Plan fiduciary net position</u>	<u>Net pension liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at September 1, 2023	\$ 833,566	604,133	229,433
Changes for the year:			
Service cost	9,256	—	9,256
Interest	56,901	—	56,901
Differences between expected and actual experience	2,859	—	2,859

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Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total Pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Contributions – employer	\$ —	30,000	(30,000)
Contributions – employee	—	2,642	(2,642)
Net investment income	—	79,630	(79,630)
Benefit payments, including refunds of employee contributions	(60,928)	(60,928)	—
Administrative expenses	—	(494)	494
Net changes	8,088	50,850	(42,762)
Balances at August 31, 2024	\$ 841,654	654,983	186,671

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total Pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2022	\$ 826,830	565,748	261,082
Changes for the year:			
Service cost	8,713	—	8,713
Interest	56,413	—	56,413
Differences between expected and actual experience	1,923	—	1,923
Contributions – employer	—	30,000	(30,000)
Contributions – employee	—	2,215	(2,215)
Net investment income	—	66,844	(66,844)
Benefit payments, including refunds of employee contributions	(60,313)	(60,313)	—
Administrative expenses	—	(361)	361
Net changes	6,736	38,385	(31,649)
Balances at August 31, 2023	\$ 833,566	604,133	229,433

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Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability, in thousands of U.S. dollars, of the Company at June 30, 2024, calculated using the discount rate of 7.00%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 276,401	186,671	110,737

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability, in thousands of U.S. dollars, of the Company at June 30, 2023, calculated using the discount rate of 7.00%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 318,179	229,433	154,328

Pension Plan's fiduciary net position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report. Requests for additional information should be addressed to Chief Investment Officer, Philadelphia Board of Pensions and Retirements, 1500 John F. Kennedy Boulevard, Two Penn Center Plaza, 17th Floor, Philadelphia, PA 19102.

(f) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2024 and 2023, the Company recognized pension expense of \$25.3 million and \$31.5 million, respectively. At August 31, 2024 and 2023, the Company reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources (thousands of U.S. dollars):

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	August 31, 2024		August 31, 2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 4,480	—	6,003	—
Changes of assumptions	237	—	4,734	—
Net difference between projected and actual earnings on pension plan investments	—	20,160	11,927	—
Contributions made after measurement date	6,396	—	6,396	—
Total	<u>\$ 11,113</u>	<u>20,160</u>	<u>29,060</u>	<u>—</u>

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2024 will be recognized as a reduction of the total pension liability in the Company's FY 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:	
2025	\$ (8,212)
2026	13,206
2027	(12,769)
2028	(7,668)

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(g) Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of June 30, 2024 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ —	62,488	—	62,488
Common and preferred stock	437,095	—	2	437,097
U.S. government securities	58,199	67,416	—	125,615
Financial agreements	—	11,541	—	11,541
Asset backed securities	1,186	—	—	1,186
Municipal obligations	—	245	—	245
	<u>\$ 496,480</u>	<u>141,690</u>	<u>2</u>	<u>638,172</u>

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of June 30, 2023 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ —	58,158	—	58,158
Common and preferred stock	423,381	—	2	423,383
U.S. government securities	40,498	49,626	—	90,124
Financial agreements	—	9,004	—	9,004
Asset backed securities	987	—	—	987
Municipal obligations	—	260	—	260
	<u>\$ 464,866</u>	<u>117,048</u>	<u>2</u>	<u>581,916</u>

(11) Other Postemployment Benefits

(a) Plan Description

The Company sponsors a single employer defined benefit healthcare plan, which provides postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in accordance with their retiree medical program.

The OPEB Plan comprises of (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

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(b) Benefits Provided

Medical Benefits: For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross, including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMO's. Employees who retire after December 1, 2001 are provided the Keystone 5 Plan at PGW's expense and they can buy up to a more expensive plan. For pre-65 retirees, a choice of plans is offered through Independence Blue Cross, including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMOs. Employees who retired after December 1, 2001 and prior to September 1, 2007 are provided the Keystone 5 Plan at PGW's expense, and they can buy up to a more expensive plan. Employees who retired on or after September 1, 2007 and prior to September 1, 2011 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired after August 31, 2011 and prior to May 15, 2022 are provided the Keystone 15 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired on or after May 15, 2022 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Management employees who retired after August 31, 2011 are provided the Keystone 10 Plan as the base plan, and they can buy up to a more expensive plan. Employees who retire on or after September 1, 2007 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired between January 1, 2024 and August 31, 2024 are provided the Keystone 10 plan at PGW's expense, and they can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of \$0.4 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums.

Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of \$1,500 per year for single coverage and \$3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

Prescription Drug Benefits: Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a \$2 copay for generic drugs, a \$2 copay for brand name drugs when no generic drugs are available, and a \$15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a \$5 copay for generics and a \$10 copay for brand drugs. Employees

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who retire on or after September 1, 2007 have a \$5 copay for generics and a \$15 copay for brand drugs.

Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

Dental Benefits: For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

Death Benefits: Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for fifteen years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first \$75,000 of coverage. Retirees in this category pay \$0.35 per \$1,000 per month for coverage in excess of \$75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for five years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay \$0.35 per \$1,000 of coverage per month and PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive two years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for five years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW. Dependents are entitled to receive health coverage up to age 19 or age 23 for full-time students.

Contributions: The OPEB Plan pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided the Keystone 5, Keystone 10, or Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced medical, dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

(c) Participants Covered

At December 31, 2023, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

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	<u>Number</u>
Retirees	1,471
Beneficiaries	348
Active employees – Union	1,092
Active employees – Management	<u>525</u>
Total number of participants	<u><u>3,436</u></u>

(d) Contributions

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2023, PGW contributed \$25.4 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources. For the OPEB Plan year ended December 31, 2022, PGW contributed \$25.7 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

(e) Net OPEB Liability

The Company's net OPEB liability as of August 31, 2024 and 2023 was measured as of December 31, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023 and 2022, respectively. The valuation and measurement date was December 31, 2023.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the entry age, level percent of pay actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- *Benefit assumptions:* the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- *Demographic assumptions:* including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.

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The demographic assumptions are set by the prior actuary. The actuaries monitor demographic experience by decrement annually and have not observed significant gains or losses related to the demographic assumptions.

- *Economic assumptions:* the discount rate and health care cost trend rates.

Benefit assumptions:

- *Per capita claims:* Using actuarial standards, specifically Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, the annual age specific per capital claims cost rate were projected at the following assumed trend rates for future years (whole U.S. dollars):

Age	Medical		
	Medical	Prescription drug	Dental
50	\$ 6,336	2,784	282
55	8,052	3,540	282
60	10,068	4,428	282
64	12,120	5,328	282
65	2,328	4,788	282
70	2,232	4,608	282
75	2,388	4,932	282

- *Life insurance:* The claims cost for life insurance is based on the actuarial present value of projected life insurance claims.
- *Morbidity:* The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased or decreased usage as a result of aging:

Ages	Blended Medical/Rx
50–54	4.95 %
55–59	4.76
60–64	4.64
65–69	(1.06)
70–74	1.09
75–79	1.71
80–84	1.87
85+	—

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Demographic assumptions:

- *Mortality rates:* Mortality rates for FY 2024 is assumed to follow:

Preretirement Mortality – Pri-2012 Total Employee Headcount Weighted Table, projected with SOA Scale MP-2021.

Postretirement Mortality – Pri-2012 Total Retiree Headcount Weighted Table, projected with SOA Scale MP-2021.

- *Salary scale:* Salary scale is based on years of service as follows:

<u>Years of service</u>	<u>Annual increase</u>	<u>Years of service</u>	<u>Annual increase</u>
0	8.86 %	11	5.84 %
1	8.59	12	5.57
2	8.31	13	5.29
3	8.04	14	5.02
4	7.77	15	4.74
5	7.49	16	4.54
6	7.22	17	4.33
7	6.94	18	4.12
8	6.67	19	3.91
9	6.39	20 or more	3.71
10	6.12		

- *Retirement rates:* Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

<u>Age</u>	<u>Service < 30</u>	<u>Service > 30</u>	<u>Age</u>	<u>Service < 30</u>	<u>Service > 30</u>
50	— %	15.00 %	61	10.00 %	15.00 %
51	—	15.00	62	10.00	40.00
52	—	15.00	63	10.00	25.00
53	—	15.00	64	10.00	25.00
54	—	15.00	65	20.00	25.00
55	5.00	15.00	66	20.00	40.00
56	5.00	15.00	67	20.00	40.00
57	10.00	15.00	68	20.00	40.00
58	10.00	15.00	69	20.00	40.00
59	10.00	15.00	70+	100.00	100.00
60	10.00	15.00			

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- *Withdrawal rates:* Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

<u>Age</u>	<u>Service < 1 year</u>	<u>1 year of service</u>	<u>2 years of service</u>	<u>3 years of service</u>	<u>4 years of service</u>	<u>Service > 5 years</u>
18–37	25.00 %	15.00 %	12.00 %	10.00 %	7.00 %	3.00 %
38	23.00	15.00	12.00	9.00	6.60	2.80
39	21.00	15.00	12.00	8.00	6.20	2.60
40	19.00	15.00	12.00	7.00	5.80	2.40
41	17.00	15.00	12.00	6.00	5.40	2.20
42	15.00	15.00	12.00	5.00	5.00	2.00
43	14.00	14.00	10.60	4.60	4.60	3.00
44	13.00	13.00	9.20	4.20	4.20	3.00
45	12.00	12.00	7.80	3.80	3.80	3.00
46	11.00	11.00	6.40	3.40	3.40	3.00
47	10.00	10.00	5.00	3.00	3.00	3.00
48	10.00	10.00	5.00	2.80	2.80	3.00
49	10.00	10.00	5.00	2.60	2.60	3.00
50	10.00	10.00	5.00	2.40	2.40	3.00
51	10.00	10.00	5.00	2.20	2.20	3.00
52+	10.00	10.00	5.00	2.00	2.00	3.00

- *Participation rate:* Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare plans upon retirement.

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Disability rates vary by age with illustrative rates as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Age</u>	<u>Males</u>	<u>Females</u>
18–27	0.03 %	0.03 %	47	0.23 %	0.33 %
28	0.03	0.04	48	0.28	0.37
29	0.03	0.04	49	0.31	0.40
30	0.03	0.04	50	0.37	0.45
31	0.03	0.06	51	0.43	0.49
32	0.03	0.06	52	0.51	0.55
33	0.03	0.07	53	0.59	0.60
34	0.03	0.07	54	0.68	0.66
35	0.04	0.08	55	0.77	0.71
36	0.04	0.09	56	0.86	0.77
37	0.06	0.10	57	0.96	0.83
38	0.07	0.11	58	1.06	0.89
39	0.08	0.13	59	1.17	0.95
40	0.09	0.14	60	1.28	1.00
41	0.10	0.17	61	1.40	1.07
42	0.11	0.19	62	1.54	1.13
43	0.13	0.21	63	1.68	1.17
44	0.16	0.25	64	1.83	1.22
45	0.18	0.27	65+	—	—
46	0.20	0.30			

Economic assumptions:

- *Long-term rate of return:* The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of returns (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected 10-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on

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published capital market assumptions). The target allocation for each major asset class as of December 31, 2023 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	7.0 %
Domestic equity small cap	10.0	15.0	12.5	7.2
Emerging market equity	5.0	10.0	7.5	8.8
International equity	15.0	20.0	17.5	9.2
Fixed income	10.0	45.0	30.0	5.3
Commodities/real assets	—	10.0	—	3.8
Cash equivalents	—	5.0	—	2.5
			100.0 %	

- *Inflation Rate: 2.5%*
- *Healthcare cost trend:*

Year	Medical (Pre-65)	Medical (Post-65)	Prescription drugs	Dental/Vision
2024	7.50 %	4.50 %	9.50 %	3.75%/2.50%
2025	7.00	4.50	9.00	3.75/2.50
2026	6.20	4.50	8.50	3.75/2.50
2027	5.60	4.50	8.00	3.75/2.50
2028	5.50	4.50	7.50	3.75/2.50
2029	5.40	4.50	7.00	3.75/2.50
2030-2034	5.25	4.50	6.50	3.75/2.50
2035-2049	4.60	4.50	6.00	3.75/2.50
2050-2064	4.50	4.50	5.50	3.75/2.50
2065-2074	4.25	4.50	4.50	3.75/2.50
2075+	4.00	4.50	4.00	3.75/2.50

- *Discount rate:* The discount rate used for determining the total OPEB liability is the long-term expected rate of return on plan investments of 7.0% as of December 31, 2023 and December 31,

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2022, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2023	\$ 529,342	320,636	208,706
Changes for the year:			
Service cost	6,030		6,030
Interest	36,604		36,604
Differences between expected and actual experience	(72,157)		(72,157)
Assumption changes	33,158		33,158
Benefit payments	(25,356)		(25,356)
Contributions-employer	—	43,856	(43,856)
Project investment agree on year	—	86,610	(86,610)
Plan asset gain/(loss)	—	(31,763)	31,763
Benefit payments	—	(25,356)	25,356
Administrative expenses and bank fees	—	(69)	69
Net changes	(21,721)	73,278	(94,999)
Balances at August 31, 2024	\$ 507,621	393,914	113,707

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Changes in Net OPEB Liability

(Thousands of U.S. dollars)

		Increase (decrease)	
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2022	\$ 515,175	365,944	149,231
Changes for the year:			
Service cost	6,597	—	6,597
Interest	35,641	—	35,641
Differences between expected and actual experience	695	—	695
Assumption changes	(3,089)	—	(3,089)
Benefit payments	(25,677)	—	(25,677)
Contributions-employer	—	44,177	(44,177)
Project investment (loss) on year	—	(63,740)	63,740
Benefit payments	—	(25,677)	25,677
Administrative expenses and bank fees	—	(68)	68
Net changes	14,167	(45,308)	59,475
Balances at August 31, 2023	\$ <u>529,342</u>	<u>320,636</u>	<u>208,706</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2023, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease	Current discount rate	1% Increase
	6.00%	7.00%	8.00%
Net OPEB liability	\$ 183,341	113,707	56,800

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2022, as well as what the

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Net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current</u> <u>discount rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
Net OPEB liability	\$ 280,881	208,706	149,770

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2023, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>healthcare cost</u> <u>trend rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 57,465	113,707	183,108

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2022, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>healthcare cost</u> <u>trend rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 150,328	208,706	280,737

OPEB Plan's fiduciary net position: Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia, Pennsylvania 19122.

(f) OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2024 and 2023, the Company recognized OPEB expense of \$1.1 million and \$4.8 million, respectively. At August 31, 2024 and 2023, the Company reported

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deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	August 31, 2024		August 31, 2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 467	80,078	580	32,875
Changes of assumptions	42,492	2,076	23,481	7,497
Difference between projected and actual earnings on OPEB plan investments	16,491	—	45,824	—
Contributions made after measurement date	32,133	—	30,183	—
Total	<u>\$ 91,583</u>	<u>82,154</u>	<u>100,068</u>	<u>40,372</u>

The \$32.1 million and \$30.2 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2023 and 2022, respectively, will be recognized as a reduction of the total OPEB liability in FY 2024 and FY 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:	
2025	\$ (4,612)
2026	(146)
2027	3,535
2028	(13,394)
2029	(6,230)
Thereafter	(1,857)

(g) Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of December 31, 2023 (thousands of U.S. dollars):

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity mutual funds	\$ 186,010	—	—	186,010
International equity mutual funds	98,054	—	—	98,054
Corporate bonds	—	515	—	515
U.S. treasuries	7,715	—	—	7,715
U.S. government agency	—	1,535	—	1,535
Bond mutual funds	79,911	—	—	79,911
Municipal bonds – mutual funds	20,132	—	—	20,132
Total investments, at fair value	<u>\$ 391,822</u>	<u>2,050</u>	<u>—</u>	<u>393,872</u>

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of December 31, 2022 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity mutual funds	\$ 151,110	—	—	151,110
International equity mutual funds	74,856	—	—	74,856
Corporate bonds	—	431	—	431
U.S. treasuries	7,778	—	—	7,778
U.S. government agency	—	1,138	—	1,138
Bond mutual funds	67,204	—	—	67,204
Municipal bonds – mutual funds	17,980	—	—	17,980
Total investments, at fair value	<u>\$ 318,928</u>	<u>1,569</u>	<u>—</u>	<u>320,497</u>

Mutual funds consist of open-end mutual funds that are registered with the SEC and are valued daily using quoted prices in active markets as provided by the pricing vendor for these securities (Level 1 inputs).

Fixed income consists of corporate bonds, U.S. Government and agency securities, and mortgage/asset backed securities. The fair values of these investments are determined using third party pricing services using quoted prices in active markets (Level 1 inputs) or prices derived from observable market inputs such as benchmark curves, broker/dealer quotes, and other industry and economic factors (Level 2 inputs).

(h) Investment Policy

Trust's investment policy in regard to the allocation of invested assets is defined in its Statement of Investment Guidelines (the Guidelines) developed in conjunction with the Trust's Board and its financial advisors. The long-term goals of the Guidelines are to manage the assets in a manner in the best of interest of participants, produce investment return that meets the actuarially assumed rate, and to

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produce consistent performance to protect against excessive volatility. There has not been any significant change in the Trust's investment policy during the reporting period.

The asset allocation strategy was as follows (as adjusted in February 2019):

	<u>Target</u>	<u>Actual</u>
Domestic equity large cap	32.5 %	33.3 %
Domestic equity small cap	12.5	13.8
Emerging market international equity	7.5	7.2
Developed market international equity	17.5	17.5
Fixed income	30.0	27.7
Cash and cash equivalents	—	0.5

(i) *Rate of Return*

For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on investments, net of investment expense, was 16.64% and (16.97)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(ii) *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

(iii) *Custodial Credit Risk*

The assets of the Plan are held by the Trust.

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to the Trust. The cash and cash equivalents held by the Trust at December 31, 2023 and 2022 were not covered by federal deposit insurance.

Custodial credit risk for investments is the risk that, in the event of a failure to a counterparty to a transaction, the value of the investment or collateral securities that are in possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Trust, or are held by either the counterparty or the counterparty's trust department or agent but not in the Trust's name. The Trust's investments are not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust.

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(iv) *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The Trust's investment policy does not specifically address limitations on the maturities of investments.

(v) *Investment Concentration Risk*

Investment concentration risk is the risk that the investment portfolio is disproportionately exposed to market changes in specific sectors or securities. As of December 31, 2023 and 2022, the Trust held the following investments in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europe Growth R6 Fund, Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Index Fund, Baird Core Bond Fund and MainStay MacKay High Yield Fund.

(12) Defined Contribution Pension Plan

PGW contributes to a defined contribution pension plan for all employees hired after May 21, 2011 (Union) or December 8, 2011 (Nonunion) who elect not to contribute to the defined benefit plan. The Defined Contribution Plan (DC) is administered by the PGW Investment Committee. Benefit terms, including contribution requirements, for the DC Plan are established and may be amended by Ordinance of the City. For each employee in the DC Plan, the Company is required to contribute annually 5.5% of applicable wages to an individual employee account. Employees are not required to make contributions to the plan. For the years ended August 31, 2024 and 2023, the Company recognized pension expense of \$2.0 million and \$2.1 million, respectively, related to contributions to the DC Plan.

Participants are immediately vested in Company contributions and earnings on Company contributions.

The Company had no accrued liabilities for contributions payable to the DC Plan at August 31, 2024 and 2023.

The DC Plan is a "tax-qualified" 401 (a) plan that is designed to comply with appropriate federal tax laws under the Internal Revenue Code (Tax Code). The DC Plan is a "defined contribution" plan as defined by the Tax Code. It is considered a "defined contribution" plan because the benefit consists of a defined contribution made by PGW for the benefit of the employee. The defined contribution is calculated as an amount equal to five and one-half percent (5.5%) of the employee's applicable wages. These amounts are deposited into an account for the benefit of the employee under the guidelines of the plan. The Company contributed \$2.0 million and \$2.1 million in FY 2024 and FY 2023, respectively. PGW's contributions are accounted for as part of administrative and general expenses in the statements of revenues and expenses and changes in net position.

(13) Pollution Remediation Obligation

The pollution remediation obligations at August 31, 2024 and 2023 were \$28.2 million and \$23.6 million, respectively, which reflect the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

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The Company recorded an increase in the total liability for pollution remediation obligations of \$4.6 million in FY 2024 and a decrease in the total liability for pollution obligations of \$4.9 million in FY 2023. The pollution remediation liability is reflected in other noncurrent and current liabilities in the balance sheets. In accordance with U.S. GAAP for regulated entities, the Company has also recognized the long-term portion of its environmental remediation liability as a regulatory asset. Based on available evidence, it is probable that the previously incurred costs will be recovered through rates. The regulatory asset is reflected in regulatory asset – environmental on the balance sheets.

(14) Risk Management

The Company is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. While self-insured for many risks, the Company purchases insurance coverage where appropriate. The Company's real and personal property is insured against the risk of loss or damage in the amount of \$250.0 million, subject to a \$0.3 million per accident deductible at the Richmond and Passyunk Plants and a \$0.1 million per accident deductible at all other locations. There are separate sub-limits for flood and earth movement at select locations. The Company's Property Insurance includes coverage for damage incurred from a terrorist attack. In addition, the Company maintains Blanket Crime, which is a form of Property Insurance.

The Company maintains \$210.0 million in liability (including terrorism) coverage, insuring against the risk of damage to property, or injury to the public with a \$1.0 million per occurrence self-insured retention.

The Company maintains statutory limits for Workers' Compensation (including terrorism) with a \$0.5 million per occurrence self-insured retention.

The Company maintains a \$30.0 million Public Officials Liability (Directors and Officers Liability) policy with a \$0.5 million retention as well as a \$60.0 million Fiduciary Liability policy with a \$0.2 million self-insured retention.

The Company maintains \$5.0 million in coverage for liability arising from nonowned Disposal Sites subject to each incident deductible of \$0.1 million. During FY 2024, the Company maintained Cyber (Privacy) Liability coverage, with a limit of \$11 million with a \$0.3 million retention covering costs arising from a data or security breach through August 31, 2024.

The Company maintains a medical stop-loss insurance program for its self-insured healthcare plans. The coverage provides for a \$0.4 million deductible per covered participant.

The Company has evaluated all open claims as of August 31, 2024 and has appropriately accrued for these claims on the balance sheets.

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Claims and settlement activity for occurrences excluded under the provisions of insurance policies for injuries and damages are as follows (thousands of U.S. dollars):

	<u>Beginning of year reserve</u>	<u>Current year claims and adjustments</u>	<u>Claims settled</u>	<u>End of year reserve</u>	<u>Current liability amount</u>
Fiscal year ended August 31:					
2024	\$ 6,789	5,285	(3,300)	8,774	3,318
2023	8,253	1,207	(2,671)	6,789	3,769
2022	9,981	792	(2,520)	8,253	3,917

(15) Commitments and Contingencies

Commitments

Commitments for major construction and maintenance contracts were approximately \$117.0 million and \$70.9 million, as of August 31, 2024 and 2023, respectively.

The Company, in the normal course of conducting business, has entered into long-term contracts for the supply of natural gas, firm transportation, and long-term firm gas storage service. The Company's cumulative obligations for demand charges for all of these services are approximately \$5.9 million per month in perpetuity.

The Company has entered into long-term and seasonal contracts with suppliers providing the Company with natural gas. The Company has the ability to fix the price of the purchase of natural gas with these contracts.

The Company's FY 2024 Capital Budget was approved by City Council in the amount of \$192.4 million. Within this approval, funding was provided to continue the implementation of an 18-mile CIMR Program. The cost for this program in FY 2024 is expected to be \$31.5 million. The total six-year cost of the CIMR Program is forecasted to be \$193.9 million. In addition to the 18-mile CIMR Program, the FY 2024 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2024 is expected to cost \$41.0 million. The total six-year cost of this incremental program is forecasted to be \$246.0 million. The FY 2024 Capital Budget also includes \$1.2 million for the purchase of smartpoint devices for the Automatic Meter Infrastructure (AMI) units, which will replace the Automatic Meter Reading (AMR) devices. The total six-year cost of this program to replace AMR units is approximately \$1.8 million.

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The Company's FY 2023 Capital Budget was approved by City Council in the amount of \$187.4 million. Within this approval, funding was provided to continue the implementation of an 18-mile CIMR Program. The cost for this program in FY 2023 is expected to be \$28.4 million. The total six-year cost of the CIMR Program is forecasted to be \$186.3 million. In addition to the 18-mile CIMR Program, the FY 2023 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2023 is expected to cost \$38.0 million. The total six-year cost of this incremental program is forecasted to be \$228.0 million. The FY 2023 Capital Budget also includes \$1.4 million for the purchase of smartpoint devices for the Automatic Meter Infrastructure (AMI) units, which will replace the Automatic Meter Reading (AMR) devices. The total six-year cost of this program to replace AMR units is approximately \$2.4 million.

Contingencies

The Company's material legal proceedings are as described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. PGW records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. Management has assessed the following matters based on current information and made a judgment concerning their potential outcomes, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. The Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities.

Philadelphia Gas Works, Petitioner v. Pennsylvania Public Utility Commission and SBG Management Services, et. al., Respondents, Pennsylvania Commonwealth Court Docket Nos. 1291 CD 2018, 1405 CD 2018 and 1404 CD 2018. These are an appeal by PGW dated October 19, 2018 from the Orders of the PUC issued (a) December 8, 2016, and the related Opinions and Orders denying reconsideration that were issued on May 18, 2018 and on August 23, 2018; (b) September 20, 2018; and (c) October 4, 2018.

Eight complaints were filed by landlords and by SBG Management Services, Inc. (collectively, SBG), the property management company that manages the day-to-day operations of certain residential properties owned by the landlords. The complaints which challenged amounts owned by SBG to PGW that, inter alia, were subject to late payment charges by PGW were divided into three groups by the Commission. The Commission's Regulations and PGW's Commission approved tariff authorizes PGW to charge interest (in the form of a late payment charge) at the rate of 1.5% per month on the overdue balance of a utility bill. In addition, if a customer does not pay for natural gas services provided by PGW, a municipal lien (which is created by operation of the Pennsylvania Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, et. seq. (MCTLL)) may be docketed with the appropriate local court. The Commission held that it lacks jurisdiction over unpaid amounts for natural gas service provided by PGW when a municipal lien is docketed under the MCTLL. Based upon that conclusion, the Commission determined that once a lien is docketed, PGW may not apply rules set forth in its Commission-approved tariff to the arrearage amount giving rise to the lien and may not show that arrearage amount on its monthly bills to nonpaying customers. The PUC assessed civil penalties in the total amount of approximately \$0.1 million against PGW, ordered PGW to refund sums totaling approximately \$1.0 million to the complainants, correct its practices in the assessment of late payment charges on unpaid balances, and modify the payment application sequence associated with partial payments. This would require PGW to make changes to PGW's billing system.

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In response to the PUC's determination, PGW filed timely appeals with the Pennsylvania Commonwealth Court from the PUC's decision in each group of complaints. Oral argument took place on November 12, 2019.

On December 9, 2019, the Pennsylvania Commonwealth Court reversed the orders of the PUC related to amounts owed by SBG Management Services, Inc. to PGW that, inter alia, were subject to late payment charges by PGW.¹ The Commonwealth Court found that (i) the PUC committed an error of law in holding that it lacked jurisdiction over gas charges subject to docketed liens, (ii) the PUC committed an error of law in holding that PGW could not continue to impose late fees of 1.5% per month on delinquent accounts once the City docketed a lien, and (iii) the PUC erred in imposing penalties, ordering refunds of previously imposed late fees, and directing billing changes relating to charges subject to docketed liens.

On January 8, 2020 SBG petitioned the Pennsylvania Supreme Court ("PA Supreme Court") to reverse the decision of the Commonwealth Court. On June 23, 2020, the PA Supreme Court granted SBG's petition for appeal. On December 1, 2020, the parties presented oral arguments before the PA Supreme Court. On April 29, 2021, the PA Supreme Court reversed the order of the Commonwealth Court, and held that liens filed of record under Section 7106(b) of the Municipal Claims and Tax Lien Law (53 P.S. § 7106(b)) have the effect of judgments, and accordingly accrue interest at the "lawful rate" of post-judgment interest of 6% per annum. (See 42 Pa.C.S. §8101; 41 P.S. § 202) (see <https://casetext.com/case/phila-gas-works-v-pa-pub-util-commn-3>).

On May 13, 2021 PGW filed an "Application for Reargument" with the PA Supreme Court. In its Application, PGW requested that the PA Supreme Court grant reargument on a number of grounds, including due to PGW's assertion that the determination of the interest rate on liens was not properly the subject of the appeal before the PA Supreme Court.

On June 15, 2021, Philadelphia Gas Works' Application for Reargument was granted in part by the PA Supreme Court. The case was remanded to the Commonwealth Court for consideration of any outstanding issues. (PGW's Application for Relief (including the request for reargument) was denied in all other respects.) On August 3, 2021, the Commonwealth Court issued an order establishing a Supplemental Briefing Schedule for the matter on remand, and also fixed the questions on remand.² The parties' briefs

¹ PGW did not appeal the decision of the PUC regarding partial payment application. This matter was independently resolved per a settlement agreement reached with the Office of Consumer Advocate, and approved by the PUC on June 13, 2019, as part of a prior PGW's base rate case. Per the settlement, PGW agreed to modify its partial payment allocation practices so that no priority is given to the satisfaction of late payment charges.

² Questions on remand: 1. Whether the PA Supreme Court's opinion and order in Appeal of: SBG Management Services, 249 A.3d 963 (Pa. No. 14 EAP 2020, filed April 29, 2021), applies retroactively to the case at bar; 2. Whether the [Commission's] orders violate [PGW's] constitutional rights to due process by, without prior notice, announcing, applying and enforcing a new legal interpretation against [PGW] in the context of individual consumer complaints; 3. Whether substantial evidence of record supports the Commission's imposition of a civil penalty and whether the Commission abused its discretion and acted arbitrarily and capriciously in imposing penalties; 4. Whether the Commission's mandate for system-wide modifications is arbitrary and capricious and an abuse of the Commission's discretion; and 5. Whether a remand is appropriate to the Commission for a determination of [PGW]'s compliance with the mandate for system-wide modifications or for imposition of a new period in which [PGW] must comply.

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were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022 the Commonwealth Court held that PGW II applies retroactively only to the parties of PGW II as well as other proceeding pending at the time PGW II was decided on April 28, 2021. The Commonwealth Court remanded the proceeding to the Commission for a determination of the correct amounts.

Upon remand to the Commission, PGW filed a motion to dismiss the issue related to the amounts due on docketed liens. PGW argued that the amount due on docketed liens (which are judgments according to *PGW II*) are outside of the Commission's jurisdiction. In response, SBG argued that it is proper for the Commission to determine how much SBG was overcharged. The motion was argued before the Administrative Law Judge (the "ALJ") on November 8, 2022. An evidentiary hearing was held on March 23, 2024. The ALJ issued an initial decision on July 26, 2024. Exceptions to the initial decision were separately filed by PGW and SBG on August 16, 2024. Replies to the Exceptions were filed on August 26, 2024. The initial decision (along with the Exceptions and Replies) will be reviewed by the full Commission. It is impossible to determine when a final decision by the PUC will be rendered.

SBG Management Services, Inc. Et Al. v. City of Philadelphia c/o Philadelphia Gas Works

In a separate, but related matter to the SBG matter described above, various and several new SBG entities filed a Praecipe for Writ of Summons against "the City of Philadelphia c/o PGW" in the Philadelphia Court of Common Pleas on April 29, 2021, and docketed a complaint on August 24, 2021. The complaint sets forth a cause of action for "recoupment" (Count I), a claim for unjust enrichment (Count II), a cause of action for fraud (Count III), and a claim for violation of the UTPCPL (Count IV). Under SBG's view of the decision of the Pennsylvania Supreme Court (*PGW v. PUC*, 249 A.3d 963 (Pa. 2021)) in the above-described litigation, SBG is entitled to damages based on the amounts paid by them to satisfy the judgments (docketed municipal liens) against them for unpaid gas service. In their complaint, Plaintiffs allege they have incurred hundreds of millions of dollars in damages from PGW's billing practices since at least 2004 and are seeking a refund of late payment charges paid to PGW in excess of \$10,245,000, as well as other substantial (including punitive and treble) damages, interest, costs, fees and penalties based upon allegations of unjust enrichment, fraud, and unfair trade practices arising from PGW's late payment charges. PGW filed its response to the complaint in September 2021, wherein it raised objections and defenses to all of the causes of action raised in the complaint. Additionally, on September 13, 2021 PGW filed Preliminary Objections with the Court. On January 20, 2022, the Court issued an order in response to PGW's Preliminary Objections, dismissing two of SBG's claim with prejudice (fraud and unfair trade practices), and dismissing a third claim (breach of contract) without prejudice, and leave to SBG to amend its complaint. SBG has subsequently filed multiple amended complaints including a Third Amended Complaint ("TAC"). The TAC asserts claims of breach of contract (Count 1) and unjust enrichment (Count II). PGW responded by filing preliminary objections to the TAC. On August 10, 2022, the Court sustained one of PGW's preliminary objections and dismissed the nine other property owners. PGW's other preliminary objections were overruled. PGW filed an answer with new matter on August 30, 2022. SBG's reply was filed on September 23, 2022. PGW has also filed a motion for summary judgment on the ground that all or most of SBG's claims are barred by the applicable statutes of limitations. That motion was denied by the Court on September 3, 2024. Under the Court's Revised Case Management Order, the case will be ready for trial on or after January 1, 2024. However, the court has not held a pre-trial conference for this case and has not scheduled a date for the evidentiary hearing.

(Continued)

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SBG Management Services, et. al., Plaintiffs v. City of Philadelphia c/o Philadelphia Gas Works, et al., Defendant, Philadelphia Court of Common Pleas Docket No. 231101740; Commonwealth Court Docket No. 380 CD 2024. SBG Management Services, Inc., the five landlords with active gas accounts who are involved in the previously described litigation (Pennsylvania Supreme Court Docket No. 14 EAP 2020, *et al.*) (collectively “SBG”) instituted this new litigation in the Philadelphia Court of Common Pleas via a Complaint in Equity on November 15, 2023 (“Injunction Action”). The Complaint alleges that PGW wrongfully terminated gas service to the landlords based upon disputed outstanding balances. At the same time, SBG filed a Petition for Temporary Injunctive Relief. That Petition seeks to enjoin PGW from enforcing shut-off notices for allegedly unpaid outstanding balances.

On November 17, 2023, the Court held a hearing on the Petition for Temporary Injunctive Relief. PGW restored gas to all five properties as of 10:00 p.m. on November 17, 2023. The Court entered an order on November 17, 2023 directing, among other things, that the parties engage in mediation. On February 25, 2024, the Court entered another Order prohibiting PGW from terminating gas service at the Landlord properties that were Plaintiffs in the Injunction Action until further order of the Court.

PGW subsequently exercised its right to appeal the Common Pleas Court’s February 25th Order to the Commonwealth Court (Docket No. 380 CD 2024) alleging that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. PGW’s main brief was filed on July 23, 2024. SBG’s main brief was dated August 23, 2024. PGW’s reply brief is due on September 5, 2024. Argument has not been scheduled by the Commonwealth Court. By motion of PGW, which was not opposed by the Plaintiffs, the Court stayed all further proceedings in the Injunction Action pending the outcome of the Commonwealth Court appeal.

The pleadings remain open. PGW filed preliminary objections to the Complaint in the Injunction Action on December 6, 2023. The preliminary objections allege, among other things, that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. SBG’s response to the preliminary objections was filed on March 18, 2024. The Court’s decision on the preliminary objections is stayed pending the outcome of the Commonwealth Court appeal, as noted.

As part of the Injunction Action, SBG has alleged it is owed an unquantified amount of damages for alleged constitutional violations and violations of the Public Utility Code. Additionally, the relief requested by SBG is that PGW be enjoined from terminating service to SBG for non-payment in the future, and as such PGW would be forced to forgo terminating service to the subject properties in an effort to collect unpaid gas bills. PGW has not filed an Answer to the Injunction Action, since PGW’s preliminary objections are pending, as noted.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2019-3013933. On December 19, 2019, an explosion occurred on the 1400 Block of South Eighth Street in Philadelphia that resulted in two fatalities. The Commission’s Bureau of Investigation and Enforcement (“BI&E”) conducted an investigation, leading to a formal complaint being filed on July 15, 2022. Following partial litigation of the matter, a settlement was reached with BI&E that resulted in no civil penalty, but included the creation of Residential Methane Detector Pilot Program where PGW agreed to commit \$800,000 towards the implementation. The settlement also included various other

(Continued)

PHILADELPHIA GAS WORKS
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actions by PGW, such as coordination and training with the excavator community that will create some additional but unquantified expenses. The settlement is pending final approval by the Commission.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2024-3052777. On November 30, 2021, an explosion occurred at 815 Jackson Street in Philadelphia which resulted in no fatalities or reported injuries. It is estimated that approximately \$100,000 in property damage occurred, but there were no civil claims associated with the event. On November 25, 2024, The Commission's Bureau of Investigation and Enforcement ("BI&E") filed a formal complaint alleging violations of the Public Utility Code, Pennsylvania Code, and Code of Federal Regulations and seeking relief including a \$300,000 civil penalty, creation of email distribution of safety materials to excavators, trainings to be offered to Excavators by PGW, expansion of the Methane Detector Pilot Program, and other relief. BI&E granted PGW an extension to file an Answer to the Complaint, and PGW has not filed an answer to the Complaint to date.

(16) Subsequent Events

The Company has evaluated events and transactions that occurred between August 31, 2024 and December 20, 2024, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements and noted the following:

Seventeenth Series Bonds (1998 Ordinance)

On September 18, 2024, the City issued Gas Works Revenue Bonds, Seventeenth Series A (1998 Ordinance) and Seventeenth Series B (1998 Ordinance) in the par amount of \$315.0 million and \$109.3 million, respectively.

The Seventeenth Series A Bonds, with fixed interest rates that range from approximately 5.0% to 5.3%, have maturity dates through 2054. The proceeds from the sale of the Seventeenth Series A Bonds were issued a finance portion of PGW's ongoing Capital Improvement Program, pay the costs of issuing the bonds, and repayment of notes payables of \$35.0 million.

The Seventeenth Series B Bonds, with fixed interest rates of 5.0%, have maturity dates through 2034. The proceeds from the sale of the Seventeenth Series B Bonds were issued to refund the Fifth Series Bonds and partially refund \$88.6 million principal of the Thirteenth Series Bonds. The refunding removed the need for LOC fees related to the Fifth Series Bonds. The gain on the refunding component was \$2.0 million, which will be amortized over the life of the Seventeenth Series B Bonds.

Renewable Natural Gas

PGW, in collaboration with the Philadelphia Energy Authority (PEA) and the Philadelphia Water Department (PWD), is planning a multi-phase energy savings and renewable natural gas (RNG) green-energy credit monetization project. Leveraging PWD assets located at the Northeast Water Pollution Control Plant (3899 Richmond St.) and PGW's gas interconnection at this facility, the initiative aims to enhance operations, reduce environmental impacts, and bring to market the green-energy credits produced by City-owned assets. These credits will be monetized through the Midwest Renewable Energy Tracking System (MRETS), which allows for the creation and sale of vintage energy credits.

(Continued)

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Pipeline and Hazardous Materials Safety Administration Grant

PGW has been provisionally awarded an additional \$40.0 million Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) established by President Biden's Bipartisan Infrastructure Law. This grant, combined with two other awards from PHMSA since 2022, will fund a \$125.0 million infrastructure plan. These grants will be paid as a reimbursement based on submitted documents of related expenses incurred.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Required Supplementary Information (Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios
(Thousands of U.S. dollars)

	Fiscal year ending									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	\$ 9,256	8,713	7,152	7,178	6,400	6,554	6,103	5,823	5,399	4,890
Interest cost	56,901	56,413	55,276	55,454	56,893	57,241	55,718	55,443	55,903	52,377
Differences between expected and actual experience	2,859	1,923	9,665	2,057	(3,034)	(12,089)	15,706	2,182	(8,840)	17,961
Changes in assumptions	—	—	1,481	22,923	(24,891)	(1,834)	(3,864)	(7,952)	26,748	44,876
Benefit payments	(60,928)	(60,313)	(58,502)	(56,647)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)	(46,917)
Net change in total pension liability	8,088	6,736	15,072	30,965	(19,693)	(4,021)	21,036	4,120	28,763	73,187
Total pension liability (beginning)	833,566	826,830	811,758	780,793	800,486	804,507	783,471	779,351	750,588	677,401
Total pension liability (ending)	841,654	833,566	826,830	811,758	780,793	800,486	804,507	783,471	779,351	750,588
Plan fiduciary net position:										
Contributions – employer	30,000	30,000	30,043	29,728	29,414	28,570	29,143	27,918	21,123	21,106
Contributions – employee	2,642	2,215	1,854	1,607	1,520	1,249	1,078	852	602	393
Net investment income (loss)	79,630	66,844	(80,989)	155,840	14,286	34,260	44,310	61,003	2,872	24,472
Benefit payments	(60,928)	(60,313)	(58,502)	(56,647)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)	(46,917)
Administrative expense	(494)	(361)	(200)	(217)	(168)	(192)	(184)	(129)	(1,611)	(1,480)
Net change in fiduciary net position	50,850	38,385	(107,794)	130,311	(10,009)	9,994	21,720	38,268	(27,461)	(2,426)
Plan fiduciary net position (beginning)	604,133	565,748	673,542	543,231	553,240	543,246	521,526	483,258	510,719	513,145
Plan fiduciary net position (ending)	654,983	604,133	565,748	673,542	543,231	553,240	543,246	521,526	483,258	510,719
Net pension liability (ending)	\$ 186,671	229,433	261,082	138,216	237,562	247,246	261,261	261,945	296,093	239,869
Net position as a percentage of total pension liability	77.82 %	72.48 %	68.42 %	82.97 %	69.57 %	69.11 %	67.53 %	66.57 %	62.01 %	68.04 %
Covered payroll for the year ended June 30,	\$ 108,177	102,709	97,435	97,959	95,934	98,453	101,271	94,767	90,860	95,187
Net pension liability as a percentage of covered payroll	172.56 %	223.38 %	267.96 %	141.10 %	247.63 %	251.13 %	257.98 %	276.41 %	325.88 %	252.00 %

Notes to schedule:

The amounts presented in each fiscal year were determined as of the June 30 that occurred within the fiscal year.

Historical information:

The Company has presented the information noted above for those years for which information is available.

Ten-year trend information will be presented prospectively.

Changes in assumptions:

Investment Rate of Return: 7.00% in FY 2024-2021, 7.30% in FY 2020-2016, and 7.65% in FY 2015.

Mortality Rates Adopted:

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2021 in FY 2024, FY 2023, and FY 2022.

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2020 in FY 2021 and FY 2020.

RP-2014 static mortality table in FY 2016 generationally projected with scale MP-2018 in FY 2019, MP-2017 in FY 2018, MP-2016 in FY 2017, and MP-2015 in FY 2016.

RP-2000 static mortality projected to the year of valuation prior to FY 2018.

Unaudited – see accompanying independent auditors' report.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
(Thousands of U.S. dollars)

Fiscal year ending	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 25,937	26,084	26,151	23,492	26,844	28,797	28,395	29,260	26,476	21,526
Contributions made	30,000	30,000	30,000	30,000	29,227	28,797	28,395	29,260	26,476	21,526
Contribution deficiency/(excess)	<u>\$ (4,063)</u>	<u>(3,916)</u>	<u>(3,849)</u>	<u>(6,508)</u>	<u>(2,383)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered payroll for the year ended August 31,	\$ 109,677	99,076	92,374	93,601	94,634	99,494	97,431	91,176	87,416	91,579
Contributions as a percent of covered payroll	27.35 %	30.28 %	32.48 %	32.05 %	30.88 %	28.94 %	29.14 %	32.09 %	30.29 %	23.51 %

Notes to schedule:

Actuarial Valuation Date: July 1 for FY 2024-2015

Methods and assumptions used to determine contributions:

Actuarial Cost Method: Projected Unit Credit.

Asset Valuation Method: Assets smoothed over a five-year period beginning in FY 2016 and Market Value in FY 2015.

Amortization Method: Based on the greater of 20-year level dollar open amortization method or 30-year level dollar closed amortization method.

Salary Increases:

Varies by participant years of service {see Note 10(e)}.

4.5% in 2019 and prior periods.

General Inflation: 2.00%.

Investment Rate of Return: 7.00% in FY 2024-2021, 7.30% in FY 2020-2016, and 7.65% in FY 2015.

Mortality Rates: Adopted RP-2014 static mortality table in FY 2016 generationally projected.

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2021 in FY 2024, FY 2023, and FY 2022.

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2020 in FY 2021 and FY 2020.

RP-2014 static mortality table in FY 2016 generationally projected with scale MP-2018 in FY 2019, MP-2017 in FY 2018, MP-2016 in FY 2017, and MP-2015 in FY 2016.

RP-2000 static mortality projected to the year of valuation prior to FY 2018.

Unaudited – see accompanying independent auditors' report.

PHILADELPHIA GAS WORKS

(A Component Unit of the City of Philadelphia)

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net OPEB Liability and Related Ratios
(Thousand of U.S. Dollars)

	Fiscal year ending							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:								
Service cost	\$ 6,030	6,597	5,762	4,999	5,867	6,268	5,180	5,315
Interest cost	36,603	35,640	36,577	35,387	37,374	40,262	38,182	39,961
Differences between expected and actual experience	(72,157)	695	(25,286)	(30,648)	(16,787)	(64,606)	(5,345)	(30,973)
Changes in assumptions	33,158	(3,089)	15,652	31,995	(24,572)	7,707	61,382	(6,481)
Benefit payments	(25,356)	(25,677)	(25,197)	(27,636)	(28,845)	(28,729)	(29,747)	(30,370)
Net change in total OPEB liability	(21,722)	14,166	7,508	14,097	(26,963)	(39,098)	69,652	(22,548)
Total OPEB liability (beginning)	529,342	515,175	507,667	493,570	520,533	559,631	489,979	512,527
Total OPEB liability (ending)	\$ 507,620	529,341	515,175	507,667	493,570	520,533	559,631	489,979
Plan fiduciary net position:								
Contributions - employer	\$ 43,856	44,177	43,697	46,136	47,345	47,229	48,247	48,870
Investment income	54,847	(63,741)	41,417	42,258	42,444	(14,754)	22,669	10,710
Benefit payments	(25,356)	(25,677)	(25,197)	(27,636)	(28,845)	(28,729)	(29,747)	(30,370)
Administrative, investment management expenses and bank fees	(69)	(68)	(52)	(40)	(37)	(35)	(49)	(30)
Net change in plan fiduciary net position	73,278	(45,309)	59,865	60,718	60,907	3,711	41,120	29,180
Plan fiduciary net position (beginning)	320,635	365,944	306,079	245,361	184,454	180,743	139,623	110,443
Plan fiduciary net position (ending)	393,913	320,635	365,944	306,079	245,361	184,454	180,743	139,623
Net OPEB liability (ending)	\$ 113,707	208,706	149,231	201,588	248,209	336,079	378,888	350,356
Plan fiduciary net position as a percentage of the total OPEB liability	77.6 %	60.6 %	71.0 %	60.3 %	49.7 %	35.4 %	32.3 %	28.5 %
Covered employee payroll as of December 31,	129,835	121,467	115,798	127,907	125,270	120,132	118,636	109,440
Net OPEB liability as a percentage of covered employee payroll	87.58 %	171.82 %	128.87 %	157.61 %	198.14 %	279.76 %	319.37 %	320.14 %

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the calendar-year end that occurred within the fiscal year.

Historical information:

The Company has presented the information noted above for those years for which information is available.

Ten-year trend information will be presented prospectively.

Changes in assumptions:

Salary increases: ranges from 8.86% for new hires to 3.71% for employees with 20+ years of service.

Discount rate: 7.00% in FY 2024-2022; 7.30% in FY 2021-2017.

Inflation Rate: 2.5% in FY 2024 and FY 2023; 2.0% in FY 2022-2017.

Mortality Rates:

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2023 and 2022.

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2023 and 2022.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2023 and 2022.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Healthy Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2020 in 2023 and 2022.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Healthy Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2019 in 2021 and 2020.

Adopted the sex-distinct U.S. Public Pension General (PUB-G) Employee, Healthy Annuitant and Disabled Retiree Mortality Tables in 2019.

Adopted the sex-distinct RP-2014 Employee, Healthy Annuitant and Disabled Retiree in 2018 and 2017.

Mortality Tables: (head-count weighted) projection with scale MP-2021 in 2023 and 2022, MP-2020 in 2021 and 2020, MP-2019 in 2019, MP-2018 in 2018, and MP-2017 in 2017.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Required Supplementary Information (Unaudited)

Schedule of OPEB Contributions
(Thousand of U.S. Dollars)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 16,003	23,271	19,085	22,541	25,972	33,405	37,638	37,639	41,782	37,980
Contributions made	45,806	45,044	42,248	44,880	47,104	47,548	47,114	48,065	49,551	48,847
Contribution deficiency/(excess)	<u>\$ (29,803)</u>	<u>(21,773)</u>	<u>(23,163)</u>	<u>(22,339)</u>	<u>(21,132)</u>	<u>(14,143)</u>	<u>(9,476)</u>	<u>(10,426)</u>	<u>(7,769)</u>	<u>(10,867)</u>
Covered employee payroll as of August 31,	153,053	140,442	136,105	135,243	131,595	128,642	130,171	119,667	112,956	114,074
Contributions as a percent of covered employee payroll	29.93 %	32.07 %	31.04 %	33.18 %	35.79 %	36.96 %	36.19 %	40.17 %	43.87 %	42.82 %

Notes to schedule:

Actuarial Valuation Date: December 31, 2023, 2022 and 2021 for fiscal year 2024, 2023, and 2022, respectively, September 1 (beginning of each fiscal year) in prior periods.

Methods and assumptions used to determine contributions:

Actuarial Cost Method: Entry Age Level Percent of Pay Cost Method FY 2024, FY 2023, and FY 2022; Entry Age Normal Cost Method for FY 2021 and prior.

Asset Valuation Method: Market Value

Per Capita Claims: ASOP Actuarial Standards

Salary Increases: Varies by participant years of service (see Note 11(e)) in FY 2024-2021; and 4.5% in FY 2020-2015.

General Inflation: 2.5% in FY 2024-2023; 2.0% in FY 2022-2020; 3.0% in prior period.

Participation Rates: Assumed 100.0% of future retirees who meet the eligibility requirements will participate in the OPEB plan. Current retirees who have opted out of coverage are assumed to continue to receive opt out payments in the future.

Life Insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims in FY 2024, FY 2023, and FY 2022.

Life Insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle in prior fiscal years.

Discount rate: 7.00% in FY 2024-2022; 7.30% in FY 2021-2017; and 7.95% in FY 2016-2015.

Mortality Rates: Adopted:

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2023 and 2022.

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2023 and 2022.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2023 and 2022.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Healthy Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2020 in 2023 and 2022.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Healthy Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2019 in 2021 and 2020.

Sex-distinct U.S. Public Pension General (PUB-G) Employee, Healthy Annuitant and Disabled Retiree Mortality Tables in 2019.

Sex-distinct RP-2014 Employee, Healthy Annuitant and Disabled Retiree Mortality tables (head-count weighted) projection with scale MP-2018 in FY 2019, MP-2017 in FY 2018, MP-2016 in FY 2017, MP-2015 in FY 2016, and MP-2014 in FY 2015.



STATISTICAL SECTION

PGW is invested in creating new opportunities in the energy field, and helping customers do more with less. That's where solutions like Combined Heat and Power (CHP), micro CHP (mCHP), and Liquefied Natural Gas (LNG) operations come into play.

Pictured above is the Cancer Treatment Center of America (CTCA) at Eastern Regional Medical Center, where PGW installed a CHP unit to aid CTCA in providing a better experience for cancer patients through their individualized approach to cancer treatment.

Customers – both residential and commercial – understand the importance of reliability of service, which is why natural gas will continue to be a vital energy source in our region.

PHILADELPHIA GAS WORKS
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Statistical Section
Description of Schedules
August 31, 2024

This section of the Company's comprehensive annual financial report presents comparative information in order to better understand the financial statements, note disclosures, and required supplementary information and to more fully comprehend the Company's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Company's financial performance and wellbeing have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Company's revenue.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Company's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Company's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Company's financial report relates to the services the Company provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Balance Sheets
Fiscal Years 2015 through 2024
(Thousands of U.S. dollars)

Assets	2024	2023	2022
Current assets:			
Cash and cash equivalents	115,612	139,302	115,637
Accounts receivable (net of provision for uncollectible accounts)	89,137	91,957	107,001
Gas inventories, materials, and supplies	67,390	79,454	92,876
Current portion of capital improvement fund	-	43,730	107,822
Workers' compensation escrow fund	2,929	2,778	2,667
Health insurance escrow fund	-	-	-
Other current assets ^{(3) (4)}	14,929	15,385	16,191
Total current assets	289,997	372,606	442,194
Noncurrent assets			
Utility plant, at original cost:			
In service	2,995,617	2,902,469	2,810,896
Lease assets ⁽³⁾	80,747	80,351	1,202
Software subscriptions ⁽⁴⁾	10,387	8,135	8,438
Under construction	213,317	161,751	141,469
Total	3,300,068	3,152,706	2,962,005
Less accumulated depreciation	1,387,474	1,329,678	1,299,288
Less accumulated depreciation - lease assets ⁽³⁾	5,955	2,488	855
Less accumulated depreciation - software subscriptions ⁽⁴⁾	6,596	5,071	4,053
Utility plant, net	1,900,043	1,815,469	1,657,809
Unamortized bond issuance costs	639	681	725
Capital improvement fund	-	-	4,851
Sinking fund, revenue bonds	116,145	109,581	106,188
Regulatory asset - environmental	28,228	23,610	28,871
Regulatory asset - pandemic	25,302	30,485	30,674
Other noncurrent assets	5,932	3,665	4,647
Total noncurrent assets	2,076,289	1,983,491	1,833,765
Total assets	2,366,286	2,356,097	2,275,959
Deferred outflows of resources			
Accumulated fair value of hedging derivatives	-	-	-
Unamortized losses on bond refunding	16,449	19,763	23,321
Deferred outflows related to pension ⁽¹⁾	11,113	29,060	68,189
Deferred outflows related to OPEB ⁽²⁾	91,583	100,068	62,576
Total deferred outflows of resources	119,145	148,891	154,086
Total assets and deferred outflows of resources	2,485,431	2,504,988	2,430,045

(1) During FY 2015, the Company implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* - an Amendment of GASB Statement No. 27, that improves accounting and financial reporting by state and local governments for pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. This change was retroactive to FY 2014.

(2) During FY 2018, the Company implemented *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB Plans, and the OPEB Plans expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the OPEB Plans. This change was retroactive to FY 2017.

Source - PGW's Audited Financial Statements

2021	2020	2019	2018	2017	2016	2015
158,265	172,267	124,145	131,051	88,535	91,743	114,327
81,991	83,681	85,989	82,611	82,028	73,563	86,853
53,373	46,706	51,691	52,364	55,414	47,891	50,908
93,600	-	68,634	61,000	55,000	-	-
2,740	2,736	2,711	2,646	2,616	2,603	2,597
-	-	-	-	-	-	3,223
12,738	18,485	18,143	18,002	28,714	31,017	13,596
402,707	323,875	351,313	347,674	312,307	246,817	271,504
2,700,055	2,585,092	2,486,973	2,394,302	2,244,731	2,178,632	2,093,112
2,541	-	-	-	-	-	-
-	-	-	-	-	-	-
105,321	86,349	87,826	75,953	105,393	73,531	64,254
2,807,917	2,671,441	2,574,799	2,470,255	2,350,124	2,252,163	2,157,366
1,239,513	1,180,021	1,123,329	1,066,299	1,012,009	967,353	924,996
1,696	-	-	-	-	-	-
-	-	-	-	-	-	-
1,566,708	1,491,420	1,451,470	1,403,956	1,338,115	1,284,810	1,232,370
784	233	258	290	322	512	3,473
91,322	-	-	50,815	110,000	-	-
107,684	102,824	106,509	103,255	102,202	86,652	90,141
27,572	33,758	37,102	31,593	30,010	28,425	-
32,497	-	-	-	-	-	-
5,927	7,242	6,054	9,057	11,301	6,364	37,646
1,832,494	1,635,477	1,601,393	1,598,966	1,591,950	1,406,763	1,363,630
2,235,201	1,959,352	1,952,706	1,946,640	1,904,257	1,653,580	1,635,134
9,117	13,888	10,332	594	7,911	14,763	20,948
27,487	31,947	36,776	42,054	47,614	57,175	37,471
24,575	24,408	14,421	24,943	39,400	88,043	78,128
71,721	61,198	91,175	81,048	33,076	-	-
132,900	131,441	152,704	148,639	128,001	159,981	136,547
2,368,101	2,090,793	2,105,410	2,095,279	2,032,258	1,813,561	1,771,681

(3) During FY 2022, the Company implemented *GASB Statement No. 87, Leases*, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.

(4) During FY 2023, the Company implemented *GASB Statement No. 96, Subscription Based Information Technology Arrangements*, that revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.

Source - PGW's Audited Financial Statements

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Balance Sheets
Fiscal Years 2015 through 2024
(Thousands of U.S.dollars)

Fund Equity and Liabilities	2024	2023	2022
Current liabilities:			
Notes payable	35,000	-	-
Current portion of revenue bonds	65,728	70,110	64,202
Accounts payable	73,357	80,632	96,764
Current portion of long-term liabilities	4,860	7,947	5,927
Customer deposits	2,396	2,653	2,262
Current portion of lease liabilities ⁽³⁾	1,534	1,329	131
Current portion of software subscription liabilities ⁽⁴⁾	727	1,838	1,856
Other current liabilities	35,170	47,970	6,164
Accrued accounts:			
Interest, taxes, and wages	11,832	13,786	14,388
Distribution to the City	3,000	3,000	3,000
Total current liabilities	233,604	229,265	194,694
Non current liabilities:			
Long-term revenue bonds	914,850	980,578	1,050,687
Long-term lease liabilities ⁽³⁾	57,705	58,642	114
Long-term software subscription liabilities ⁽⁴⁾	761	-	1,770
Other noncurrent liabilities ⁽²⁾	34,662	24,350	36,927
Net pension liability ⁽¹⁾	186,671	229,433	261,082
Net OPEB liability ⁽²⁾	113,707	208,706	149,231
Total noncurrent liabilities	1,308,356	1,501,709	1,499,811
Total liabilities	1,541,960	1,730,974	1,694,505
Deferred Inflows of Resources			
Deferred inflows related to gain on bond refunding	145	156	168
Deferred inflows related to pension ⁽¹⁾	20,160	-	5,937
Deferred inflows related to OPEB ⁽²⁾	82,154	40,372	102,608
Accumulated fair value of hedging derivatives	3,162	5,204	2,478
Total deferred inflows of resources	105,621	45,732	111,191
Total liabilities and deferred inflows of resources	1,647,581	1,776,706	1,805,696
Net position			
Excess (deficiency) of net investment in capital assets ^{(3) (4) (5)}	822,451	744,673	678,913
Restricted (debt service and workers' compensation)	119,074	112,359	108,855
Unrestricted ^{(1) (2) (3) (4) (5)}	(103,675)	(128,750)	(163,419)
Total net position	837,850	728,282	624,349
Total liabilities, deferred inflows of resources, and net position	2,485,431	2,504,988	2,430,045

(1) During FY 2015, the Company implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* - an Amendment of GASB Statement No. 27, that improves accounting and financial reporting by state and local governments for pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. This change was retroactive to FY 2014.

(2) During FY 2018, the Company implemented *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB Plans, and the OPEB Plans expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the OPEB Plans. This change was retroactive to FY 2017.

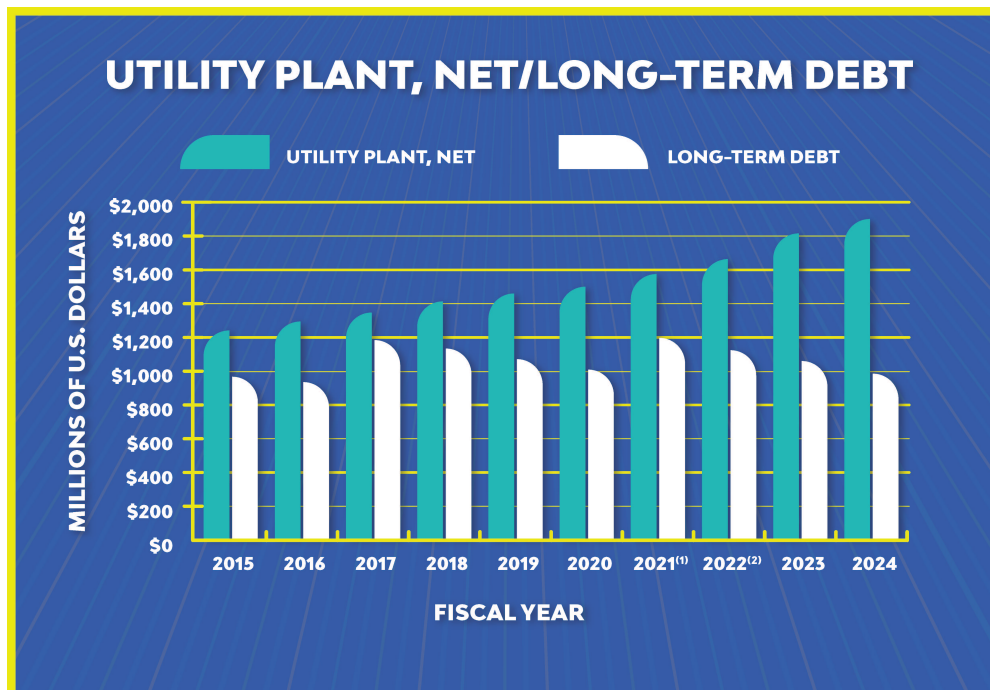
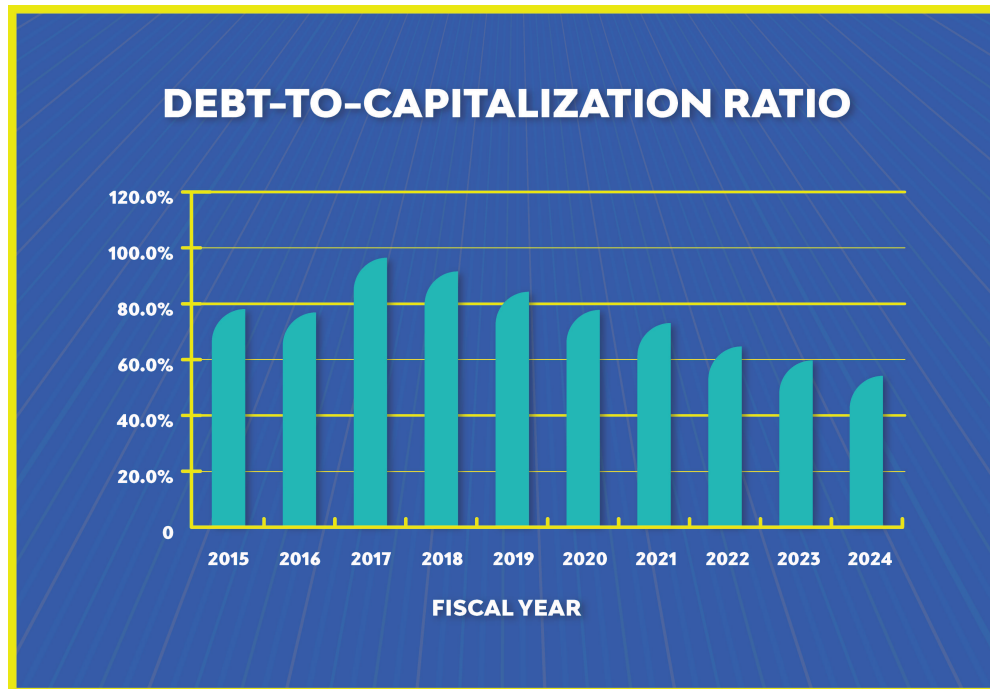
Source - PGW's Audited Financial Statements

2021	2020	2019	2018	2017	2016	2015
-	-	-	-	-	71,000	30,000
65,417	63,103	62,946	62,709	49,890	44,803	43,030
79,928	69,657	67,530	72,620	54,922	55,870	56,027
5,552	6,463	6,313	7,216	5,828	6,808	-
1,659	2,282	3,090	2,644	3,385	3,308	2,858
554	-	-	-	-	-	-
-	-	-	-	-	-	-
35,363	31,088	6,178	15,220	6,005	6,983	14,091
14,751	14,115	12,406	11,969	12,956	6,417	10,051
3,000	3,000	3,000	3,000	3,000	3,000	3,000
206,224	189,708	161,463	175,378	135,986	198,189	159,057
1,122,609	936,721	999,474	1,062,763	1,125,473	881,620	914,719
150	-	-	-	-	-	-
-	-	-	-	-	-	-
51,681	63,395	65,482	55,889	65,686	149,621	168,399
138,216	237,562	247,246	261,261	261,945	296,093	239,869
201,588	248,209	336,079	378,888	350,356	-	-
1,514,244	1,485,887	1,648,281	1,758,801	1,803,460	1,327,334	1,322,987
1,720,468	1,675,595	1,809,744	1,934,179	1,939,446	1,525,523	1,482,044
181	-	-	-	-	-	-
94,514	28,147	18,230	13,266	12,275	-	11,653
102,885	91,524	69,874	36,134	30,920	-	-
-	-	-	-	-	-	-
197,580	119,671	88,104	49,400	43,195	-	11,653
1,918,048	1,795,266	1,897,848	1,983,579	1,982,641	1,525,523	1,493,697
591,091	523,543	494,460	432,354	375,366	415,561	274,621
110,424	105,560	109,220	105,901	104,818	89,255	95,962
(251,462)	(333,576)	(396,118)	(426,555)	(430,567)	(216,778)	(92,599)
450,053	295,527	207,562	111,700	49,617	288,038	277,984
2,368,101	2,090,793	2,105,410	2,095,279	2,032,258	1,813,561	1,771,681

- (3) During FY 2022, the Company implemented *GASB Statement No. 87, Leases*, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.
- (4) During FY 2023, the Company implemented *GASB Statement No. 96, Subscription Based Information Technology Arrangements*, that revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.
- (5) In FY 2024, the Company corrected the components of net position (net investment in capital assets and unrestricted net position) reported in the 2023 statement of net position because lease liabilities, software subscription liabilities, capital accounts payable, and retainage payable were improperly excluded from the calculation of net investment in capital assets.

Source - PGW's Audited Financial Statements

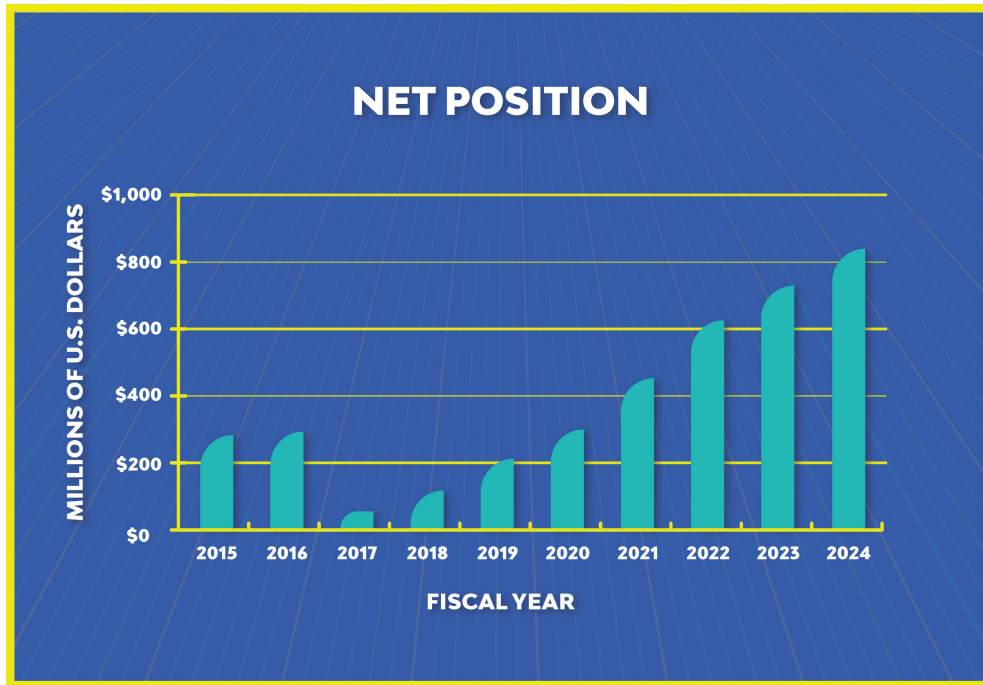
PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Debt to Total Capitalization Ratio and
 Utility Plant, Net/Long-Term Debt
 Fiscal Years 2015 through 2024



- (1) For FY 2021 and subsequent fiscal years Utility Plant, Net includes lease assets due to the implementation of *GASB Statement No. 87, Leases*.
- (2) For FY 2022 and subsequent fiscal years Utility Plant, Net includes software subscription assets due to the implementation of *GASB Statement No. 96, Subscription Based Information Technology Arrangements*.

Note: The total for debt includes current and non-current revenue bonds, unamortized discounts, and unamortized premiums.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Net Position
Fiscal Years 2015 through 2024



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Statements of Revenues and Expenses
Fiscal Years 2015 through 2024
(Thousands of U.S. dollars)

	2024	2023	2022
Operating revenues:			
Gas revenues:			
Nonheating	21,231	25,914	32,064
Gas transport service	82,542	77,530	71,710
Heating	553,613	599,980	687,142
Provision for uncollectible accounts ⁽³⁾	(29,897)	(40,270)	(25,287)
Total gas revenues	627,489	663,154	765,629
Appliance and other revenues	7,019	7,339	6,656
Other operating revenues	29,561	40,533	33,152
Total operating revenues	664,069	711,026	805,437
Operating expenses:			
Natural gas	164,192	223,996	272,468
Gas processing ⁽⁵⁾	25,576	25,569	24,085
Field operations ^{(4) (5) (7)}	96,588	89,803	79,542
Field services ⁽⁴⁾	-	-	-
Distribution ⁽⁴⁾	-	-	-
Collection and account management ⁽⁵⁾	12,483	12,894	13,237
Provision for uncollectible accounts ⁽³⁾	-	-	-
Customer services ^{(5) (7)}	15,995	13,962	12,825
Marketing ⁽⁵⁾	3,765	3,857	4,433
Administrative and general ^{(2) (4) (5) (7)}	81,319	66,704	64,535
Pensions ⁽¹⁾	25,345	31,544	20,675
Other postemployment benefits ⁽²⁾	1,075	4,791	(1,242)
Taxes	9,830	9,121	8,984
Total operating expenses before depreciation	436,168	482,241	499,542
Depreciation ^{(5) (7)}	75,293	81,962	72,342
Less depreciation expense included in operating expenses above	-	-	-
Net depreciation	75,293	81,962	72,342
Total operating expenses	511,461	564,203	571,884
Operating income	152,608	146,823	233,553
Investment gain (loss) and other income	14,467	14,000	(1,523)
Income before interest expense	167,075	160,823	232,030
Interest expense:			
Long-term debt	43,283	44,776	47,044
Other ^{(5) (7)}	(3,776)	(5,886)	(7,447)
Allowance for funds used during construction ⁽⁶⁾	-	-	-
Total interest expense	39,507	38,890	39,597
Excess of revenues over expenses prior to City Payment	127,568	121,933	192,433
Distribution to the City of Philadelphia	(18,000)	(18,000)	(18,000)
Grant back of distribution from the City of Philadelphia	-	-	-
Excess of revenues over expenses ⁽¹⁾	109,568	103,933	174,433
Net position, beginning of the year ^{(1) (2) (5) (7)}	728,282	624,349	449,916
Net position, end of the year ^{(1) (2) (5) (7)}	837,850	728,282	624,349

(1) During FY 2015, the Company implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27, that improves accounting and financial reporting by state and local governments for pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. This change was retroactive to FY 2014.

(2) During FY 2018, the Company implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB Plans, and the OPEB Plans expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the OPEB Plans. This change was retroactive to FY 2017.

(3) Starting in FY 2016, the Company reported provision for uncollectible accounts as a reduction of revenue as required by the GASB. Prior to FY 2016, the Company reported provision for uncollectible accounts as an expense.

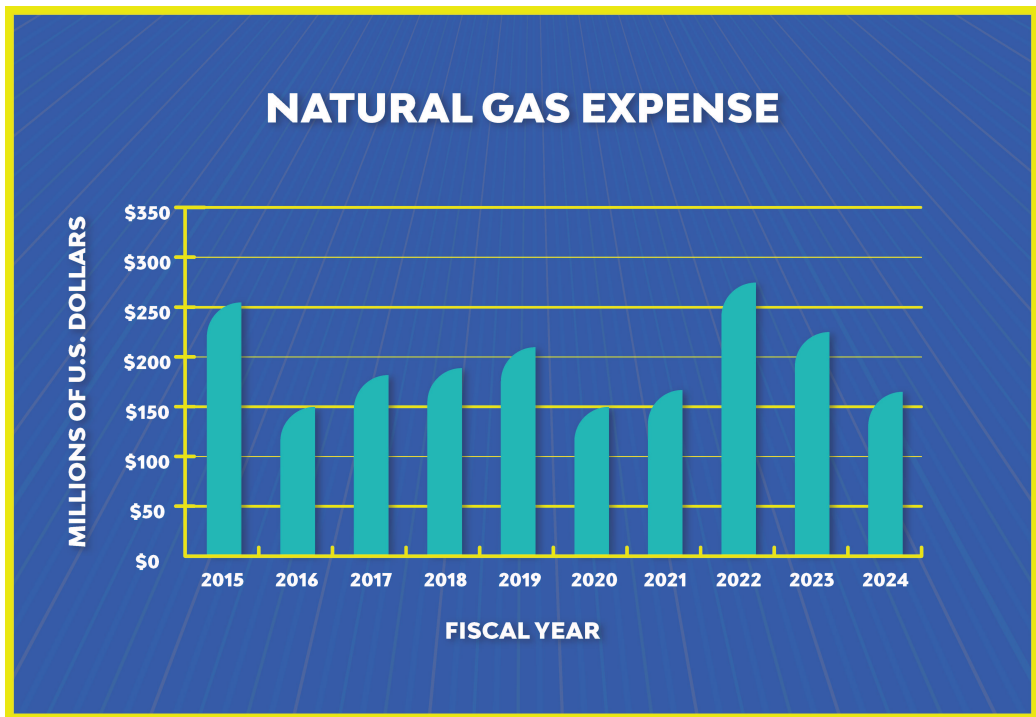
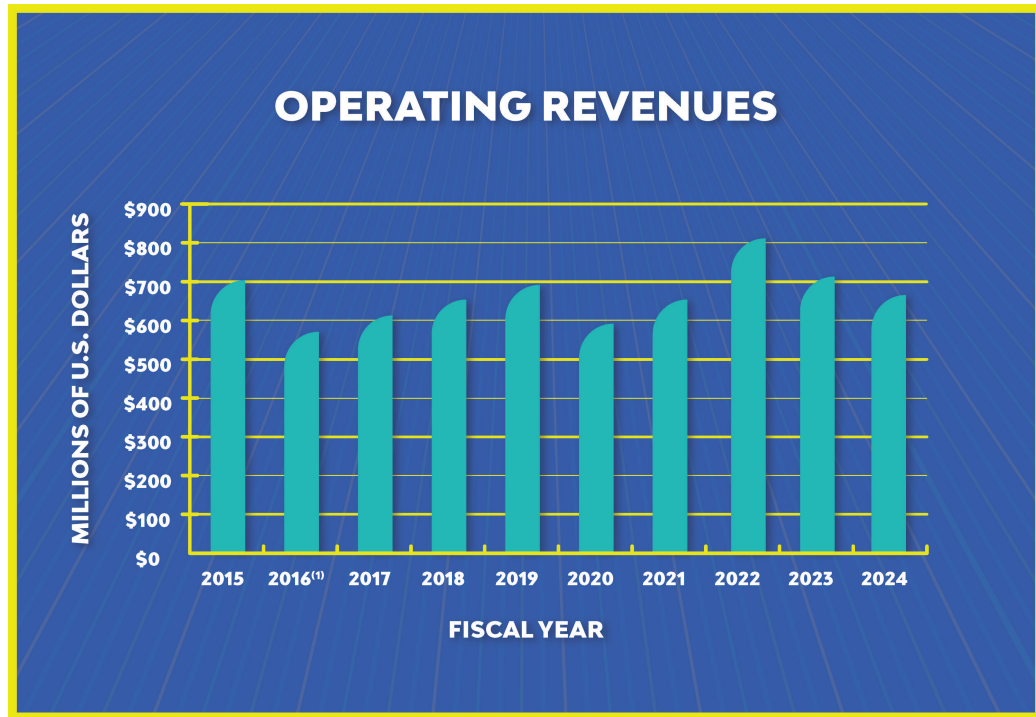
(4) Presentation of the FY 2018 Statement of Revenue and Expenses was restated in FY 2019 to reflect Distribution, Field Services, and Operations Support Services (OSS) as a single line item – Field operations. Prior to FY 2019 and the FY 2018 restatement, Distribution and Field Services were reported on separate line and OSS was reported as a part of the Administrative and General line of the Statement of Revenue and Expenses.

Source - PGW's Audited Financial Statements

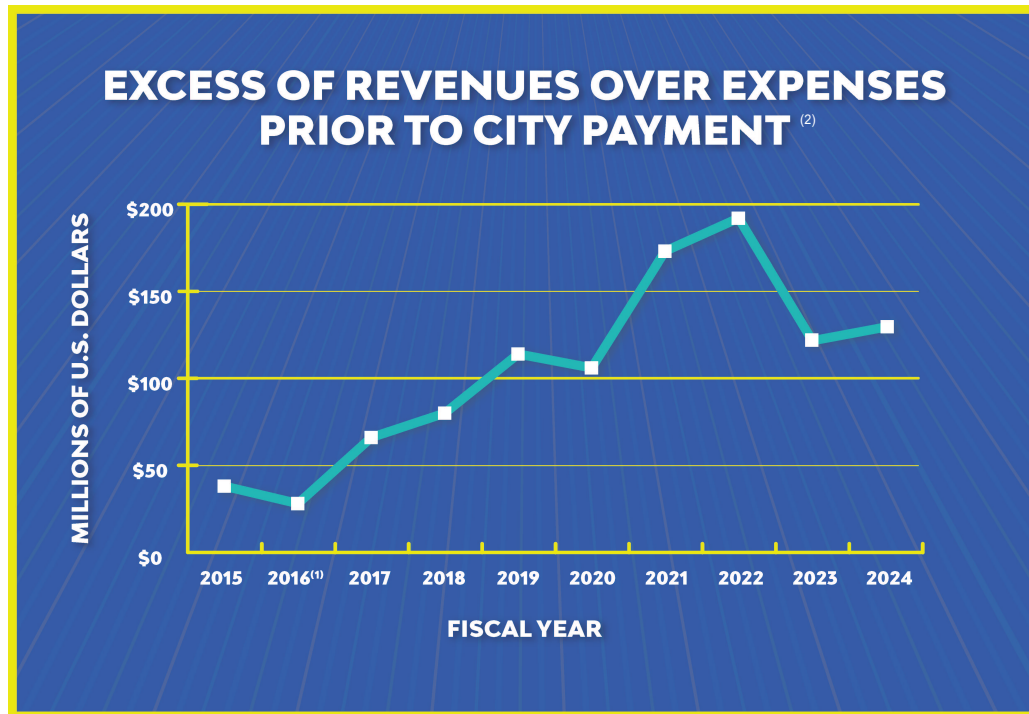
2021	2020	2019	2018	2017	2016	2015
23,122	21,599	25,065	23,492	21,694	21,873	30,753
67,907	62,846	63,565	51,724	44,370	41,008	39,588
549,982	531,436	605,437	583,864	552,342	509,467	605,686
(16,261)	(44,088)	(29,983)	(30,826)	(29,992)	(27,133)	-
624,750	571,793	664,084	628,254	588,414	545,215	676,027
6,019	6,190	7,908	8,121	8,199	7,961	8,727
15,978	6,954	12,736	11,124	9,598	10,928	12,493
646,747	584,937	684,728	647,499	606,211	564,104	697,247
163,892	146,754	206,825	186,265	179,230	146,524	252,169
23,294	24,316	22,028	21,644	16,789	17,948	18,180
79,678	78,699	79,341	88,105	-	-	-
-	-	-	-	37,715	36,277	36,874
-	-	-	-	41,318	37,173	38,629
13,364	12,408	12,490	11,975	11,200	10,913	11,192
-	-	-	-	-	-	34,833
13,762	13,686	13,983	13,904	13,230	12,432	12,262
4,113	3,999	4,232	3,751	3,644	3,671	6,956
61,899	65,521	67,649	63,206	59,372	99,652	93,347
(3,146)	19,473	30,268	43,159	54,826	62,336	43,748
(902)	10,862	28,351	32,889	28,062	9,929	6,726
8,894	8,957	8,705	8,758	7,890	7,521	7,823
364,848	384,675	473,872	473,656	453,276	444,376	562,739
69,312	64,161	68,186	63,970	54,347	51,679	49,371
-	-	-	7,516	6,770	6,231	5,584
69,312	64,161	68,186	56,454	47,577	45,448	43,787
434,160	448,836	542,058	530,110	500,853	489,824	606,526
212,587	136,101	142,670	117,389	105,358	74,280	90,721
1,322	5,594	10,788	4,634	1,989	1,393	3,784
213,909	141,695	153,458	122,023	107,347	75,673	94,505
48,475	43,552	46,136	48,351	39,104	40,296	45,756
(4,561)	(5,962)	(5,245)	(5,058)	3,312	8,443	11,548
(2,413)	(1,860)	(1,295)	(1,353)	(1,408)	(1,120)	(781)
41,501	35,730	39,596	41,940	41,008	47,619	56,523
172,408	105,965	113,862	80,083	66,339	28,054	37,982
(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
-	-	-	-	-	-	-
154,408	87,965	95,862	62,083	48,339	10,054	19,982
295,645	207,562	111,700	49,617	1,278	277,984	258,002
450,053	295,527	207,562	111,700	49,617	288,038	277,984

- (5) During FY 2022, the Company implemented GASB Statement No. 87, Leases, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.
- (6) During FY 2022, the Company implemented GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. Beginning on September 1, 2021, PGW no longer capitalizes Allowance for Funds Used During Construction (AFUDC).
- (7) During FY 2023, the Company implemented GASB Statement No. 96, Subscription Based Information Technology Arrangements, that revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Operating Revenues and Natural Gas Expenses
Fiscal Years 2015 through 2024



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Excess of Revenues Over Expenses
Prior to City Payment
Fiscal Years 2015 through 2024



- (1) Starting in FY 2016, the Company reported provision for uncollectible accounts as a reduction of revenue as required by the GASB. Prior to FY 2016, the Company reported provision for uncollectible accounts as an expense.
- (2) The Company has made a payment of \$18.0 million to the city in each of the company's financial year.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Average Number of Customers Billed by System
Fiscal Years 2015 through 2024

	2024	2023	2022
Residential	492,800	493,100	496,400
Commercial	25,000	25,000	25,000
Industrial	500	500	600
Total	518,300	518,600	522,000

Source - PGW Records



(1) PGW's customer count increased in FY 2020 as compared to FY 2019. However, PGW was operating under the Pennsylvania Public Utility Commission's (PAPUC) requirement to extend the moratorium regarding customer shut-offs during the period April 1, 2020 through August 31, 2020. This inflated PGW's customer count at the end of FY 2020.

(2) PGW's customer count remained consistent in FY 2021 as compared to FY 2020. PGW was operating under the PAPUC's modification of the March 13, 2020 Emergency Order by initiating Phase 2 of PGW's plans regarding customer protections until December 31, 2021.

2021⁽²⁾	2020⁽¹⁾	2019	2018	2017	2016	2015
498,300	498,300	484,300	482,300	479,300	476,300	475,300
25,000	25,000	25,000	25,000	25,000	25,000	25,000
700	700	700	700	700	700	700
<u>524,000</u>	<u>524,000</u>	<u>510,000</u>	<u>508,000</u>	<u>505,000</u>	<u>502,000</u>	<u>501,000</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Gas Revenues
Fiscal Years 2015 through 2024
(Thousands of U.S. dollars)

	2024	2023	2022
Firm non-heat	19,383	22,617	24,535
Interruptible gas sales	1,448	5,057	6,338
Billed non-heating	20,831	27,674	30,873
Gas Cost Rates (GCR) non-heating adjustment	401	(1,761)	1,191
Total non-heating	21,232	25,913	32,064
 Billed heating	 517,900	 622,898	 632,373
GCR heating adjustment	12,760	(49,080)	30,918
Total billed heating	530,660	573,818	663,291
Weather Normalization Adjustment (WNA)	22,640	28,898	20,523
Total heating	553,300	602,716	683,814
Total gas sold	574,532	628,629	715,878
 Firm Transportation (FT) non-heat	 5,611	 5,698	 5,428
 FT heating	 55,842	 52,265	 47,294
WNA - FT	2,921	3,498	2,637
Total heating FT	58,763	55,763	49,931
Total FT	64,374	61,461	55,359
 Unbilled adjustment	 312	 (2,735)	 3,329
 Gas Transportation Service (GTS): transportation	 2,685	 1,230	 1,177
GTS - customer/customer choice	12,502	11,884	12,695
GTS - supplier/customer choice	11	11	11
GTS - firm supplier	2,867	2,944	2,467
Interruptible DSIC	102	-	-
Total Gas Revenues	657,386	703,424	790,916

Source - PGW Records

(1) Distribution System Improvement Charge (DSIC)

2021	2020	2019	2018	2017	2016	2015
21,267	20,496	23,328	23,352	21,588	20,765	27,592
2,085	1,922	1,325	1,059	377	346	3,672
23,352	22,418	24,653	24,411	21,965	21,111	31,264
(230)	(820)	412	(919)	(271)	762	(511)
23,122	21,598	25,065	23,492	21,694	21,873	30,753
544,653	540,576	592,730	612,556	527,191	454,852	630,286
(5,392)	(21,686)	11,040	(23,933)	(4,768)	17,424	(12,124)
539,261	518,890	603,770	588,623	522,423	472,276	618,162
10,540	9,683	1,347	(3,848)	27,748	39,021	(10,372)
549,801	528,573	605,117	584,775	550,171	511,297	607,790
572,923	550,171	630,182	608,267	571,865	533,170	638,543
5,060	4,963	5,328	5,063	4,559	4,518	4,953
46,112	43,259	42,250	32,591	26,850	22,789	22,468
1,222	1,106	249	42	1,846	2,458	(374)
47,334	44,365	42,499	32,633	28,696	25,247	22,094
52,394	49,328	47,827	37,696	33,255	29,765	27,047
181	2,864	320	(911)	2,171	(1,830)	(2,105)
1,165	1,160	1,161	1,144	1,171	1,231	1,252
11,469	10,381	12,664	11,566	8,938	8,784	10,285
583	(561)	12	13	14	11	11
2,296	2,538	1,901	1,305	992	1,217	994
-	-	-	-	-	-	-
641,011	615,881	694,067	659,080	618,406	572,348	676,027

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Sales and Transportation Volumes
Fiscal Years 2015 through 2024
(Sales in Mcf)*

	2024	2023	2022
Firm non-heat	1,275,040	1,231,117	1,443,472
Interruptible gas sales	465,975	893,017	1,318,917
Billed non-heating	1,741,015	2,124,134	2,762,389
Total non-heating	1,741,015	2,124,134	2,762,389
 Billed heating	 34,058,389	 34,506,889	 38,515,577
Total billed heating	34,058,389	34,506,889	38,515,577
Total heating	34,058,389	34,506,889	38,515,577
Total gas sold	35,799,404	36,631,023	41,277,966
 Firm transportation (FT) non-heat	 652,890	 673,336	 648,034
 FT heating	 5,700,762	 5,387,063	 5,070,660
Total heating FT	5,700,762	5,387,063	5,070,660
Total FT	6,353,652	6,060,399	5,718,694
 Unbilled adjustment	 3,484	 (19,592)	 (50,812)
 GTS: transportation	 14,027,652	 14,005,836	 13,391,475
GTS - customer/customer choice	10,676,050	10,852,841	11,780,092
Utility use	331,963	315,456	300,196
Unaccounted for gas	1,289,950	1,099,948	1,557,842
Less off system sales	(35,876)	(209,730)	(909,962)
Total sendout ⁽¹⁾	<u>68,446,280</u>	<u>68,736,181</u>	<u>73,065,491</u>
 Unaccounted for gas as a % of total sendout	 1.9%	 1.6%	 2.1%
Degree Days ⁽²⁾	3,809	3,740	3,853

* Mcf = Thousand cubic feet

(1) Total annual sendout excludes all off system sales.

(2) In FY 2021, the source for degree days changed from PGW's Richmond Plant to National Oceanic and Atmospheric Administration (NOAA).

Source - PGW Records

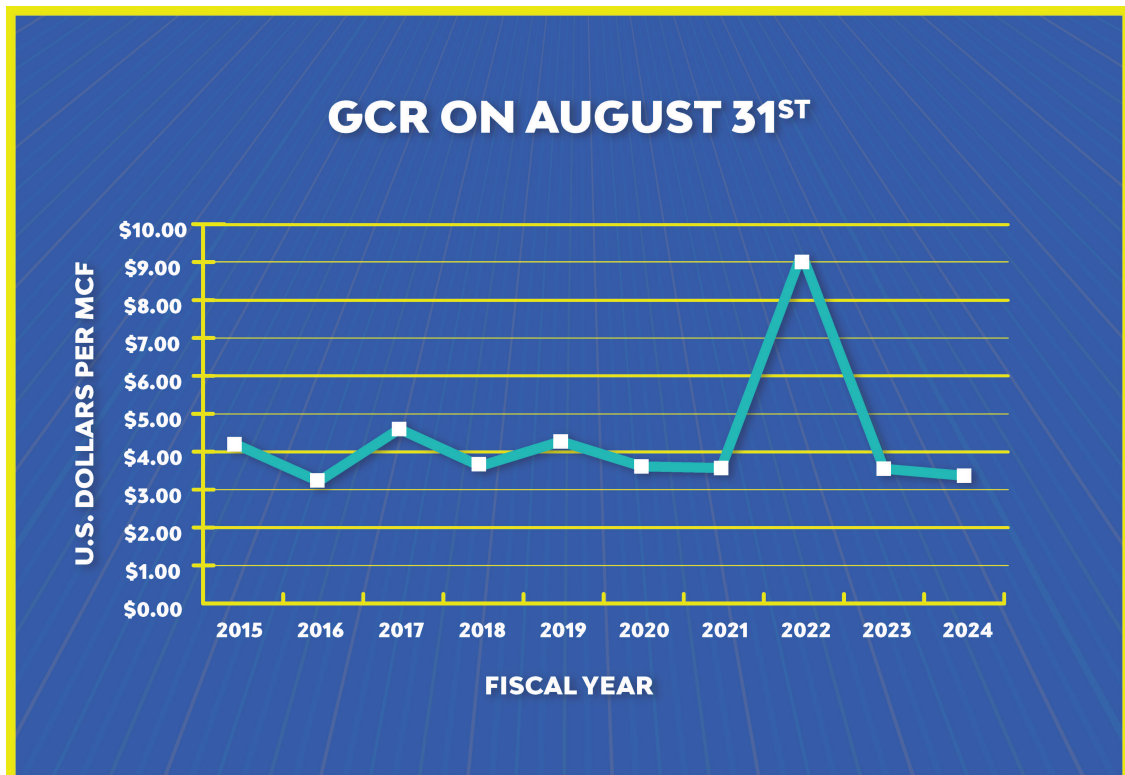
2021	2020	2019	2018	2017	2016	2015
1,504,008	1,416,532	1,618,792	1,592,458	1,508,362	1,568,529	1,912,025
492,120	587,757	204,951	165,808	18,420	37,909	514,110
1,996,128	2,004,289	1,823,743	1,758,266	1,526,782	1,606,438	2,426,135
1,996,128	2,004,289	1,823,743	1,758,266	1,526,782	1,606,438	2,426,135
38,797,073	37,583,722	41,603,356	42,925,738	38,464,325	36,115,312	46,504,401
38,797,073	37,583,722	41,603,356	42,925,738	38,464,325	36,115,312	46,504,401
38,797,073	37,583,722	41,603,356	42,925,738	38,464,325	36,115,312	46,504,401
40,793,201	39,588,011	43,427,099	44,684,004	39,991,107	37,721,750	48,930,536
619,706	672,219	708,321	664,696	640,312	667,248	764,344
5,147,806	5,312,963	5,262,884	4,242,257	3,816,219	3,456,099	3,529,555
5,147,806	5,312,963	5,262,884	4,242,257	3,816,219	3,456,099	3,529,555
5,767,512	5,985,182	5,971,205	4,906,953	4,456,531	4,123,347	4,293,899
54,480	(20,584)	27,810	521,488	(7,071)	33,433	19,916
13,239,471	13,167,948	13,150,399	12,926,197	12,630,935	12,796,900	13,166,995
11,633,361	11,603,620	13,843,821	12,833,659	11,612,597	11,303,602	12,837,207
296,018	209,460	261,766	263,681	264,016	233,115	343,324
1,202,717	1,487,570	1,667,421	1,351,894	1,684,675	1,738,806	2,445,717
-	-	-	-	-	-	-
72,986,760	72,021,207	78,349,521	77,487,876	70,632,790	67,950,953	82,037,594
1.6%	2.1%	2.1%	1.7%	2.4%	2.6%	3.0%
4,108	3,353	3,995	3,986	3,552	3,356	4,444

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Gas Cost Rate
 Fiscal Years 2015 through 2024
 (U.S. dollars)

	2024	2023	2022
September 1	3.5056	8.6371	4.8745
December 1	4.0030	8.0242	6.0100
March 1	3.8396	4.9740	5.6123
June 1	3.3378	3.5516	9.0057

Shown in dollars per thousand cubic feet

Source - PGW Records



2021⁽¹⁾	2020	2019	2018	2017	2016	2015
3.4107	4.6030	3.8633	4.1523	4.2026	4.0724	5.8670
3.8484	4.7175	4.4723	4.6913	4.1577	3.6934	5.9976
3.4687	3.9009	4.8779	3.8857	4.9430	3.4946	4.7059
3.5700	3.6124	4.2724	3.6210	4.5986	3.2179	4.1721

- (1) PGW's customer count remained consistent in FY 2021 as compared to FY 2020. PGW was operating under the PAPUC's modification of the March 13, 2020 Emergency Order by initiating phase 2 regarding customer protections until December 31, 2021. This continued to inflate PGW's normal customer count at the end of FY 2021.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Ratios of Outstanding Debt by Type
Fiscal Years 2015 through 2024
(Thousands of U.S. dollars)

	Revenue Bonds	Unamortized Discount	Unamortized Premium	Total Revenue Bonds	Ratio to Operating Revenue	Operating Revenue	Number of Customers	Debt per Customer (1)(2)(3)(4)
2024	882,995	(40)	97,623	980,578	133%	664,069	518,300	1,704
2023	943,250	(44)	107,481	1,050,687	133%	711,026	518,600	1,819
2022	997,020	(48)	117,918	1,114,890	124%	805,437	522,000	1,910
2021	1,058,630	(52)	129,448	1,188,026	164%	646,747	524,000	2,020
2020	911,610	(56)	88,270	999,824	156%	584,937	524,000	1,740
2019	964,480	(60)	98,000	1,062,420	141%	684,728	510,000	1,891
2018	1,016,300	(64)	109,236	1,125,472	157%	647,499	508,000	2,001
2017	1,054,725	(68)	120,706	1,175,363	174%	606,211	505,000	2,089
2016	837,830	(110)	88,703	926,423	149%	564,104	502,000	1,669
2015	915,175	(786)	43,360	957,749	131%	697,247	501,000	1,827

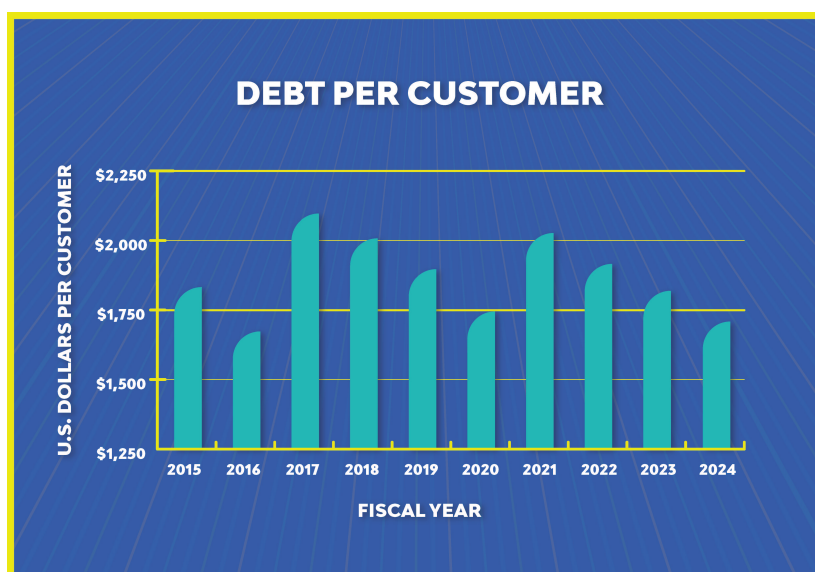
(1) Debt per Customer data is presented in whole dollars.

(2) PGW's customer count increased in FY 2020 as compared to FY 2019. However, PGW was operating under the PAPUC's requirement to extend the moratorium regarding customer shut-offs during the period April 1, 2020 through August 31, 2020. This inflated PGW's customer count at the end of FY 2020.

(3) PGW's customer count remained consistent in FY 2021 as compared to FY 2020. PGW was operating under the PAPUC's modification of the March 13, 2020 Emergency Order by initiating phase 2 regarding customer protections until December 31, 2021. This continued to inflate PGW's normal customer count at the end of FY 2021.

(4) On September 18, 2024, the City issued its Gas Works Revenue Bonds, Seventeenth Series A (\$315.0M, 5.0%-5.3% rates, maturity by 2054) to fund a portion of PGW's Capital Improvement Program and pay the costs of redeeming the city's outstanding Gas Works Revenue Capital Project Commercial Paper Notes. The City concurrently issued its Gas Works Revenue Refunding Bonds, Seventeenth Series B (\$109.3M, 5.0% rate, maturity by 2034) to refund certain prior bonds issued under the General Gas Works Revenue Bond Ordinance of 1998.

Source - PGW's Audited Financial Statements and PGW Records



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PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Debt Service
Through Fiscal Year 2050
(As of August 31, 2024)

Year	5th Series Variable	8th Series B	8th Series C	8th Series D	8th Series E
2025	873,000	5,959,664	5,930,030	8,895,239	5,959,664
2026	873,000	6,018,300	5,984,631	8,982,139	6,018,300
2027	873,000	6,457,088	6,424,577	9,639,366	6,457,088
2028	873,000	6,480,967	6,444,616	9,664,327	6,480,967
2029	873,000	-	-	-	-
2030	873,000	-	-	-	-
2031	873,000	-	-	-	-
2032	873,000	-	-	-	-
2033	873,000	-	-	-	-
2034	873,000	-	-	-	-
2035	30,436,500	-	-	-	-
2036	-	-	-	-	-
2037	-	-	-	-	-
2038	-	-	-	-	-
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
2042	-	-	-	-	-
2043	-	-	-	-	-
2044	-	-	-	-	-
2045	-	-	-	-	-
2046	-	-	-	-	-
2047	-	-	-	-	-
2048	-	-	-	-	-
2049	-	-	-	-	-
2050	-	-	-	-	-
TOTAL	39,166,500	24,916,019	24,783,854	37,181,071	24,916,019

- (1) On September 18, 2024, the City issued its Gas Works Revenue Bonds, Seventeenth Series A (\$315.0M, 5.0%-5.3% rates, maturity by 2054) to fund a portion of PGW's Capital Improvement Program and pay the costs of redeeming the city's outstanding Gas Works Revenue Capital Project Commercial Paper Notes. The City concurrently issued its Gas Works Revenue Refunding Bonds, Seventeenth Series B (\$109.3M, 5.0% rate, maturity by 2034) to refund certain prior bonds issued under the General Gas Works Revenue Bond Ordinance of 1998.

Source - PGW Records

13th Series	14th Series	15th Series	16th Series A	16th Series B	Total 1998 Ordinance
17,681,250	19,635,700	17,395,250	13,253,750	1,768,800	97,352,347
17,295,250	19,674,450	17,399,250	13,253,250	1,768,800	97,267,370
13,517,000	19,667,075	17,394,000	13,253,000	1,768,800	95,450,994
13,525,500	18,346,825	18,664,250	13,252,500	1,768,800	95,501,752
13,524,250	18,343,700	18,740,500	13,256,250	1,768,800	66,506,500
13,522,500	18,348,825	17,263,500	13,253,500	1,768,800	65,030,125
13,524,000	18,345,575	17,259,750	13,254,000	1,768,800	65,025,125
13,517,250	18,347,325	17,263,250	13,252,000	1,768,800	65,021,625
5,121,250	18,347,200	17,257,750	13,252,000	1,768,800	56,620,000
5,124,000	18,353,200	17,257,750	13,253,250	1,768,800	56,630,000
-	10,655,700	17,257,000	13,255,000	1,768,800	73,373,000
-	10,657,300	17,259,500	13,256,500	9,933,800	51,107,100
-	10,658,600	17,264,000	13,257,000	9,932,200	51,111,800
-	10,653,900	17,264,250	13,255,750	9,932,600	51,106,500
-	-	17,259,250	13,257,000	9,934,400	40,450,650
-	-	17,263,000	13,254,750	9,932,000	40,449,750
-	-	17,258,750	13,253,250	-	30,512,000
-	-	17,260,500	13,251,850	-	30,512,350
-	-	17,261,500	13,251,850	-	30,513,350
-	-	17,260,250	13,252,650	-	30,512,900
-	-	17,260,250	13,253,650	-	30,513,900
-	-	17,259,750	13,254,250	-	30,514,000
-	-	17,262,000	13,255,000	-	30,517,000
-	-	-	13,254,750	-	13,254,750
-	-	-	13,252,250	-	13,252,250
-	-	-	13,256,250	-	13,256,250
<u>126,352,250</u>	<u>230,035,375</u>	<u>400,285,250</u>	<u>344,605,250</u>	<u>69,121,800</u>	<u>1,321,363,388</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Debt Service Coverage
Fiscal Years 2015 through 2024
(Thousands of U.S. dollars)

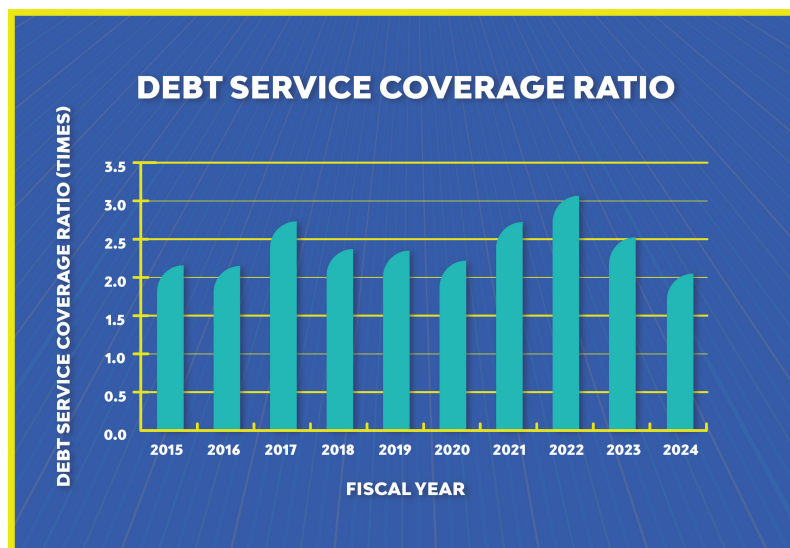
	2024	2023	2022
Funds Provided			
Total gas revenues	627,489	663,154	765,629
Other operating revenues	36,580	47,872	39,808
Total operating revenues	664,069	711,026	805,437
Other income increase restricted funds	9,478	11,596	(2,139)
AFUDC (Interest) ⁽¹⁾	-	-	-
Total funds provided	673,547	722,622	803,298
Funds Applied			
Fuel costs	164,192	223,996	272,468
Other operating costs	347,269	340,207	300,109
Total operating expenses	511,461	564,203	572,577
Less: non-cash expenses ⁽²⁾	50,771	91,079	68,773
Total funds applied	460,690	473,124	503,804
Funds available to cover debt service	212,858	249,498	299,494
Funds available excluding lease costs	212,858	249,498	299,494
1975 ordinance bonds debt service	-	-	-
Debt service coverage 1975 bonds	-	-	-
Net available after prior debt service	212,858	249,498	299,494
Net available after prior capital leases	212,858	249,498	299,494
1998 ordinance bonds debt service	103,704	99,144	98,430
Debt service coverage 1998 bonds	2.05	2.52	3.04
Net available after 1998 debt service	109,154	150,354	201,064

(1) During FY 2022, the Company implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Beginning on September 1, 2021, PGW no longer capitalizes allowance for funds used during construction (AFUDC).

(2) The Company has revised the Debt Service Coverage calculation. With the adoption of GASB 75, Philadelphia Gas Works (PGW) included Other Post-Employment Benefit (OPEB) expenses, as shown on the income statement, in the Debt Service Coverage calculation. These expenses comprise three components: GASB 75 expense or credit, an \$18.5 million contribution to the OPEB trust, and the PAYGO health insurance costs. Starting in FY 2024, the GASB 75 expense/credit has been excluded as it is a non-cash item, and the \$18.5 million deposit to the OPEB Trust has been removed, as it is not a PGW payable.

Source - PGW's Audited Financial Statements and PGW Records

2021	2020	2019	2018	2017	2016	2015
624,750	571,793	664,084	628,254	618,406	572,348	676,027
21,997	13,144	20,644	19,245	17,797	18,889	21,220
646,747	584,937	684,728	647,499	636,203	591,237	697,247
1,295	12,303	10,788	4,634	1,087	1,416	10,836
2,413	1,860	1,295	1,353	1,408	1,120	781
650,455	599,100	696,811	653,486	638,698	593,773	708,864
163,892	146,754	206,825	186,265	179,230	146,524	252,169
270,268	302,081	335,233	343,845	360,467	370,433	354,357
434,160	448,835	542,058	530,110	539,697	516,957	606,526
46,075	61,105	74,481	82,843	84,027	89,059	74,535
388,085	387,730	467,577	447,267	455,670	427,898	531,991
262,370	211,370	229,234	206,219	183,028	165,875	176,873
262,370	211,370	229,234	206,219	183,028	165,875	176,873
-	-	-	-	-	-	26,904
-	-	-	-	-	-	6.57
262,370	211,370	229,234	206,219	183,028	165,875	149,969
262,370	211,370	229,234	206,219	183,028	165,875	149,969
97,383	96,182	98,417	87,690	67,582	77,867	70,139
2.70	2.20	2.33	2.35	2.71	2.13	2.14
164,987	115,188	130,817	118,529	115,446	88,008	79,830



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Demographic and Economic Statistics*
Principal Employers
2023 Calendar Year and Nine Years Ago

2023	2014
Children's Hospital of Philadelphia	Albert Einstein Medical
City of Philadelphia	Children's Hospital of Philadelphia
Comcast Corporation	City of Philadelphia
School District of Philadelphia	Comcast Corporation
SEPTA	School District of Philadelphia
Temple University Hospital Inc	SEPTA
Temple University	Temple University
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
University of Pennsylvania (College)	University of Pennsylvania (College)
University of Pennsylvania (Hospital)	University of Pennsylvania (Hospital)

Listed Alphabetically
Source - City of Philadelphia

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Demographic and Economic Statistics*
 Calendar Years 2014 through 2023

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (Thousands of U.S. Dollars) (2)</u>	<u>Per Capita Personal Income (U.S. Dollars)</u>	<u>Unemployment Rate (3)</u>
2023	1,550,542	95,868,345	61,829	4.2%
2022	1,567,258	88,964,392	56,764	5.4%
2021	1,576,251	95,944,257	60,869	9.2%
2020	1,578,487	93,038,320	58,941	12.4%
2019	1,584,064	90,711,866	57,265	5.5%
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,863	88,081,991	55,718	6.2%
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%
2014	1,560,297	66,495,223	42,617	8.0%

Sources:

(1) US Census Bureau

(2) US Department of Commerce, Bureau of Economic Analysis

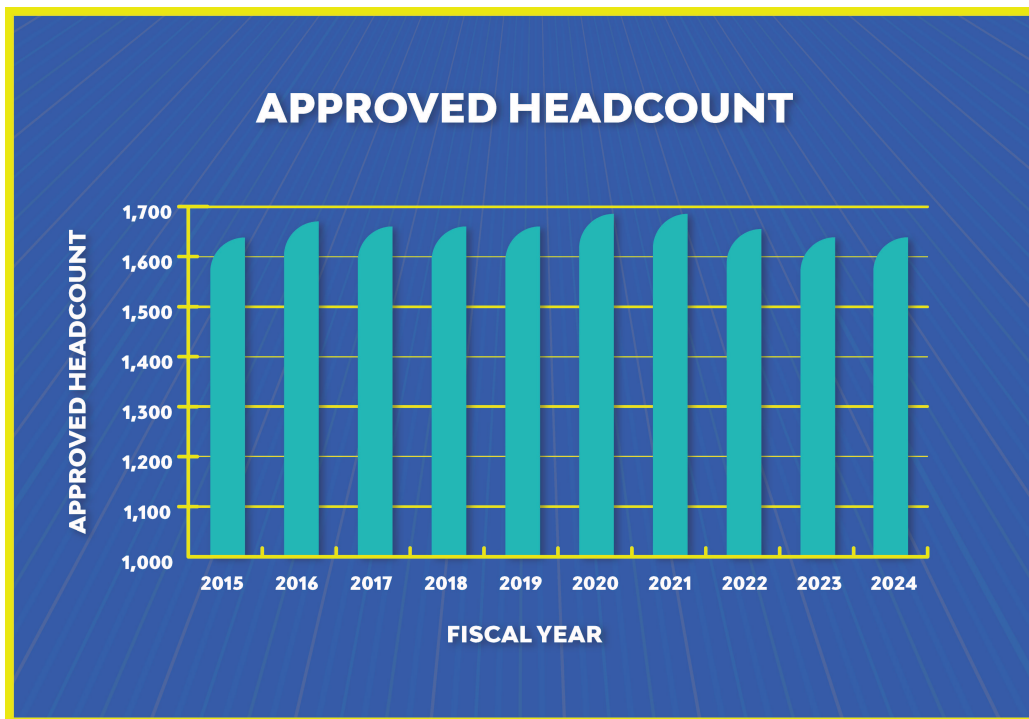
(3) US Department of Labor, Bureau of Labor Statistics

* Information is for the City, which is PGW's service area.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Approved Budgeted Full-Time Personnel by Department
Fiscal Years 2015 through 2024

Departments	2024	2023	2022
President & Chief Executive Officer	2	2	2
Chief Operating Officer	-	-	2
Chief Financial Officer	1	2	2
Gas processing	117	118	118
Field services	353	355	355
Distribution	484	481	483
Collection	26	27	27
Customer service	138	146	170
Marketing	29	29	29
Administrative and general	501	492	487
PGW Total	1,651	1,652	1,675
Personnel savings	(20)	(21)	(31)
Philadelphia Gas Commission	6	6	6
Grand Total	1,637	1,637	1,650

Source - PGW's Annual Operating Budget

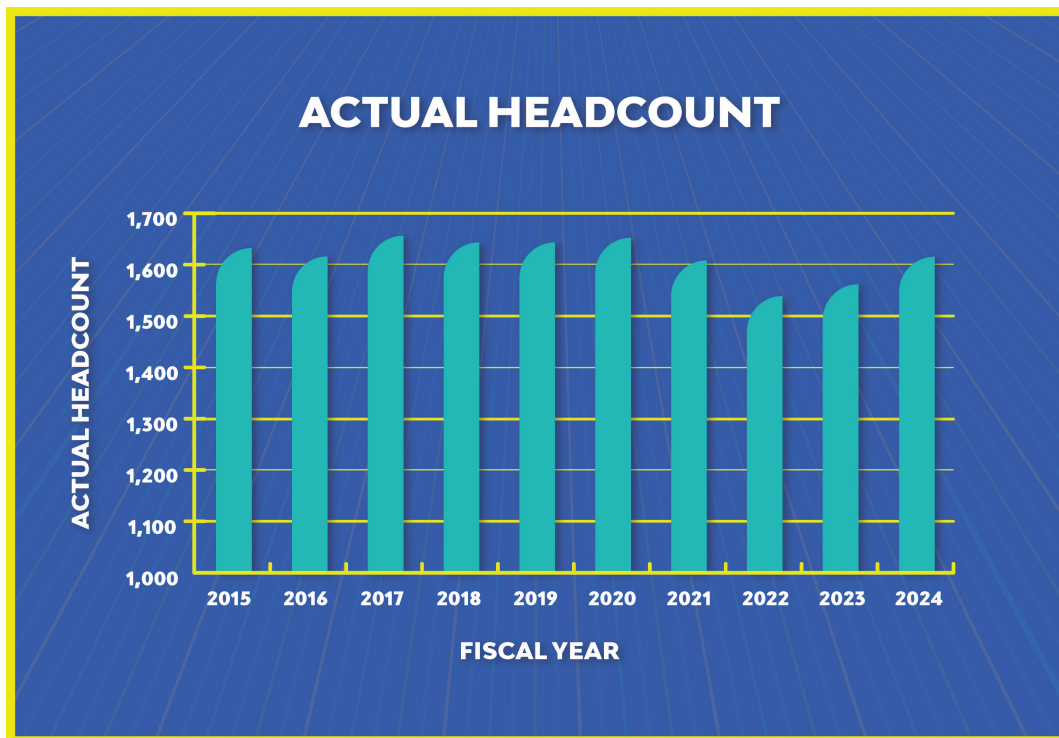


2021	2020	2019	2018	2017	2016	2015
2	2	2	2	2	2	3
2	2	2	2	2	2	2
2	2	2	2	2	2	2
115	116	115	116	116	116	119
364	365	364	372	372	374	372
483	481	483	486	486	480	472
27	28	28	29	29	29	31
177	170	169	170	170	170	176
31	32	32	32	32	32	44
511	521	497	480	480	484	449
<u>1,714</u>	<u>1,719</u>	<u>1,694</u>	<u>1,691</u>	<u>1,691</u>	<u>1,691</u>	<u>1,670</u>
(39)	(44)	(44)	(41)	(41)	(31)	(42)
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>1,680</u>	<u>1,680</u>	<u>1,655</u>	<u>1,655</u>	<u>1,655</u>	<u>1,665</u>	<u>1,633</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Actual Full-Time Personnel by Department
Fiscal Years 2015 through 2024

Departments	2024	2023	2022
President & Chief Executive Officer	2	2	2
Chief Operating Officer	-	-	1
Chief Financial Officer	1	1	1
Gas processing	123	116	110
Field services	353	347	340
Distribution	485	476	473
Collection	24	24	23
Customer service	119	102	109
Marketing	24	25	25
Administrative and general	478	462	446
PGW Total	1,609	1,555	1,530
Philadelphia Gas Commission	6	6	5
Grand Total	1,615	1,561	1,535

Source - PGW Records



2021	2020	2019	2018	2017	2016	2015
2	2	2	2	2	2	3
2	2	2	2	2	2	3
2	2	2	2	2	2	2
114	117	116	117	117	116	115
353	364	353	361	370	362	365
479	480	474	474	486	473	477
26	27	27	27	26	25	27
138	157	167	167	169	157	171
26	26	25	27	27	27	33
454	464	464	454	445	440	426
<u>1,596</u>	<u>1,641</u>	<u>1,632</u>	<u>1,633</u>	<u>1,646</u>	<u>1,606</u>	<u>1,622</u>
7	6	6	5	5	5	5
<u>1,603</u>	<u>1,647</u>	<u>1,638</u>	<u>1,638</u>	<u>1,651</u>	<u>1,611</u>	<u>1,627</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Operating Indicators
Fiscal Years 2015 through 2024

	2024	2023	2022
Financial			
Debt service ratio (1975 Ordinance)	N/A	N/A	N/A
Debt service ratio (1998 Ordinance)	2.05	2.52	3.04
Debt to total capital ratio	53.9%	59.1%	64.1%
Bad debt as a % of revenue	4.3%	5.4%	3.0%
Bad debt reserve as a % of accounts receivable	50.1%	54.2%	50.3%
Collection factor (receipts/billings)	98.4%	97.8%	96.7%
Cash balance (Thousands of U.S. dollars)	115,612	139,302	115,637
Natural Gas (NG) storage (Thousands of U.S. dollars)	50,126	65,315	81,467
Payroll			
Total payroll (Thousands of U.S. dollars) (Includes Overtime)	152,313	139,739	135,576
Overtime (Thousands of U.S. dollars)	13,429	11,599	12,072
Overtime as a % of Total Payroll	8.8%	8.3%	8.9%
Liquefied Natural Gas (LNG)			
LNG to storage (Mcf)*	1,248,474	1,896,921	1,661,358
LNG from storage (Mcf)	1,565,492	1,609,568	3,106,204
Net to (from) storage (Mcf)	(317,018)	287,353	(1,444,846)
Off-system sales contributed to GCR (Thousands of U.S. dollars)	-	-	-
Natural Gas Cost			
Gas utilized (Mcf)	37,676,591	37,979,338	43,690,313
Gas utilized (Thousands of U.S. dollars)	164,164	223,978	272,438
Cost per Mcf (\$)	4.36	5.90	6.24
Natural Gas Sales Information			
Firm gas sold (Mcf)	35,333,429	35,738,006	39,959,049
Interruptible gas sold (Mcf)	465,975	893,017	1,318,917
Total gas sold (Mcf)	35,799,404	36,631,023	41,277,966
Transportation gas - GTS (Mcf)	31,057,354	30,919,076	30,890,261
Other (Mcf)	1,589,522	1,186,082	897,264
Total gas sendout (Mcf)	68,446,280	68,736,181	73,065,491
Unaccounted for gas as a % of total gas sendout	1.9%	1.6%	2.1%
Transportation gas - GTS as a % of total gas sendout	45.4%	45.0%	42.3%
Firm gas sold as a % of total gas sold	98.7%	97.6%	96.8%
Degree Days ⁽¹⁾			
Fiscal Year	3,809	3,740	3,853

* Mcf = Thousand cubic feet

(1) In FY 2021, the source for degree days changed from PGW's Richmond Plant to National Oceanic and Atmospheric Administration (NOAA) which is measured at the Philadelphia International Airport.

Source - PGW Records

2021	2020	2019	2018	2017	2016	2015
N/A	N/A	N/A	N/A	N/A	N/A	6.57
2.70	2.20	2.33	2.35	2.71	2.13	2.14
72.5%	77.2%	83.7%	91.0%	95.9%	76.3%	77.5%
2.5%	7.0%	4.2%	4.5%	4.7%	4.6%	5.0%
58.0%	49.0%	43.7%	44.5%	44.3%	50.2%	54.0%
96.1%	96.6%	96.3%	95.4%	96.5%	97.7%	97.1%
158,265	172,267	124,145	131,051	88,535	91,743	114,327
40,762	35,898	41,263	41,652	46,031	38,556	40,791
134,590	130,981	128,107	129,688	119,182	112,556	113,675
10,392	9,412	11,776	13,863	11,118	11,125	11,824
7.7%	7.2%	9.2%	10.7%	9.3%	9.9%	10.4%
1,096,567	1,639,438	2,180,597	1,868,481	2,331,475	2,233,463	2,043,392
1,293,188	1,140,527	1,914,218	2,516,678	1,396,559	1,258,905	2,237,729
(196,621)	498,911	266,379	(648,197)	934,916	974,558	(194,337)
-	-	-	-	175	125	-
42,219,842	41,908,102	46,127,914	47,226,345	43,557,457	40,301,447	50,562,653
163,873	146,732	206,801	186,254	179,222	146,515	252,158
3.88	3.50	4.48	3.94	4.11	3.64	4.99
40,301,081	39,000,254	43,222,148	44,518,196	39,972,687	37,683,841	48,416,426
492,120	587,757	204,951	165,808	18,420	37,909	514,110
40,793,201	39,588,011	43,427,099	44,684,004	39,991,107	37,721,750	48,930,536
30,640,344	30,756,750	32,965,425	30,666,809	28,700,063	28,223,849	30,298,101
1,553,215	1,676,446	1,956,997	2,137,063	1,941,620	2,005,354	2,808,957
72,986,760	72,021,207	78,349,521	77,487,876	70,632,790	67,950,953	82,037,594
1.6%	2.1%	2.1%	1.7%	2.4%	2.6%	3.0%
42.0%	42.7%	42.1%	39.6%	40.6%	41.5%	36.9%
98.8%	98.5%	99.5%	99.6%	100.0%	99.9%	98.9%
4,108	3,353	3,995	3,986	3,552	3,356	4,444

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Capital Asset Information
Calendar Years 2015 through 2024

	2024	2023	2022
Gas main (Miles)	3,049	3,047	3,043
Services (Miles)	2,861	2,871	2,881
Number of meters			
Residential/Small commercial	514,393	511,470	513,903
Large diaphragm	3,783	4,046	3,833
Rotary	10,253	10,425	10,178
Turbine	281	277	276
Total	<u>528,710</u>	<u>526,218</u>	<u>528,190</u>

Source - Gas Annual Report of PGW to the Pennsylvania Public Utility Commission

2021	2020	2019	2018	2017	2016	2015
3,046	3,047	3,042	3,041	3,039	3,020	3,022
2,889	2,887	2,889	2,891	2,868	2,865	2,862
513,954	515,165	506,946	501,529	502,305	499,110	497,556
3,768	3,663	3,543	3,385	3,179	3,030	2,842
10,211	10,245	10,210	10,653	10,076	10,034	9,945
276	280	280	286	284	283	285
<u>528,209</u>	<u>529,353</u>	<u>520,979</u>	<u>515,853</u>	<u>515,844</u>	<u>512,457</u>	<u>510,628</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Ten Largest Customers
Fiscal Years 2024 and 2015
(Thousands of U.S. dollars)

2024		2015	
Customer 1	7,692,373	Customer 1 (A)	4,773,825
Customer 2 (A)	4,685,064	Customer 2 (C)	3,948,858
Customer 3 (B)	4,299,348	Customer 3 (B)	2,955,931
Customer 4 (C)	4,160,959	Customer 4	2,859,787
Customer 5	3,106,772	Customer 5	2,008,510
Customer 6 (D)	2,073,135	Customer 6 (D)	1,806,368
Customer 7	1,463,491	Customer 7	1,625,322
Customer 8	1,327,397	Customer 8	1,101,158
Customer 9	1,132,508	Customer 9	1,009,380
Customer 10	1,117,877	Customer 10	764,079
Total	<u>31,058,925</u>	Total	<u>22,853,220</u>

Note - A letter designation indicates a repeat customer from the Fiscal Year 2015 list identified on the fiscal year 2024 list.

Source - PGW Records

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