



A LOOK BACK AT FISCAL YEAR 2025

Philadelphia Gas Works

(A Component Unit of the City of Philadelphia)
Annual Comprehensive Financial Report
For Fiscal Years Ended August 31, 2025 and 2024

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, 2025 and 2024

Cherelle L. Parker
Mayor, City of Philadelphia

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

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

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

As the largest municipally owned gas utility in the country, Philadelphia Gas Works (PGW) and its dedicated 1,600-member workforce operate within an approximate 134 square mile service territory to ensure more than 500,000 customers have access to safe, affordable, reliable and

sustainable natural gas 24 hours a day, every day of the year.

As a city-owned utility, PGW does not make a profit. Every dollar collected is directly allocated to ensure the safe and reliable delivery of low-cost energy service to its customers.



PHILADELPHIA GAS WORKS

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

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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 the Philadelphia Gas Works (PGW) for the years ended August 31, 2025, and 2024 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 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 unmodified 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, 2025 and 2024, 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 entirety.

PROFILE OF PHILADELPHIA GAS WORKS

As the largest municipally owned gas utility in the country, the Philadelphia Gas Works (PGW) and its dedicated 1,600-member workforce operate within an approximate 134 square mile service territory to ensure more than 500,000 customers have access to safe, affordable, reliable and sustainable natural gas 24 hours a day, every day of the year.

PGW safely manages approximately 6,000 miles of pipeline, nine gate stations and two natural gas storage and processing plants within the City of Philadelphia under the management of the Philadelphia Facilities Management Corporation (PFMC). PFMC is a non-profit entity that manages and operates PGW under contract with the City of Philadelphia.

FINANCIAL ACCOMPLISHMENTS

At the close of PGW’s 2025 fiscal year (FY), Fitch Ratings upgraded its rating on PGW Revenue Bonds to ‘A’ from ‘A-’ and assigned a Stable outlook. This is the second PGW upgrade by Fitch in two years.

Fitch Ratings cited PGW’s “sustained strong financial performance”, sufficient liquidity, and effective management in its ratings report. Fitch noted that PGW effectively manages distribution, and supply costs and uses flexible and revenue-neutral rate mechanisms to respond to lower demand and stabilize its finances when needed.

Additionally, Moody’s Ratings and Standard & Poor’s Global Ratings maintain Stable outlooks and ratings of ‘A3’ and ‘A’, respectively, on PGW’s outstanding revenue bonds.

PGW’s bonds are now rated in the ‘A’ category by all three rating agencies - marking its highest ever combination of credit ratings.

In FY 2025, PGW filed a request for a base rate increase of \$105 million with the Pennsylvania Public Utility Commission (PUC) the first base rate increase request in two years. The adjusted rate, as approved, will help build upon PGW’s effectiveness in delivering safe, reliable, sustainable natural gas service; and introduce new, innovative programs to encourage energy efficiency and to support those vulnerable to poverty in a meaningful way.

After unprecedented public input, a mutual settlement agreement was reached with third-party intervenors including a diverse number of consumer interests, community representatives, and environmental stakeholders, and incorporated a wide range of viewpoints and perspectives.

The settlement agreement of \$62 million was formally approved by the PUC months later and the base rate increase was effective on December 1, 2025.

Highlights of the settlement agreement included:

- A new low-income health and safety program offering contractors \$3,000 per project on the installation of health and safety measures within a home.
- New home energy assessments and energy efficiency measures at no cost to residential customers earning up to 250% of the Federal Poverty Level (FPL).
- A new low-income PGW Repair and Renew Program that provides free repairs of hazards on customers' gas equipment.
- Better alignment of costs for suppliers.
- Completion of system-wide safety enhancements that impact every PGW customer's home.
- Recovery of a Distribution Service Improvement Charge (DSIC) under collection up to \$7.8 million per year over two calendar years, beginning in FY 2026.
- PGW's Weather Normalization Adjustment (WNA) structure was approved to remain in place.

GROWTH & BUSINESS DIVERSIFICATION

PGW achieved new business margin growth of approximately \$11.6 million, exceeding the company's goal of approximately \$6.9 million. These initiatives included (but are not limited to) infrastructure planning for the Bellwether District, Combined Heat and Power (CHP) projects with a local university, and a request for proposals for Liquefied Natural Gas (LNG) commercial opportunities and asset optimization.

As a city-owned utility, PGW does not make a profit. Every dollar collected is directly allocated to ensure the safe and reliable delivery of low-cost energy service to its customers. This makes diversification efforts even more important to PGW and exploring the future of energy is a priority.

In FY 2025, PGW minted 100,000 renewable thermal energy credits on behalf of the City of Philadelphia, generating approximately \$900,000 in revenue for PGW.

Looking forward, PGW collaborated with the Philadelphia Energy Authority and the Philadelphia Water Department to engage an energy services company through Pennsylvania's Guaranteed Energy Savings Act (GESA) in evaluating energy conservation measures at the City's Northeast Water Pollution Control Plant. This partnership represents Philadelphia's first opportunity to evaluate, design and implement capital investments in renewable natural gas (RNG). Leveraging PGW's energy expertise, the proposed RNG project would establish a new revenue stream, offset greenhouse gas emissions, generate pipeline quality gas, and provide reliable baseload energy. PGW and its partners plan to develop a detailed scope of work and cost proposal with the energy services company in FY 2026.

PGW also launched a feasibility study for geothermal opportunities in collaboration with the School District of Philadelphia in FY 2025. The study will assess the feasibility of implementing a closed-loop geothermal system capable of supporting multiple heat pumps for heating and cooling.

Through this geothermal study, PGW will identify strategies to help diversify its revenue, sustain jobs, reduce emissions, and offer customers a variety of cost-saving energy efficiency options.

These partnerships and studies are assisting PGW in evaluating what role it can play in delivering innovative energy services in addition to natural gas in the future.

OPERATIONAL INVESTMENTS

In FY 2024, PGW was provisionally awarded a \$40 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 grant, combined with two previous awards from PHMSA in FY 2022 and FY 2023, will fund a \$125 million infrastructure plan in historically disadvantaged Philadelphia neighborhoods. The grant will result in the replacement of 66 miles of cast iron main, the creation of 120 new skilled jobs and reduce 412 metric tons (MT) of methane emissions.

The PHMSA grant allows PGW to further invest in its infrastructure without burdening its customers.

In FY 2025, PGW invested approximately \$102.2 million to replace 37.1 miles of infrastructure, replacing aging cast iron with upgraded material that does not rust and corrode to ensure safety and sustainability. As a result of these investments and grants, PGW reduced pipeline emissions by 7,429 MT of carbon dioxide equivalent (CO₂e).

PGW's goal for FY 2025 was to reduce its comprehensive greenhouse gas (GHG) emissions by 10,000 MT of CO₂e. PGW exceeded its target: GHG emissions were reduced by 12,184 MT CO₂e, due in large part to the reduced emissions through pipeline replacement.

CULTURE OF SAFETY

PGW is committed to safety. In FY 2025, PGW formally created a new Pipeline Safety Management System (PSMS) to reinforce one of PGW's core values of Safety First. PSMS is a formal process for recognizing safety hazards – and is a companywide initiative that recognizes safety is boundless, impacting PGW's workforce, infrastructure and communities.

PGW's emergency hotline is open for gas-related emergencies 24 hours a day, 7 days a week, 365 days a year. Safety does not take a day off. In FY 2025, PGW responded to 32,396 safety calls, 99.4% of which arrived in an hour or less.

In FY 2025, PGW responded to 84,613 calls to 8-1-1, Pennsylvania's one-call service that ensures safe digging practices. Through marking these gas lines, private citizens and contractors maintain the integrity of PGW's underground pipelines and avoid damage to infrastructure.

PGW's appliance repair program, Parts & Labor Plan (PLP), ensures that customers' appliances are working safely and efficiently. Enrolling customers in PLP gives them peace of mind that their appliances are safe and functioning properly. In FY 2025, PLP sales increased by 9%, totaling 24,627 plans covering 46,520 appliances.

CUSTOMER SATISFACTION TARGETS

In FY 2025, PGW aimed to achieve a targeted increase in customer awareness and satisfaction with its efforts to reduce its environmental impact. This metric was gauged by a survey conducted by J.D. Power to verify PGW customers. According to the survey, PGW increased customer awareness through a 5.29% satisfaction rate, exceeding its target of 5%. This shows PGW's success in communicating that natural gas is an environmentally friendly energy source.

PGW's My Account app meets customers' needs, allowing them to access and pay their bill on the go. PGW set out to increase the percentage of customers who downloaded its mobile app between 11% and 18% in FY 2025; by the end of the year, the 26% baseline of customers who had downloaded the app grew to 37% of customers – an 11% increase. This effort from PGW exemplifies its commitment to saving customers time, energy, and money, thus increasing their satisfaction with PGW as a company.

In addition to these satisfaction metrics, PGW launched a program in FY 2025 to fill a crucial gap in helping customers conserve energy through Energy Saving Kits. These kits are part of PGW's EnergySense program, which offers a portfolio of rebates and incentives to both residential and

commercial customers. Three different kits (home heating, water heating, and a combination kit) became widely available to PGW customers through request on PGWorks.com.

LEADING ENERGY EXPERTS

In January 2025, PGW held its second Energy Innovation Symposium, where leading energy experts engaged in thoughtful conversations surrounding the future of energy. The three panels discussed what is needed to achieve net zero emissions by 2050, how to equitably share the costs of diversification, and what success in energy efficiency currently looks like.

As the City's leading energy expert, PGW believes strongly that new energy solutions require collaboration and partnerships. This second Energy Innovation Symposium gave a platform to vital players in the energy space to look at innovative solutions for the challenges that the City, the region, the Commonwealth of Pennsylvania, and the country are facing.

CREATING OPPORTUNITIES

In FY 2024, PGW launched its first Business Supplier Development Program, aiming to give local businesses the opportunity to learn about the procurement process and to open doors for business growth. For the FY 2025 cohort, PGW selected general construction as a focus area, engaging with 10 businesses. The businesses participated in eight learning modules focusing on providing a wide range of business development skills. By providing these businesses with the tools for success, PGW dedicates itself to helping Philadelphia grow and thrive.

Further proving its dedication to Philadelphians, PGW partnered with multiple local educational institutions to engage students and recent graduates to attract the next generation of PGW employees.

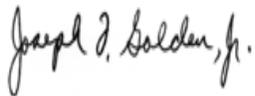
By the end of FY 2025, PGW participated in 40 partner hiring and recruitment events and presentations, including career talks, PGW tours, career fairs, or actual partnerships with schools. PGW has been an employer of choice for many years, and in FY 2025 it was named one of the Greatest Places to Intern in Pennsylvania by the PA Chamber Foundation.

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, 2024. This was the thirteenth 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 2025 is PGW's Fourteenth 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, 2025.

Respectfully submitted,

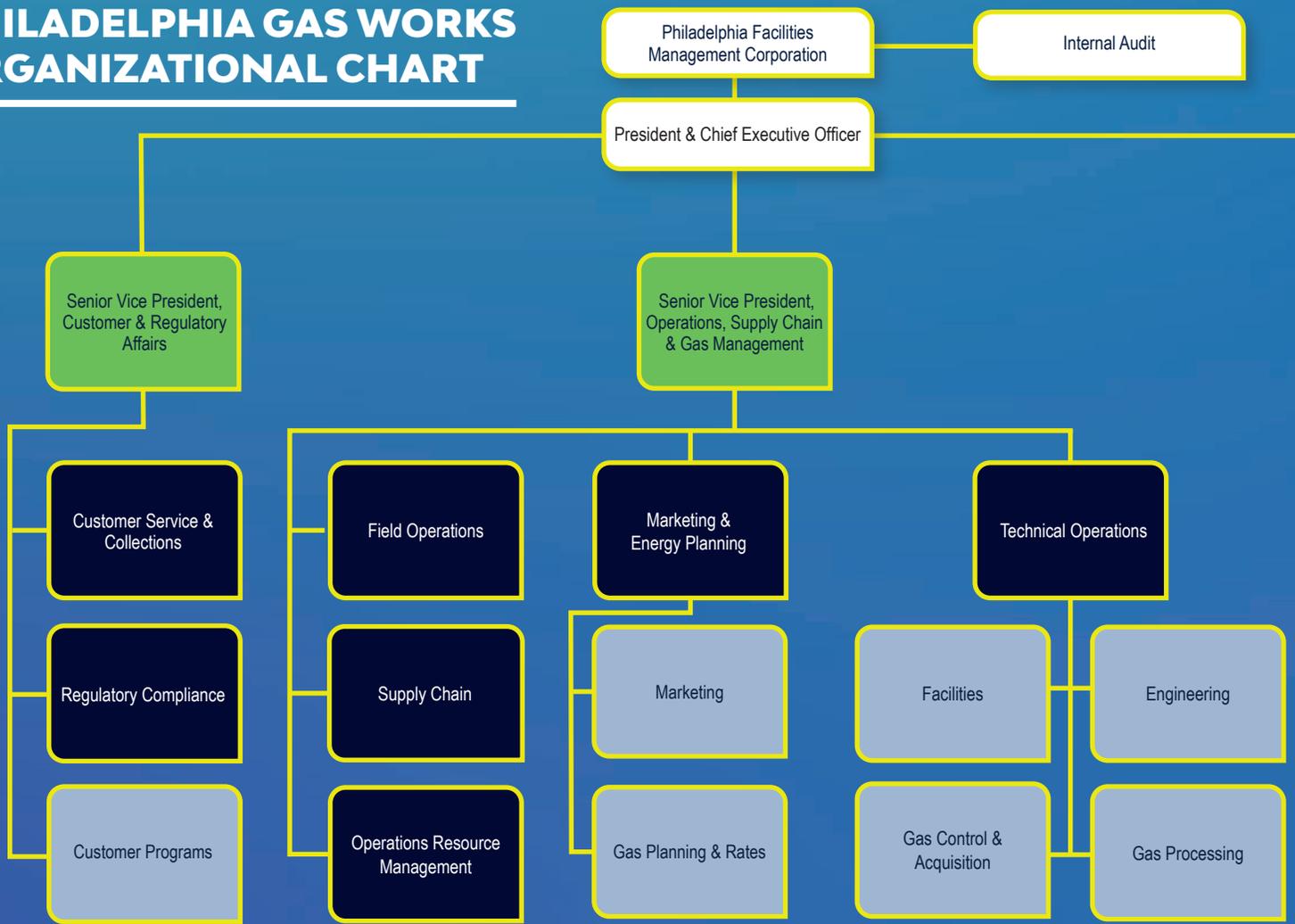


Joseph F. Golden, Jr.
Executive Vice President and Acting Chief Financial Officer

February 25, 2026

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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 Affairs

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

Frank Weigert
Chief Information Officer,
Information Services

Daniel J. Cassidy
Vice President,
Technical Operations

Bernard L. Cummings
Vice President,
Customer Service & Collections

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

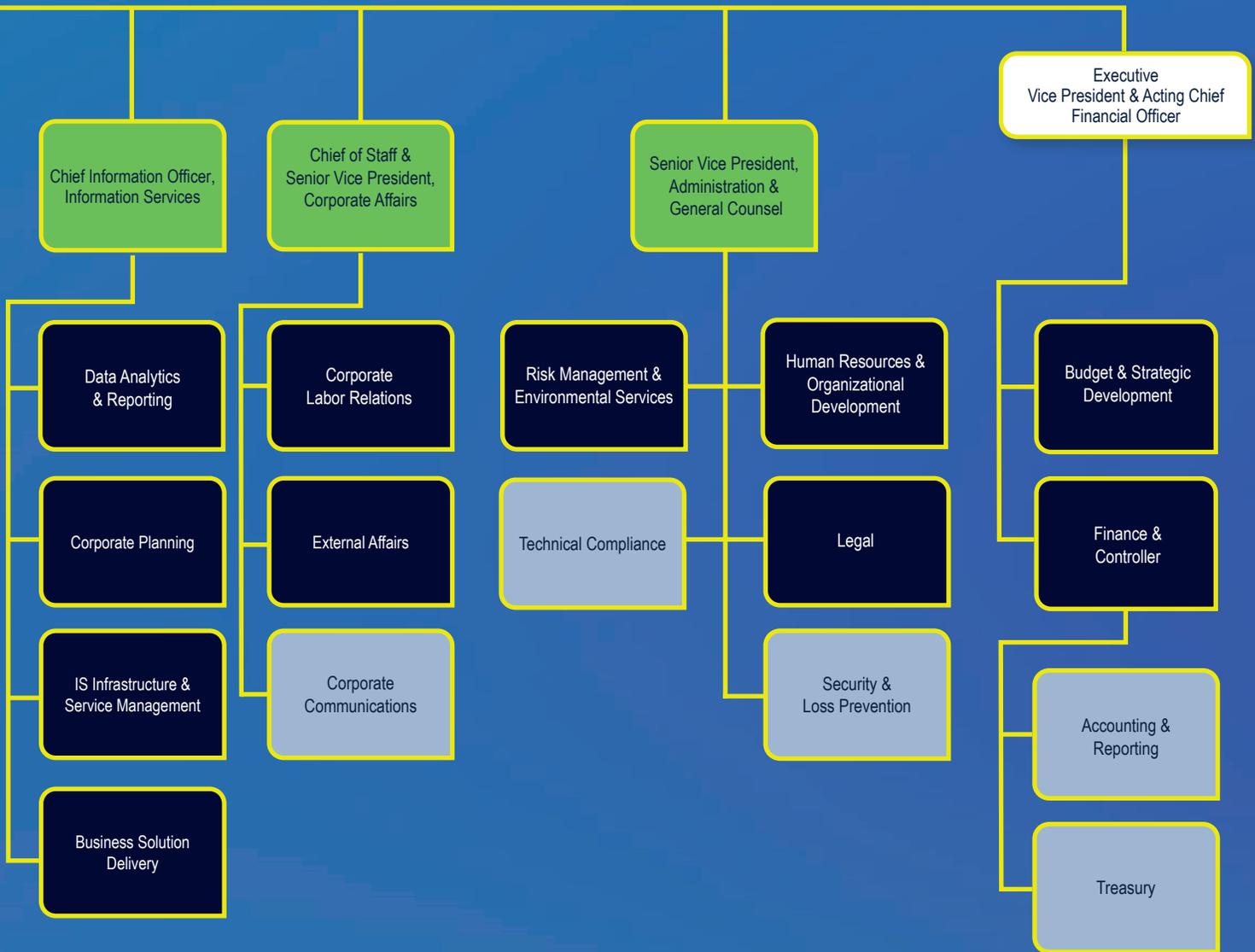
Nimeshkumar S. Patel
Vice President,
Business Solution Delivery

Kelly A. Schreiber
Vice President,
Operations Resource
Management

Florian Teme
Vice President,
Marketing & Energy Planning

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

¹As of August 31, 2025.



BOARD OF DIRECTORS²



Leigh N. Whitaker, Esquire
 Vice President for Government & Community Affairs, University of Pennsylvania
 Board Chair



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



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



Natalia Dominguez Buckley
 Finance Director, Esperanza Inc.
 Board Secretary



Albert Mezzaroba, Esquire
 Of Counsel, Genova Burns
 Board Member



Patrick M. Oates, Ph.D.
 Senior Vice President of Strategic Planning & Business Development, EMSCO Scientific Enterprises, Inc.
 Board Member



Craig Pinkham
 National Vice President, Utility Workers Union of America, AFL-CIO
 Board Member

² As of February 25, 2026.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Philadelphia Gas Works
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2024

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

At the close of Philadelphia Gas Works' (PGW) fiscal year, Fitch Ratings upgraded its rating on PGW Revenue Bonds to 'A' from 'A-' and assigned a Stable outlook. This is the second PGW upgrade by Fitch in two years.

Fitch Ratings cited PGW's "sustained strong financial performance", sufficient liquidity, and effective management in its ratings report.

Additionally, Moody's Ratings and Standard & Poor's Global Ratings maintain Stable outlooks and ratings of 'A3' and 'A', respectively, on PGW's outstanding revenue bonds.

PGW's bonds are now rated in the 'A' category by all three rating agencies - marking its highest ever combination of credit ratings.



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:

Report on the Audit of the Financial Statements

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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements 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, 2025 and 2024, 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, 2024 and 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it 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 audit 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 audit. 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 audit 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 19, 2025

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PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2025 and 2024

The narrative overview and analysis of the financial statements of Philadelphia Gas Works (the Company or PGW) for the years ended August 31, 2025 and 2024 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) 2025 weather reflected a 6.5% warmer than normal winter. The FY 2025 period was 5.8% colder than the prior year and total gas sales were approximately 38.9 Billion Cubic Feet (Bcf). The Weather Normalization Adjustment (WNA) Clause, which was in effect from October 2024 through April 2025, resulted in heating customers receiving charges totaling \$11.9 million. The 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 Bcf. The WNA Clause, which was in effect from October 2023 through April 2024, resulted in heating customers receiving charges totaling \$25.6 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 98.2% in FY 2025, 98.4% in FY 2024, and 97.8% in FY 2023. For FY 2025, the collection rate is calculated by dividing the total gas receipts collected from September 1, 2023 through August 31, 2025 by the total gas billings that were applied to PGW customers' accounts from September 1, 2023 through August 31, 2025. The same methodology was utilized in FY 2024 and FY 2023.
- 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 2025, had no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) and no Gas Works Revenue Notes outstanding. PGW, at the end of FY 2024, had \$35.0 million in Capital Project Notes. PGW, at the end of FY 2023, had no Capital Project Notes or Gas Works Revenue Notes outstanding. The cash balances at the end of FY 2025, FY 2024, and FY 2023 were \$82.6 million, \$115.6 million, and \$139.3 million, respectively.
- On December 15, 2025, 2024 and 2023, \$120.0 million was available from the commercial paper program. The cash balance on December 15, 2025 and on December 13, 2024 was \$83.1 million and \$45.1 million, respectively.
- The Company's FY 2026 Capital Budget was approved by the City Council of the City of Philadelphia (City Council) in the amount of \$185.2 million. Within this approval, funding was provided to continue the implementation of an 18-mile Cast Iron Main Replacement (CIMR) Program. The CIMR Program cost for FY 2026 is expected to be \$63.7 million. The total six-year cost of the CIMR Program is forecasted to be \$341.6 million. The Company's FY 2025 Capital Budget was approved by City Council in an amount not to exceed \$204.6 million, and funding was provided to continue the implementation of an 18-mile CIMR Program.
- On September 18, 2024, the City of Philadelphia (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.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2025 and 2024

- 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 to finance a 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 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.
- 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 is a platform that allows for the creation and sale of vintage energy credits.
 - Base rates:
 - On February 27, 2025, 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 \$105.0 million, or 15.73%, in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also sought to recover \$7.8 million in Distribution System Improvement Charge (DSIC) for the year ended December 31, 2024, over the course of two years, requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates, and proposed a new rate recovery mechanism, a Revenue Normalization Adjustment (RNA).
 - On August 11, 2025, PGW filed a Joint Petition for Settlement in which all rate case parties joined or did not oppose. The Settlement Agreement provided PGW with a general rate increase of \$62.0 million for service rendered on or after November 28, 2025, and the continuation of the Weather Normalization Adjustment (WNA). The Settlement Agreement also provided PGW with a temporary increase in the DSIC of an additional \$7.8 million a year for two years, for a total DSIC rate of 8.3%. PGW will implement the temporary DSIC increase on December 1, 2025. This temporary increase will terminate on November 30, 2027. The RNA was not included in the Settlement Agreement. Settlement agreements with reduced revenue requirements are typical in PUC base rate proceedings and are the product of compromise between the parties' diverse interests. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. On October 9, 2025, the PUC entered its Order and Opinion in the case.

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- In FY 2025, the Company adopted the following provisions of the Governmental Accounting Standards Board (GASB):
 - GASB Statement No. 101, Compensated Absences, was effective for PGW's fiscal year beginning September 1, 2024 with restatement of FY 2024 financial information.
 - GASB Statement No. 102, Certain Risk Disclosures. The adoption of this statement did not have a material impact on the Financial Statements.

For further information, see Note 1(u), New Accounting Pronouncements, to the Financial Statements.

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.

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.

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Condensed Statements of Revenues and Expenses and Changes in Net Position

(Thousands of U.S. dollars)

| | As of August 31 | | |
|--|------------------------|----------------|----------------|
| | 2025 | 2024 | 2023 |
| Total gas revenues | \$ 680,176 | 627,489 | 663,154 |
| Other revenues ¹ | 49,817 | 46,956 | 65,408 |
| Total operating revenues | <u>729,993</u> | <u>674,445</u> | <u>728,562</u> |
| Fuel expense ¹ | 214,446 | 174,568 | 241,532 |
| All other operating expenses | 337,550 | 347,269 | 340,207 |
| Total operating expenses | <u>551,996</u> | <u>521,837</u> | <u>581,739</u> |
| Operating income | 177,997 | 152,608 | 146,823 |
| Investment gain (loss) and other income | 29,228 | 14,467 | 14,000 |
| Total interest expense | (50,359) | (39,507) | (38,890) |
| Distribution to the City of Philadelphia | (18,000) | (18,000) | (18,000) |
| Excess of revenues over expenses | 138,866 | 109,568 | 103,933 |
| Net position, beginning of year | 811,956 | 728,282 | 624,349 |
| Implementation of GASB 101 ² | — | (25,894) | — |
| Net position, end of year | <u>\$ 950,822</u> | <u>811,956</u> | <u>728,282</u> |

1) FY 2024 and FY 2023 have been restated to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

2) FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

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Summary of Total Operating Revenues

(Thousands of U.S. dollars)

| | As of August 31 | | |
|--|------------------------|-----------------|-----------------|
| | 2025 | 2024 | 2023 |
| Gas revenues: | | | |
| Non-heating | \$ 22,823 | 21,231 | 25,914 |
| Gas transportation | 88,604 | 82,542 | 77,530 |
| Heating | 606,310 | 553,613 | 599,980 |
| Provision for uncollectible accounts | <u>(37,561)</u> | <u>(29,897)</u> | <u>(40,270)</u> |
| Total gas revenue | <u>680,176</u> | <u>627,489</u> | <u>663,154</u> |
| Other operating revenue: | | | |
| Appliance and other revenue | 6,653 | 7,019 | 7,339 |
| Finance charges and miscellaneous fees | 9,523 | 9,968 | 15,067 |
| Off system sales and other LNG revenue | 9,313 | 6,308 | 5,732 |
| Capacity release revenue* | <u>24,328</u> | <u>23,661</u> | <u>37,270</u> |
| Total other operating revenue | <u>49,817</u> | <u>46,956</u> | <u>65,408</u> |
| Total operating revenue | <u>\$ 729,993</u> | <u>674,445</u> | <u>728,562</u> |

* FY 2024 and FY 2023 have been restated to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

Total Operating Revenue

Non-Heating Revenue - Sales to firm non-heating customers in FY 2025 were 1.2 Bcf, approximately 0.1 Bcf less than firm non-heating sales in FY 2024. This decrease in non-heating sales resulted in a \$1.1 million decrease in non-heating revenue. Offsetting this decrease, the average price per Million Cubic Feet (Mcf) in FY 2025 was \$1.57 greater than FY 2024 resulting in a \$1.9 million increase in billed non-heating gas revenue. Sales to interruptible customers were 0.1 Bcf greater in FY 2025 compared to FY 2024 and the average price per Mcf in FY 2025 was \$0.70 greater than FY 2024 resulting in a \$0.8 million increase in billed non-heating gas revenue. Sales to firm non-heating customers in FY 2024 were 1.3 Bcf, approximately 0.1 Bcf greater than firm non-heating sales in FY 2023. This increase in non-heating sales resulted in a \$0.7 million increase in non-heating revenue. Offsetting this increase, the average price per Mcf in FY 2024 was \$1.43 less than FY 2023 resulting in a \$1.8 million decrease in billed non-heating gas revenue. Sales to interruptible customers were 0.4 Bcf less in FY 2024 compared to interruptible sales in FY 2023 and the average price per Mcf in FY 2024 was \$2.56 less than FY 2023 resulting in a \$3.6 million decrease in billed non-heating gas revenue.

Gas Transportation Revenue - The volume of natural gas being transported for firm transportation customers in FY 2025 was 0.5 Bcf greater than firm transportation in FY 2024, and the average price per Mcf increased by \$0.05 resulting in a net \$5.2 million increase in gas transportation revenues. Interruptible gas transportation service volumes were 0.1 Mcf, or \$0.1 million, less in FY 2025 compared to FY 2024. Offsetting this decrease in gas transportation revenue, the average price per Mcf increased by \$0.04, or \$1.0 million, resulting in a net

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\$0.9 million increase in revenues. As a result of PGW's WNA, firm transportation customers were charged \$1.4 million less in FY 2025 compared to FY 2024 due to the colder weather experienced during the period. The volume of natural gas being transported for firm transportation customers in FY 2024 was 0.3 Bcf greater than firm transportation in FY 2023, and the average price per Mcf was \$10.13 and approximated the FY 2023 average price per Mcf resulting in a net \$2.9 million increase in gas transportation revenues. Interruptible gas transportation service volumes were 0.2 Mcf, or \$0.1 million, less in FY 2025 compared to FY 2024. Offsetting this decrease in gas transportation revenue the average price per Mcf increased by \$0.9, or \$2.2 million, resulting in a net \$2.1 million increase in revenues. As a result of PGW's WNA, firm transportation customers were charged \$0.6 million less in FY 2024 compared to FY 2023 due to the colder weather experienced during the period.

Heating Revenue - Heating revenues were 9.0%, or \$49.7 million, greater in FY 2025 compared to FY 2024. This increase was primarily a result of a 3.0 Bcf increase in sales to firm heating customers as the average price per Mcf in FY 2025 approximated the FY 2024 level. As a result of PGW's WNA, firm heating customers were charged \$10.4 million, a decrease of \$12.3 million, compared to FY 2025 due to the colder weather experienced during the period. Heating revenues were 8.2%, or \$49.4 million, less in FY 2025 compared to FY 2024. This decrease was primarily a result of a 0.5 Bcf decrease in sales to firm heating customers and the average price per Mcf was \$1.22 lower in FY 2025 compared to FY 2024. As a result of PGW's WNA, firm heating customers were charged \$22.6 million, a decrease of \$6.3 million, compared to FY 2024 due to the warmer weather experienced.

Provision for Uncollectible Accounts – The provision for uncollectible accounts in FY 2025 totaled \$37.6 million, an increase of \$7.7 million, or 25.8%, compared to FY 2024. The increase in the provision for uncollectible accounts in FY 2025 is mainly due to higher natural gas prices in FY 2025. 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 total number of customers served by PGW was approximately 516,200 in FY 2025, 518,400 in FY 2024, and 518,600 in FY 2023. In FY 2025, 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 2025 was approximately 490,700 customers, which reflected a 2,200 decrease of customers from the FY 2024 level and a 2,400 decrease of customers from the FY 2023 level.

Appliance and Other Revenue - Field collection charges associated with customer reconnections were \$2.4 million, or \$0.5 million, less in FY 2025 compared to FY 2024. Offsetting this decrease, revenue associated with customer generated appliance repair requests was \$4.2 million, or \$0.2 million, greater in FY 2025 compared to FY 2024. Field collection charges associated with customer reconnections were \$4.1 million, or \$0.3 million, greater in FY 2024 compared to FY 2023. Offsetting this increase, revenue associated with customer generated appliance repair requests was \$4.1 million, or \$0.6 million, less in FY 2024 compared to FY 2023.

Finance Charges and Miscellaneous Fees - Revenues associated with finance charges assessed on applicable delinquent customer account balances were \$9.0 million, or \$0.5 million, less in FY 2025 compared to FY 2024. Revenues associated with finance charges assessed on applicable delinquent customer account balances were \$9.6 million, or \$5.1 million, less in FY 2024 compared to FY 2023.

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Off system sales and other Liquefied Natural Gas ("LNG") revenue – Off system sales revenue is the profit generated from selling surplus natural gas to suppliers outside of PGW's regulated service territory (Philadelphia). Revenue may vary year-over-year due to the timing and nature of sales made during the fiscal year. Off system sales and other LNG revenue in FY 2025 were \$9.3 million, an increase of \$3.0 million, or 47.6%, from FY 2024. The increase was primarily due to more off-system sales and LNG activity in FY 2025. Off system sales and other LNG revenue in FY 2024 were \$6.3 million, an increase of \$0.6 million, or 10.5%, from FY 2023.

Capacity release revenue – Pipeline capacity release revenue is the income earned from subleasing unused firm capacity on an interstate pipeline to other suppliers. PGW holds more firm capacity than is required to meet daily sendout requirements and sells or sub-leases it to a third party in the secondary market. Capacity release revenue in FY 2025 was \$24.3 million, an increase of \$0.6 million, or 2.5% compared to FY 2024. Capacity release revenue in FY 2024 was \$23.7 million, a decrease of \$13.6 million, or 36.5%, compared to FY 2023. In FY 2023, the Company received about \$12.3 million in refunds from the pipelines which did not recur in FY 2024 or FY 2025.

Total Operating Expenses

Total operating expenses, including fuel costs, in FY 2025 were \$552.0 million, an increase of \$30.2 million, or 5.8%, from FY 2024. The increase for FY 2025 was mainly caused by the increased cost of fuel. This increase was partially offset by the decrease in pension expenses. Total operating expenses, including fuel costs, in FY 2024 were \$521.8 million, a decrease of \$59.9 million, or 10.3%, 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.

Cost of Fuel – The cost of natural gas utilized increased by \$39.8 million, or 22.8%, to \$214.4 million in FY 2025 compared with \$174.6 million in FY 2024. In FY 2025 compared to FY 2024, the average commodity price per Mcf increased by \$0.24, or \$10.1 million, and the volume of natural gas utilized increased by 3.7 Bcf, or \$10.1 million. Demand charges in FY 2025 were approximately \$19.7 million, greater in FY 2025 when compared to the same period in FY 2024. The cost of natural gas utilized decreased by \$67.0 million, or 27.7%, to \$174.5 million in FY 2024 compared with \$241.5 million in FY 2023. In FY 2024 compared to FY 2023, the average commodity price per Thousand Cubic Feet (Mcf) decreased by \$1.87, or \$73.7 million, and the volume of natural gas utilized decreased by 0.3 Bcf, or \$1.3 million. Demand charges in FY 2024 were approximately \$11.6 million greater in FY 2024 when compared to the same period in FY 2023.

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 2025, FY 2024, and FY 2023 were \$2.99, \$2.47, and \$4.39 per Mcf, respectively.

Other Operating Expenses – Expenditures for street operations, infrastructure improvements, and plant operations in FY 2025 were \$124.4 million, a \$2.2 million, or 1.8%, increase from the FY 2024 total of \$122.2 million. The increase in FY 2025 was caused primarily by higher labor costs. Expenditures for street

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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.

Additionally, expenses of \$113.6 million related to collection and account management, customer services, marketing, and the administrative area remained relatively the same compared to FY 2024. Collection and account management, customer service, and marketing increased by a total of 2.9 million, however, administrative expenses decreased by \$2.9 million. 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 as compared to FY 2023 primarily due to higher expenses relating to regulatory compliance and customer programs, risk management, and corporate settlements.

Pension expense decreased by \$15.9 million to \$9.4 million in FY 2025 as compared to FY 2024 primarily due to 2024 gains on plan investments in excess of their actuarially calculated expected rate of return. The investment gain was primarily due to the difference between projected and actual investment earnings recognized over a closed five-year period. Pension expense decreased by \$6.2 million to \$25.3 million in FY 2024 as compared to FY 2023 primarily due to gains on plan investments in excess of their actuarially calculated expected rate of return. The investment gain was primarily due to the difference between projected and actual investment earnings recognized over a closed five-year period.

Other Postemployment Benefits expense increased by \$7.6 million to \$8.7 million in FY 2025 as compared to FY 2024. The increase in 2025 was due primarily to the difference between projected and actual investment earnings recognized over a closed five-year period and changes to assumptions and plan demographics. 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.

Net Depreciation Expense – Net depreciation expense decreased by \$4.0 million in FY 2025 compared with FY 2024. Net depreciation expense decreased by \$6.7 million in FY 2024 compared with FY 2023. The composite depreciation rates were 2.0% for FY 2025 and FY 2024 and 2.1% for FY 2023. Cost of removal is charged to depreciation expense as incurred.

Investment Gain (Loss) and Other Income – Investment gain (loss) and other income in FY 2025 was \$14.7 million higher than FY 2024. The increase was due to a \$5.4 million increase in interest and dividends earned on restricted and unrestricted short-term investments and cash equivalents. Augmenting this increase, the Company also received \$7.3 million of grant revenue from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHSMA). 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 on restricted and unrestricted short-term investments and cash equivalents. The increase was partially offset by a decrease in a mark to market gain on restricted and unrestricted investments.

Interest Expense – Total interest expense was \$50.4 million in FY 2025, an increase of \$10.9 million, or 27.6%, when compared with FY 2024. Interest on long-term debt was \$11.6 million higher in FY 2025 when compared to FY 2024 reflecting the issuance of the 17th Series A Bonds and 17th Series B Bonds, refunding of all 5th Series Bonds, and the partial refunding of the 13th Series Bonds in September 2024. 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

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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.

Excess of Revenues over Expenses – In FY 2025, the Company's excess of revenues over expenses was \$138.9 million, an increase of \$29.3 million when compared to FY 2024. The increase in excess revenue over expenses primarily due to a \$15.8 million higher contribution margin, a \$14.8 million increase in investments and other income, and \$9.7 million decrease in operating and depreciation expenses. Offsetting this decrease in operating and depreciation expenses, interest expense were \$10.9 million greater in FY 2025 when compared to FY 2024. 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 was primarily due to a \$12.8 million 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.

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Condensed Balance Sheets

(Thousands of U.S. dollars)

| Assets and Deferred Outflows of Resources | As of August 31 | | |
|---|------------------------|------------------|------------------|
| | 2025 | 2024 | 2023 |
| Current assets: | | | |
| Accounts receivable (net of accumulated provision for uncollectible accounts of \$80,584, \$89,594, and \$108,990 for 2025, 2024, and 2023, respectively) | \$ 102,481 | 89,137 | 91,957 |
| Restricted investment funds | 107,705 | 2,929 | 46,508 |
| Cash and cash equivalents, cash designated for capital expenditures, gas inventories, materials, and supplies and other current assets | 156,867 | 197,931 | 234,141 |
| Total current assets | <u>367,053</u> | <u>289,997</u> | <u>372,606</u> |
| Noncurrent assets: | | | |
| Utility plant, net | 2,009,531 | 1,900,043 | 1,815,469 |
| Unamortized bond insurance costs | 808 | 639 | 681 |
| Capital improvement fund | 140,585 | — | — |
| Sinking fund, revenue bonds | 121,485 | 116,145 | 109,581 |
| Other assets | 50,445 | 59,462 | 57,760 |
| Total noncurrent assets | <u>2,322,854</u> | <u>2,076,289</u> | <u>1,983,491</u> |
| Total assets | <u>2,689,907</u> | <u>2,366,286</u> | <u>2,356,097</u> |
| Deferred outflows of resources: | | | |
| Unamortized losses on bond refunding | 11,086 | 16,449 | 19,763 |
| Deferred outflows related to pension | 20,049 | 11,113 | 29,060 |
| Deferred outflows related to OPEB | 80,461 | 91,583 | 100,068 |
| Total deferred outflows | <u>111,596</u> | <u>119,145</u> | <u>148,891</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,801,503</u> | <u>2,485,431</u> | <u>2,504,988</u> |

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Condensed Balance Sheets

(Thousands of U.S. dollars)

| Net Position, Liabilities, and Deferred Inflows of Resources | As of August 31 | | |
|---|------------------------|-------------|-------------|
| | 2025 | 2024 | 2023 |
| Net position: | | | |
| Net investment in capital assets | \$ 916,776 | 822,452 | 744,673 |
| Restricted | 124,544 | 119,074 | 112,359 |
| Unrestricted | (90,498) | (129,570) * | (128,750) |
| Total net position | 950,822 | 811,956 | 728,282 |
| Noncurrent liabilities: | | | |
| Long-term revenue bonds | 1,191,331 | 914,850 | 980,578 |
| Other noncurrent liabilities | 113,715 | 114,367 * | 82,992 |
| Net pension liability | 160,324 | 186,671 | 229,433 |
| Total OPEB liability | 83,505 | 113,707 | 208,706 |
| Total noncurrent liabilities | 1,548,875 | 1,329,595 | 1,501,709 |
| Current liabilities: | | | |
| Current portion of revenue bonds | 69,871 | 65,728 | 70,110 |
| Notes payable | — | 35,000 | — |
| Other current liabilities | 130,571 | 137,531 * | 159,155 |
| Total current liabilities | 200,442 | 238,259 | 229,265 |
| Deferred inflows of resources: | | | |
| Deferred inflows related to gain on bond refunding | 1,840 | 145 | 156 |
| Deferred inflows related to pension | 34,823 | 20,160 | — |
| Deferred inflows related to OPEB | 62,232 | 82,154 | 40,372 |
| Deferred inflows related to interest rate swap | 2,469 | 3,162 | 5,204 |
| Total deferred inflows | 101,364 | 105,621 | 45,732 |
| Total net position, liabilities, and deferred inflows of resources | \$ 2,801,503 | 2,485,431 | 2,504,988 |

* FY 2024 has been restated for GASB 101, *Compensated Absences*. See note 1(u) to the basic financial statements.

Assets

Accounts Receivable – As of August 31, 2025, net accounts receivable totaled \$102.5 million, an increase of \$13.4 million, or 15.0%, from August 31, 2024. This increase correlates with the 8.2% increase in total

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operating revenues and the 10.0% reduction in accumulated provisions for uncollectible accounts balance compared to August 31, 2024. Customer accounts receivables as of August 31, 2025 reflect a balance of \$162.4 million, a decrease of \$5.4 million compared to \$167.8 million balance as of August 31, 2024. Accrued gas revenues as of August 31, 2025 reflect a balance of \$12.2 million, an increase of \$3.3 million compared to the \$8.9 million balance as of August 31, 2024. The accumulated provision for uncollectible accounts as of August 31, 2025 reflects a balance of \$80.6 million, a decrease of \$9.0 million compared to the \$89.6 million balance as of August 31, 2024. 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 5.1% compared to FY 2023. Customer accounts receivables as of August 31, 2024 reflect a balance of \$167.8 million, a decrease of \$22.9 million compared to \$190.7 million balance as of August 31, 2023. Accrued gas revenues as of August 31, 2024 reflect a balance of \$8.9 million, an increase of \$0.3 million compared to the \$8.6 million balance as of August 31, 2023. The accumulated provision for uncollectible accounts as of August 31, 2024 reflects a balance of \$89.6 million, a decrease of \$19.4 million compared to the \$109.0 million balance as of August 31, 2023.

Cash and Cash Equivalents, Gas Inventories, Materials, and Supplies, and Other Current Assets – As of August 31, 2025, cash and cash equivalents totaled \$82.6 million, a decrease of \$33.0 million from FY 2024 of \$115.6 million. The decrease in the cash balance at the end of FY 2025 was primarily a result of increased capital spending and debt service payments. As of August 31, 2024, cash and cash equivalents totaled \$115.6 million, a decrease of \$23.7 million from the August 31, 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 in receipts from customers and overall decrease in net cash provided by operating activities.

As of August 31, 2025, gas inventories, materials, and supplies totaled \$56.8 million, a decrease of \$10.6 million, or 15.7% from the August 31, 2024 total of \$67.4 million. At August 31, 2025, the value of natural gas in storage totaled \$42.2 million, a decrease of \$7.9 million when compared to August 31, 2024. The weighted average cost of gas as of August 31, 2025 decreased approximately \$0.2 per Mcf, or 4.7%, compared to August 31, 2024. The decrease in the value of natural gas inventory reflects a decrease in the volumes of natural gas stored in inventory. Actual volumes in storage as of August 31, 2025 were 13.8 Bcf, a 1.8 Bcf, or 11.6%, decrease when compared to August 31, 2024. At August 31, 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. At August 31, 2024, gas storage totaled \$50.1 million, a decrease of \$15.2 million when compared to August 31, 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 August 31, 2023.

Other current assets totaled \$17.5 million at August 31, 2025, an increase of \$2.6 million, from August 31, 2024. The increase in other current assets at August 31, 2025 is primarily a result of an increase in information technology prepaid expenses. Other current assets totaled \$14.9 million at August 31, 2024, a decrease of \$0.5 million, from August 31, 2023.

Restricted Investment Funds – Restricted Investment Funds include the current portion of the Capital Improvement Fund and the Workers' Compensation Escrow Fund. Restricted Investment Funds increased by

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\$104.8 million as of August 31, 2025 compared to August 31, 2024. The balances of the current portion of the Capital Improvement Fund as of August 31, 2025, 2024, and 2023 were \$104.6 million, \$0.0 million, and \$43.7 million, respectively. On September 18, 2024, the City issued Gas Works Revenue Bonds, Seventeenth Series A and Series B. This issuance increased the total capital improvement fund by \$315.2 million. PGW withdrew \$80.0 million, \$43.9 million, and \$81.0 million to finance various capital initiatives in FY 2025, FY 2024, and FY 2023, 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, 2025, 2024, and 2023, the trust account balances were \$3.1 million, \$2.9 million, and \$2.8 million, respectively.

Utility Plant and Other Noncurrent Assets – As of August 31, 2025, 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 \$2,322.9 million, an increase of \$246.6 million from August 31, 2024. This increase is due to the issuance of the Seventeenth Series A and Series B bonds which increased noncurrent capital improvement funds by \$140.6 million and due to the large amounts of capital projects placed in service in FY 2025. As of August 31, 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 August 31, 2023. This increase is due to the large amounts of capital projects placed in service in FY 2024.

Utility plant, net, totaled \$2,009.5 million at August 31, 2025, an increase of \$109.5 million, or 5.8%, compared with the August 31, 2024 balance. Utility plant, net, totaled \$1,900.0 million at August 31, 2024, an increase of \$84.5 million, or 4.7%, compared with the August 31, 2023 balance. Capital expenditures for construction of distribution facilities, purchase of equipment, information technology enhancements, and other general improvements were approximately \$166.6 million in FY 2025 compared to \$149.1 million in FY 2024 and \$150.2 million in FY 2023. 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 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 non-gas 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 2025, FY 2024 and FY 2023, the Company billed customers \$38.6 million, \$35.0 million, and \$34.6 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

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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 refunding decreased \$5.3 million at August 31, 2025 from the August 31, 2024 total of \$16.4 million. Deferred outflows of resources related to hedging derivatives and bond refunding decreased \$3.4 million in FY 2024 from the August 31, 2023 total of \$19.8 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 increased \$8.9 million in FY 2025 from the August 31, 2024 total of \$11.1 million. Deferred outflows of resources related to pension decreased \$18.0 million in FY 2024 from the August 31, 2023 total of \$29.1 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 decreased \$11.1 million, or 12.1%, in FY 2025 from the August 31, 2024 total of \$91.6 million. Deferred outflows of resources related to OPEB decrease \$8.5 million, or 8.5%, in FY 2024 from the August 31, 2023 total of \$100.1 million.

Liabilities

Long-Term Revenue Bonds – Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$1,261.2 million as of August 31, 2025. This was \$280.6 million more than the previous year due to the issuance of Seventeenth Series A and Series B bonds. This represents 57.0% of total capitalization as of August 31, 2025. 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 54.7% 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. 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, 2025, debt service coverage on Senior 1998 Ordinance Bonds was 2.01 times, compared to 2.05 and 2.52 times on August 31, 2024 and 2023, 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

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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 notes plus interest at \$120.0 million in both 2025 and 2024. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreement is June 16, 2026. There were no notes payable outstanding as of August 31, 2025. As of August 31, 2024 the notes payable balance was \$35.0 million.

Other Current Liabilities – As of August 31, 2025 other current liabilities totaled \$130.6 million, a decrease of \$6.9 million from August 31, 2024. The decrease was caused mainly by the decrease in other miscellaneous current liabilities, which was partially offset by an increase in accounts payable. As of August 31, 2025, other current liabilities totaled \$28.5 million, a decrease of \$16.3 million, or 36.4%, compared with August 31, 2024. The decrease of other miscellaneous current liabilities in FY 2025 is primarily due to a decrease in the over collection of the Gas Cost Rate (GCR) and related surcharges compared to FY 2024. As of August 31, 2025, accounts payable totaled \$78.7 million, an increase of \$5.3 million, or 7.2%, compared with August 31, 2024. This increase was primarily due to an increase in natural gas payables. As of August 31, 2024 other current liabilities totaled \$137.5 million, a decrease of \$21.7 million from August 31, 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 August 31, 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 and accrued accounts totaled \$51.6 million, a decrease of \$10.2 million from August 31, 2023. The decrease of other miscellaneous current liabilities in FY 2024 is primarily due to the GCR and surcharges compared to August 31, 2023.

Other Noncurrent Liabilities – As of August 31, 2025, other noncurrent liabilities totaled \$113.7 million, a decrease of \$0.7 million compared to August 31, 2024. As of August 31, 2024, other noncurrent liabilities totaled \$114.4 million, an increase of \$31.4 million compared to August 31, 2023. The increase was caused mainly by the increase in compensated absences. Please see note 1(u) to the basic financial statements.

Net OPEB Liability – The net OPEB obligation was \$83.5 million as of August 31, 2025, a \$30.2 million decrease from the \$113.7 million obligation as of August 31, 2024. 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 changes in FY 2025 and FY 2024 were caused by changes in benefit, demographic, and economic assumptions.

Net Pension Liability – The net pension liability was \$160.3 million as of August 31, 2025, a decrease of \$26.4 million, or 14.1%, from the \$186.7 million liability as of August 31, 2024. 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 2025. 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

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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 \$14.6 million as of August 31, 2025, as compared to August 31, 2024, is primarily due to changes in investment performance. 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.

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, 2025, were \$62.2 million as compared to \$82.2 million as of August 31, 2024. The decrease in deferred inflows of resources related to OPEB of \$20.0 million between August 31, 2025 and August 31, 2024 is primarily driven by benefit, demographic, and economic assumptions. There were \$40.4 million in deferred inflows of resources related to OPEB on August 31, 2023. The increase in deferred inflows of resources related to OPEB of \$41.8 million, or 103.5%, between August 31, 2024 and August 31, 2023 is primarily driven by benefit, demographic, and economic assumptions.

Net Position – On August 31, 2025, total net position totaled \$950.8 million, an increase of \$138.8 million compared to August 31, 2024. The increase in FY 2025 is due to an excess of revenues over expenses generated by PGW operations during FY 2025. As of August 31, 2025, unrestricted net position totaled negative \$90.5 million, an increase of \$39.1 million compared to August 31, 2024. On August 31, 2024, total net position totaled \$812.0 million, an increase of \$83.7 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 \$129.6 million, an increase of \$0.8 million compared to August 31, 2023. 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 | Fiscal Year Effective |
|---------------------------|--|------------------------------|
| 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
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Balance Sheets

August 31, 2025 and 2024

(Thousands of U.S. dollars)

| Assets | 2025 | 2024 |
|---|--------------|-------------|
| Current assets: | | |
| Cash, cash equivalents, and short-term investments | \$ 82,557 | 115,612 |
| Accounts receivable (net of provision for uncollectible accounts of \$80,584 and \$89,594 for 2025 and 2024, respectively) | 102,481 | 89,137 |
| Gas inventories, materials, and supplies | 56,825 | 67,390 |
| Current portion of capital improvement fund | 104,646 | — |
| Workers' compensation escrow fund | 3,059 | 2,929 |
| Other current assets | 17,485 | 14,929 |
| Total current assets | 367,053 | 289,997 |
| Noncurrent assets: | | |
| Utility plant, at original cost: | | |
| In service | 3,105,667 | 2,995,617 |
| Lease assets | 80,561 | 80,747 |
| Software subscriptions | 12,937 | 10,387 |
| Under construction | 260,588 | 213,317 |
| Total | 3,459,753 | 3,300,068 |
| Less accumulated depreciation | 1,437,730 | 1,387,474 |
| Less accumulated depreciation – lease assets | 9,552 | 5,955 |
| Less accumulated depreciation – software subscriptions | 2,940 | 6,596 |
| Utility plant, net | 2,009,531 | 1,900,043 |
| Capital improvement fund | 140,585 | — |
| Sinking fund, revenue bonds | 121,485 | 116,145 |
| Unamortized bond insurance costs | 808 | 639 |
| Regulatory asset – environmental | 28,099 | 28,228 |
| Regulatory asset – pandemic | 18,159 | 25,302 |
| Other noncurrent assets | 4,187 | 5,932 |
| Total noncurrent assets | 2,322,854 | 2,076,289 |
| Total assets | 2,689,907 | 2,366,286 |
| Deferred Outflows of Resources | | |
| Unamortized losses on bond refunding | 11,086 | 16,449 |
| Deferred outflows related to pension | 20,049 | 11,113 |
| Deferred outflows related to OPEB | 80,461 | 91,583 |
| Total deferred outflows of resources | 111,596 | 119,145 |
| Total assets and deferred outflows of resources | \$ 2,801,503 | 2,485,431 |

See accompanying notes to basic financial statements.

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

Balance Sheets

August 31, 2025 and 2024

(Thousands of U.S. dollars)

| Liabilities | 2025 | 2024 |
|--|--------------|-------------|
| Current liabilities: | | |
| Current portion of revenue bonds | \$ 69,871 | 65,728 |
| Notes payable | — | 35,000 |
| Accounts payable | 78,694 | 73,357 |
| Current portion of long-term liabilities | 5,670 | 4,860 |
| Customer deposits | 2,277 | 2,396 |
| Current portion of lease liabilities | 1,586 | 1,534 |
| Current portion of software subscription liabilities | 3,287 | 727 |
| Other current liabilities | 28,514 | 44,836 * |
| Accrued accounts: | | |
| Interest, taxes, and wages | 7,543 | 6,821 * |
| Distribution to the City | 3,000 | 3,000 |
| Total current liabilities | 200,442 | 238,259 |
| Noncurrent liabilities: | | |
| Long-term revenue bonds | 1,191,331 | 914,850 |
| Long-term lease liabilities | 56,119 | 57,705 |
| Long-term software subscription liabilities | 3,886 | 761 |
| Other noncurrent liabilities | 53,710 | 55,901 * |
| Net pension liability | 160,324 | 186,671 |
| Net OPEB liability | 83,505 | 113,707 |
| Total noncurrent liabilities | 1,548,875 | 1,329,595 |
| Total liabilities | 1,749,317 | 1,567,854 |
| Deferred Inflows of Resources | | |
| Deferred inflows related to gain on bond refunding | 1,840 | 145 |
| Deferred inflows related to pension | 34,823 | 20,160 |
| Deferred inflows related to OPEB | 62,232 | 82,154 |
| Accumulated fair value of hedging derivatives | 2,469 | 3,162 |
| Total deferred inflows of resources | 101,364 | 105,621 |
| Total liabilities and deferred inflows of resources | 1,850,681 | 1,673,475 |
| Net Position | | |
| Net investment in capital assets | 916,776 | 822,451 |
| Restricted (debt service) | 121,485 | 116,145 |
| Restricted (workers' compensation) | 3,059 | 2,929 |
| Unrestricted | (90,498) | (129,569) * |
| Total net position | 950,822 | 811,956 * |
| Total liabilities, deferred inflows of resources, and net position | \$ 2,801,503 | 2,485,431 |

* FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

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, 2025 and 2024

(Thousands of U.S. dollars)

| | 2025 | 2024 |
|--|-------------|-------------|
| Operating revenues: | | |
| Gas revenues: | | |
| Non-heating | \$ 22,823 | 21,231 |
| Gas transport service | 88,604 | 82,542 |
| Heating | 606,310 | 553,613 |
| Provision for uncollectible accounts | (37,561) | (29,897) |
| Total gas revenues | 680,176 | 627,489 |
| Appliance and other revenues | 6,653 | 7,019 |
| Other operating revenues | 43,164 | 39,937 |
| Total operating revenues | 729,993 | 674,445 |
| Operating expenses: | | |
| Natural gas | 214,446 | 174,568 |
| Gas processing | 26,072 | 25,576 |
| Field operations | 98,295 | 96,588 |
| Collection and account management | 13,926 | 12,483 |
| Customer services | 17,265 | 15,995 |
| Marketing | 3,964 | 3,765 |
| Administrative and general | 78,415 | 81,319 |
| Pensions | 9,380 | 25,345 |
| Other postemployment benefits | 8,675 | 1,075 |
| Taxes | 10,236 | 9,830 |
| Total operating expenses before depreciation | 480,674 | 446,544 |
| Depreciation | 71,322 | 75,293 |
| Total operating expenses | 551,996 | 521,837 |
| Operating income | 177,997 | 152,608 |
| Interest and other income | 29,228 | 14,467 |
| Income before interest expense | 207,225 | 167,075 |
| Long-term debt and other interest expense | 50,359 | 39,507 |
| Distribution to the City of Philadelphia | (18,000) | (18,000) |
| Excess of revenues over expenses | 138,866 | 109,568 |
| Net position, beginning of year | 811,956 | 728,282 |
| Implementation of GASB 101 | — | (25,894) |
| Net position, end of year | \$ 950,822 | 811,956 |

* FY 2024 has been restated to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

** FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

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, 2025 and 2024

(Thousands of U.S. dollars)

| | 2025 | 2024 |
|---|------------|-------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 738,653 | 684,468 |
| Payments to suppliers | (429,253) | (373,302) |
| Payments to employees | (155,952) | (152,313) |
| Claims paid | (1,393) | (3,300) |
| Other receipts | 28,868 | 19,496 |
| Net cash provided by operating activities | 180,923 | 175,049 |
| Cash flows from non-capital financing activities: | | |
| Income (loss) from non-utility operations | 9,630 | (462) * |
| Interest and fees | (2,573) | 437 * |
| Distribution to the City of Philadelphia | (18,000) | (18,000) |
| Net cash provided by (used in) non-capital financing activities | (10,943) | (18,025) |
| Cash flows from investment activities: | | |
| Sinking fund reserve deposits | (5,340) | (6,564) |
| Capital improvement fund deposits | (325,231) | — |
| Capital improvement fund withdrawals | 80,000 | 43,730 |
| Interest income / capital gain from short-term investments | 4,227 | 8,194 |
| Interest income / capital gain on capital improvement fund | 10,031 | 172 * |
| Interest income / capital gain on sinking fund | 5,340 | 6,564 * |
| Net cash provided by (used in) investment activities | (230,973) | 52,096 |
| Cash flows from capital and related financing activities: | | |
| Issuance of commercial paper | — | 35,000 |
| Repayments of notes payable | (35,000) | — |
| Redemption, refunding or defeasance of long-term debt | (118,605) | — |
| Proceeds from long-term debt issued | 424,250 | — |
| Premium from long-term debt issued | 50,303 | — |
| Long-term debt issuance costs | (3,110) | — |
| Purchases of capital assets | (171,304) | (156,222) |
| Principal paid on long-term debt | (56,480) | (60,255) |
| Interest paid on long-term debt | (53,597) | (43,449) |
| Principal paid on lease and software subscription liability | (5,356) | (4,726) * |
| Interest paid on lease and software subscription liability | (3,163) | (3,158) * |
| Net cash provided by (used in) capital and related financing activities | 27,938 | (232,810) |
| Net decrease in cash and cash equivalents | (33,055) | (23,690) |
| Cash and cash equivalents at beginning of year | 115,612 | 139,302 |
| Cash and cash equivalents at end of year | \$ 82,557 | 115,612 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 177,997 | 152,608 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Effect of change in accounting principle (GASB 101 FY 2024) | — | (25,894) ** |
| Depreciation and amortization expense | 71,322 | 75,293 |
| Provision for uncollectible accounts | 37,561 | 29,897 |
| Change in assets and liabilities: | | |
| Receivables, net | (50,905) | (27,077) |
| Gas inventories, materials, and supplies | 10,565 | 12,064 |
| Other current assets | (2,555) | 456 |
| Other assets and deferred outflows of resources | 11,203 | 24,731 |
| Accounts payable | 5,337 | (7,275) |
| Customer deposits | (119) | (257) |
| Other current liabilities | (15,512) | (6,221) ** |
| Accrued accounts | 722 | (6,965) ** |
| Other liabilities, deferred inflows of resources, net OPEB and pension liabilities | (64,693) | (46,311) ** |
| Net cash provided by operating activities | \$ 180,923 | 175,049 |

Noncash capital and financing activities:

PGW initiated new lease obligations in FY 2024. The present value of these obligations totaled \$0.7 million.

PGW initiated new software subscription obligations in FY 2025 and FY 2024. The present value of these obligations totaled \$9.5 million and \$2.9 million, respectively.

* PGW reclassified certain items in FY 2024 relating to interest paid on lease assets and software subscription liabilities, and mark to market for the capital improvement fund and sinking fund, to conform to the current period presentation.

** FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

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, 2024 and 2023

(Thousands of U.S. dollars)

| | 2024 | 2023 |
|--|-------------|-------------|
| Assets: | | |
| Cash and cash equivalents | \$ 1,620 | 2,020 |
| Accrued interest income | 159 | 140 |
| Total cash and accrued income | 1,779 | 2,160 |
| Investments, at fair value: | | |
| Domestic equity | 225,131 | 186,010 |
| International equity | 106,488 | 98,054 |
| Fixed income | 128,100 | 109,808 |
| Total investments | 459,719 | 393,872 |
| Total assets | 461,498 | 396,032 |
| Liabilities: | | |
| Accrued expenses | 35 | 95 |
| Pending cash | 1,616 | 2,024 |
| Total liabilities | 1,651 | 2,119 |
| Fiduciary net position restricted for other postemployment benefits | \$ 459,847 | 393,913 |

See accompanying notes (Note 11) to basic financial statements.

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, 2024 and 2023

(Thousands of U.S. dollars)

| | 2024 | 2023 |
|---|-------------|-------------|
| Additions: | | |
| Contributions: | | |
| Philadelphia Gas Works – contribution to OPEB Trust | \$ 18,500 | 18,500 |
| Philadelphia Gas Works – benefits paid | 30,521 | 25,356 |
| Total contributions | 49,021 | 43,856 |
| Investment income: | | |
| Net realized gains | 5,987 | 3,957 |
| Interest and dividend income | 10,234 | 8,798 |
| Net unrealized gains (losses) | 31,394 | 42,192 |
| Less: Investment management expenses | (103) | (100) |
| Net investment income (loss) | 47,512 | 54,847 |
| Total additions (reductions) | 96,533 | 98,703 |
| Deductions: | | |
| Benefits paid | 30,521 | 25,356 |
| Administrative expenses and bank fees | 78 | 69 |
| Total deductions | 30,599 | 25,425 |
| Net increase (decrease) in fiduciary net position | 65,934 | 73,278 |
| Net position restricted for other postemployment benefits – beginning of year | 393,913 | 320,635 |
| Net position restricted for other postemployment benefits – end of year | \$ 459,847 | 393,913 |

See accompanying notes (Note 11) to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2025 and 2024

(1) Summary of Significant Accounting Policies

The accounting methods employed by the Philadelphia Gas Works 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 6, 2025, PGW filed a proposed FY 2026 Operating Budget with the PGC. The PGC Hearing Examiners conducted Informal Discovery (ID) sessions on June 2, 2025 and June 10, 2025. On June 24, 2025, an in person public hearing was convened. On July 15, 2025, a recommended decision was rendered by the Hearing Examiners, which proposed adjustments to the Operating Budget as filed. On August 12, 2025, the PGC approved, with adjustments, PGW's FY 2026 Operating Budget. PGW filed a Compliance Budget with the PGC on August 21, 2025.

On May 14, 2024, PGW filed a proposed FY 2025 Operating Budget with the PGC. The PGC Hearing Examiners conducted 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

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2025 and 2024

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.

(c) Capital Budget

On January 2, 2025, PGW filed with the PGC its proposed FY 2026 Capital Budget in the amount of \$186.0 million. After a due diligence review and related ID process on January 15, 2025 and February 4, 2025, a public hearing was held on February 18, 2025. The PGC's review culminated in the endorsement at a public hearing on April 15, 2025 of a FY 2026 Capital Budget in an amount not to exceed \$185.2 million. The endorsed budget was approved by City Council on June 12, 2025 and signed by the Mayor on June 13, 2025. On June 26, 2025, PGW filed a resolution amending FY 2026 Capital Budget for funding of new project, bringing the total Capital Budget to \$215.2 million. PGW is awaiting the approval by City Council and by the Mayor.

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 7, 2024, a public hearing was held on February 27, 2024. The PGC's review culminated in the endorsement at a public hearing on April 9, 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. On February 26, 2025 PGW filed a resolution amending FY 2025 Capital Budget for supplemental funding of an existing project, bringing the total Capital Budget to \$204.6 million. The amended budget was approved by City Council on June 12, 2025 and signed by the Mayor on June 13, 2025.

(d) Base Rates

On February 27, 2025, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$105.0 million, or 15.73%, in additional annual operating revenues based upon a twenty- year normal weather assumption. The filing sought to also recover \$7.8 million in Distribution System Improvement Charge (DSIC) under collections for the year ended December 31, 2024, over the course of two years, requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates, and proposed a new rate recovery mechanism, a Revenue Normalization Adjustment (RNA).

On August 11th, 2025, PGW filed a Joint Petition for Settlement in which all rate case parties joined or did not oppose. The Settlement Agreement provided PGW with a general rate increase of \$62.0 million for service rendered on or after November 28, 2025 and the continuation of the Weather Normalization Adjustment (WNA). The RNA was not included in the Settlement Agreement. The Settlement Agreement also provided PGW with a temporary increase in the DSIC of an additional \$3.9 million a year for two years, for a total DSIC rate of 8.3%. Settlement agreements with reduced revenue requirements are typical in PUC Base rate proceedings and are the product of compromise between the parties' diverse interest. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.

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PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements
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(e) Weather Normalization Adjustment Clause

The 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, 2025 and 2024 was an increase in billings of \$11.9 million and \$25.6 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 as of August 31, 2025 and 2024, approximately \$10.0 million and \$31.4 million was recorded in other current liabilities for the over

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

Notes to Basic Financial Statements

August 31, 2025 and 2024

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)

| <u>Effective date</u> | <u>GCR rate per Mcf*</u> | <u>Change</u> |
|-----------------------|------------------------------|---------------|
| December 1, 2025 | \$ 5.8136 | 0.4824 |
| September 1, 2025 | 5.3312 | (0.1606) |
| June 1, 2025 | 5.4918 | 0.3610 |
| March 1, 2025 | 5.1308 | 1.3307 |
| 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) |

*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 \$0.1 million and \$7.2 million was charged to expense as incurred in FY 2025 and FY 2024, 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 2025 and FY 2024 was 2.0%. 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 2025 were as follows:

| | |
|---|-------|
| Production plant | 1.4 % |
| Transmission, distribution, and storage | 1.9 % |
| General plant | 3.3 % |

(Continued)

PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements

August 31, 2025 and 2024

The most recent depreciation study was completed in FY 2025 for the plant activity subsequent to the last depreciation study and through FY 2024. It is anticipated that PGW will complete the next depreciation study in FY 2030 for the plant activity subsequent to the last depreciation study and through FY 2029.

The following is a summary of utility plant activity for the fiscal years ended August 31, 2025 and 2024 (thousands of U.S. dollars):

| | August 31, 2025 | | | |
|---|------------------------------|------------------------------------|--------------------------------------|---------------------------|
| | Beginning balance | Additions and transfers | Retirements and transfers | Ending balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,595 | — | — | 5,595 |
| Under construction | 213,317 | 166,563 | (119,292) | 260,588 |
| Total capital assets not being depreciated | <u>218,912</u> | <u>166,563</u> | <u>(119,292)</u> | <u>266,183</u> |
| Other capital assets: | | | | |
| Distribution and collection systems | 2,401,828 | 92,788 | (2,743) | 2,491,873 |
| Buildings and equipment (including software) | 588,194 | 26,504 | (6,499) | 608,199 |
| Lease assets - buildings | 77,952 | — | — | 77,952 |
| Lease assets - equipment | 2,795 | — | (186) | 2,609 |
| Software subscription assets | 10,387 | 9,506 | (6,956) | 12,937 |
| Total other capital assets | 3,081,156 | 128,798 | (16,384) | 3,193,570 |
| Less accumulated depreciation for: | | | | |
| Distribution and collection systems | (1,123,357) | (46,700) | 2,798 | (1,167,259) |
| Buildings and equipment (including software) | (264,117) | (15,291) | 8,937 | (270,471) |
| Lease assets - buildings | (4,677) | (3,118) | — | (7,795) |
| Lease assets - equipment | (1,278) | (665) | 186 | (1,757) |
| Software subscription assets | (6,596) | (3,300) | 6,956 | (2,940) |
| Total accumulated depreciation | <u>(1,400,025)</u> | <u>(69,074)</u> | <u>18,877</u> | <u>(1,450,222)</u> |
| Utility plant, net | <u>\$ 1,900,043</u> | <u>226,287</u> | <u>(116,799)</u> | <u>2,009,531</u> |

* Cost of removal of approximately \$0.1 million was charged to depreciation as incurred in FY 2025 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, 2025 and 2024

| | 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 - buildings | 77,952 | — | — | 77,952 |
| Lease assets - equipment | 2,399 | 696 | (300) | 2,795 |
| 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 - buildings | (1,559) | (3,118) | — | (4,677) |
| Lease assets - equipment | (929) | (649) | 300 | (1,278) |
| 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.

(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

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PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2025 and 2024

charges, and bulk liquefied natural gas sales contracts. Other operating revenues primarily consist of finance charges assessed on delinquent accounts, third party sales, off system sales, LNG sales, and capacity release.

Non-operating revenues are generated outside of the Company's principal operation as a natural gas distribution company. Non-operating revenues primarily consist of interest and dividend from restricted and nonrestricted funds, grants, gains on investments, and merchandising and jobbing.

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 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 2025 and FY 2024, the Company billed customers \$38.6 million and \$35.0 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.

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 \$12.2 million and \$8.9 million for the years ended August 31, 2025 and 2024, 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 2025 and FY 2024, management has provided an accumulated provision for uncollectible accounts in excess of the

(Continued)

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

Notes to Basic Financial Statements

August 31, 2025 and 2024

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 \$21.8 million and \$20.9 million as of August 31, 2025 and 2024, 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 as of August 31, 2025 and 2024, as follows (thousands of U.S. dollars):

| | 2025 | 2024 |
|-----------------------|-------------|-------------|
| Gas inventory | \$ 42,218 | 50,126 |
| Material and supplies | 14,607 | 17,264 |
| Total | \$ 56,825 | 67,390 |

(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.

(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

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PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements

August 31, 2025 and 2024

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 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.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2025 and 2024

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.

(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.

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PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements
August 31, 2025 and 2024

(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, the valuation of total pension and OPEB liabilities, compensated absences liabilities, and the present value of the lease obligations and subscription-based information technology arrangements.

(u) *Pronouncements Effective in the Current Year*

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 adopted GASB Statement No. 101 in FY 2025 and the accompanying FY 2024 financial statements have been restated to reflect its implementation. The adoption of GASB 101 required the Company to recognize compensated absences as liabilities when earned. As a result, the financial statement balances were restated to show increases in other current and noncurrent liabilities, reductions in accrued interest, taxes, and wages due to reclassification, and a corresponding decrease in unrestricted net position.

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August 31, 2025 and 2024

As of and for the year ended August 31, 2024, previously reported amounts on the balance sheet changed as a result of the implementation of GASB 101 as follows (thousands of U.S. dollars):

| | Originally reported, August 31, 2024 | As adjusted, August 31, 2024 |
|------------------------------------|---|---|
| Other current liabilities | \$ 35,170 | 44,836 |
| Accrued interest, taxes, and wages | 11,832 | 6,821 |
| Other noncurrent liabilities | 34,662 | 55,901 |
| Unrestricted net position | (103,675) | (129,569) |

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 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 Company adopted this Statement during the fiscal year ending August 31, 2025 (see note 16).

(v) Pronouncements Effective in Future Years

(i) 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.

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Notes to Basic Financial Statements

August 31, 2025 and 2024

(w) Accounting Policy Change

Effective FY 2025, PGW implemented an accounting policy change regarding capacity release revenue. The accounting policy change enhances transparency and more appropriately reflects the revenue gained from sales of capacity release on PGW's financial statements. Capacity release is a transaction where PGW agrees to lease a portion of PGW's firm rights on the interstate pipeline to a third party. Historically, PGW recorded only 25% of the total capacity release revenue on its income statement as Other operating revenues. The remaining 75% was credited directly to Natural gas expenses. PGW has revised its policy to record 100% of the gross capacity release revenue within Other operating revenues on the income statement. Concurrently, Natural gas expenses are increased by 75% of the total capacity release amount. This adjustment has a net zero impact on net income. The accounting policy change was retroactively applied to FY 2024.

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

The Company is accounted for as a component unit of the City. 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 Philadelphia Facilities Management Corporation (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 2025 and FY 2024, the applicable maximum amount was calculated to be \$1.8 million and \$1.7 million, respectively. The agreement requires the Company to make annual payments of \$18.0 million to the City. In FY 2025 and FY 2024, the Company made the annual payment of \$18.0 million to the City.

The Company engages in various transactions with the City and related parties. The Company provides gas service to the City and its component units. Operating revenues include \$23.9 million and \$22.5 million in FY 2025 and FY 2024, respectively, relating to sales to the City and its component units. Net amounts receivable from the City and its component units were \$2.3 million and \$3.0 million as of August 31, 2025 and 2024, respectively. Water and sewer services and licenses are purchased from a component unit of the City. Such purchases totaled \$2.0 million and \$1.6 million in FY 2025 and FY 2024, respectively.

Certain activities of the PGC are paid for by the Company. Such payments totaled \$1.0 million and \$0.9 million in FY 2025 and FY2024, 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 as of August 31, 2025 and August 31, 2024 were \$83.2 million and \$116.1 million, respectively. Book balances of such deposits and accounts as of August 31, 2025 and August 31, 2024 were \$82.5 million and \$115.6 million, respectively. Short-term investments with a carrying amount (at fair value) of \$75.1 million and \$98.4 million as of August 31, 2025 and August 31,

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Notes to Basic Financial Statements

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2024, respectively, are included in the balances presented above. Federal depository insurance on these balances as of August 31, 2025 and August 31, 2024 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):

| <u>Investment type</u> | 2025 Investment Maturities (In Years) | |
|---------------------------------|--|---------------|
| | <u>Fair value</u> | <u><1</u> |
| Treasury obligations | \$ 40,520 | 40,520 |
| U.S. government agencies | 15,826 | 15,826 |
| Corporate obligations | 18,797 | 18,797 |
| Commercial paper | — | — |
| Total fair value of investments | <u>\$ 75,143</u> | <u>75,143</u> |

| <u>Investment type</u> | 2024 Investment Maturities (In Years) | |
|---------------------------------|--|---------------|
| | <u>Fair value</u> | <u><1</u> |
| 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 | <u>\$ 98,360</u> | <u>98,360</u> |

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

| <u>Investment type</u> | August 31, 2025 | | | |
|---------------------------------|-----------------------------|----------------|----------------|----------------|
| | <u>Total Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Treasury obligations | \$ 40,520 | 40,520 | — | — |
| U.S. government agencies | 15,826 | — | 15,826 | — |
| Corporate obligations | 18,797 | — | 18,797 | — |
| Total fair value of investments | <u>\$ 75,143</u> | <u>40,520</u> | <u>34,623</u> | <u>—</u> |

(Continued)

PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements

August 31, 2025 and 2024

| Investment type | August 31, 2024 | | | |
|---------------------------------|---------------------|---------|---------|---------|
| | 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 | \$ 98,360 | 91,875 | 6,485 | — |

(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 as of August 31, 2025 and 2024 was \$121.5 million and \$116.1 million, respectively. Interest income on these funds, to the extent not drawn, is reflected as an increase in the Sinking Fund Reserve and approximated \$5.4 million in FY 2025 and \$4.8 million in FY 2024.

The balance in the Capital Improvement Fund as of August 31, 2025 and 2024 was \$245.2 million and \$0.0 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 \$9.0 million in FY 2025 and \$0.3 million in FY 2024. PGW withdrew \$80.0 million and \$43.9 million during FY2025 and FY 2024, respectively.

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, 2025 and 2024, the trust account balances were \$3.1 million and \$2.9 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 \$0.9 million and \$1.6 million in FY 2025 and FY 2024, respectively.

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Notes to Basic Financial Statements

August 31, 2025 and 2024

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

| <u>Investment type</u> | 2025 Investment Maturities (In Years) | | |
|---------------------------------|--|---------------|---------------|
| | <u>Fair value</u> | <u><1</u> | <u>1-5</u> |
| Treasury obligations | \$ 54,495 | 13,542 | 40,953 |
| U.S. government agencies | 26,472 | 21,123 | 5,349 |
| Corporate obligations | 17,179 | 11,198 | 5,981 |
| Foreign obligations | 17,007 | 12,565 | 4,442 |
| Commercial paper | 5,885 | 5,885 | — |
| Money market mutual funds | 447 | N/A | N/A |
| Total fair value of investments | <u>\$ 121,485</u> | <u>64,313</u> | <u>56,725</u> |

| <u>Investment type</u> | 2024 Investment Maturities (In Years) | | |
|---------------------------------|--|---------------|---------------|
| | <u>Fair value</u> | <u><1</u> | <u>1-5</u> |
| 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 | <u>\$ 116,145</u> | <u>62,079</u> | <u>53,691</u> |

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

| <u>Investment type</u> | 2025 Investment Maturities (In Years) | | |
|---------------------------------|--|----------------|---------------|
| | <u>Fair value</u> | <u><1</u> | <u>1-5</u> |
| Treasury obligations | \$ 159,853 | 90,282 | 69,571 |
| Corporate obligations | 55,914 | 49,323 | 6,591 |
| Foreign obligations | 6,442 | 6,442 | — |
| Money market mutual funds | 23,022 | 23,022 | — |
| Total fair value of investments | <u>\$ 245,231</u> | <u>169,069</u> | <u>76,162</u> |

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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):

| <u>Investment type</u> | 2025 Investment Maturities (In Years) | |
|---------------------------------|--|--------------|
| | <u>Fair value</u> | <u><1</u> |
| Money market mutual funds | \$ 3,059 | 3,059 |
| Total fair value of investments | <u>\$ 3,059</u> | <u>3,059</u> |

| <u>Investment type</u> | 2024 Investment Maturities (In Years) | |
|---------------------------------|--|--------------|
| | <u>Fair value</u> | <u><1</u> |
| Money market mutual funds | \$ 2,929 | 2,929 |
| Total fair value of investments | <u>\$ 2,929</u> | <u>2,929</u> |

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

| <u>Investment type</u> | August 31, 2025 | | | |
|---------------------------------|-----------------------------|----------------|----------------|----------------|
| | <u>Total fair value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Treasury obligations | \$ 54,495 | 54,495 | — | — |
| U.S. government agencies | 26,472 | — | 26,472 | — |
| Corporate obligations | 17,179 | — | 17,179 | — |
| Foreign obligations | 17,007 | — | 17,007 | — |
| Commercial paper | 5,885 | 5,885 | — | — |
| Money market mutual funds | 447 | 447 | — | — |
| Total fair value of investments | <u>\$ 121,485</u> | <u>60,827</u> | <u>60,658</u> | <u>—</u> |

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PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements
August 31, 2025 and 2024

| August 31, 2024 | | | | |
|---------------------------------|-----------------------------|----------------|----------------|----------------|
| Investment type | 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 | — |

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, 2025 | | | | |
|---------------------------------|-----------------------------|----------------|----------------|----------------|
| Investment type | Total fair value | Level 1 | Level 2 | Level 3 |
| Treasury obligations | \$ 159,853 | 159,853 | — | — |
| Corporate obligations | 55,914 | — | 55,914 | — |
| Foreign obligations | 6,442 | — | 6,442 | — |
| Money market mutual funds | 23,022 | 23,022 | — | — |
| Total fair value of investments | \$ 245,231 | 182,875 | 62,356 | — |

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, 2025 | | | | |
|---------------------------------|-----------------------------|----------------|----------------|----------------|
| Investment type | Total fair value | Level 1 | Level 2 | Level 3 |
| Money market mutual funds | \$ 3,059 | 3,059 | — | — |
| Total fair value of investments | \$ 3,059 | 3,059 | — | — |

(Continued)

PHILADELPHIA GAS WORKS
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August 31, 2025 and 2024

| Investment type | August 31, 2024 | | | |
|---------------------------------|---------------------|---------|---------|---------|
| | Total fair value | Level 1 | Level 2 | Level 3 |
| Money market mutual funds | \$ 2,929 | 2,929 | — | — |
| Total fair value of investments | \$ 2,929 | 2,929 | — | — |

(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 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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PHILADELPHIA GAS WORKS
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August 31, 2025 and 2024

- 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 Nationally Recognized Statistical Rating Organization (NRSRO) taking lower than 'A'.

The Company's investments as of August 31, 2025 and 2024 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.

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August 31, 2025 and 2024

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

| | <u>Percent of portfolio allowed</u> | <u>Percent of portfolio per issuer</u> | <u>Percent of outstanding securities per issuer</u> |
|--|---|--|---|
| 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 |

Approximately 91.0% of the Company's cash and cash equivalents as of August 31, 2025 are in the following: U.S. Treasury bills (49.1%), Corporate Bonds (22.8%), and Federal Home Loan Bank Bonds (19.2%). 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 \$0.5 million and \$0.4 million as of August 31, 2025 and 2024, 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 \$28.1 million.

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August 31, 2025 and 2024

The recoverable pandemic costs reported in other noncurrent assets were \$18.2 million and \$25.3 million as of August 31, 2025 and 2024, 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 2025 and FY 2024 and recorded on the balance sheets as a recoverable cost in other noncurrent assets. In November 2024, PGW received \$0.2 million from the Commonwealth of Pennsylvania, 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 in FY 2025 and in FY 2024. 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 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 2025 and FY 2024. 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, 2025, there were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) outstanding. As of August 31, 2024, there were \$35.0 million Capital Project Notes outstanding.

Capital Project Note activity for the year ended August 31, 2025 is as follows (thousands of U.S. dollars):

| | Year ended August 31, 2025 | | | |
|-----------------------|----------------------------|-----------|------------|-------------------|
| | Beginning balance | Additions | Reductions | Ending balance |
| Capital Project Notes | \$ 35,000 | — | 35,000 | — |

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PHILADELPHIA GAS WORKS
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Notes to Basic Financial Statements

August 31, 2025 and 2024

(7) GCR Tariff Reconciliation

During the fiscal year ended August 31, 2025, the Company's actual gas costs were lower than its billed gas costs by approximately \$4.8 million. This amount was netted with other applicable costs and recorded in other current liabilities on the balance sheet as of August 31, 2025. Actual gas costs were \$34.3 million lower than billed gas costs in FY 2024. This amount was netted with other applicable costs and recorded in other current assets on the balance sheet as of August 31, 2024.

(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, 2025 and 2024 (thousands of U.S. dollars):

| | August 31, 2025 | | | August 31, 2024 | | |
|------------------------|--------------------|-----------|-----------|--------------------|-----------|---------|
| | Current portion | Long-term | Total | Current portion | Long-term | Total |
| Revenue bonds | \$ 58,445 | 1,073,715 | 1,132,160 | 56,480 | 826,515 | 882,995 |
| Unamortized discount | — | — | — | (4) | (36) | (40) |
| Unamortized premium | 11,426 | 117,616 | 129,042 | 9,252 | 88,371 | 97,623 |
| Total revenue bonds | \$ 69,871 | 1,191,331 | 1,261,202 | 65,728 | 914,850 | 980,578 |

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, 2025 and 2024 (thousands of U.S. dollars):

| | Year ended August 31, 2025 | | | | |
|------------------------------|----------------------------|-----------|-----------|-------------------|------------------------|
| | Beginning balance | Additions | Reduction | Ending balance | Due within one year |
| Revenue bonds | \$ 882,995 | 424,250 | (175,085) | 1,132,160 | 58,445 |
| Other liabilities: | | | | | |
| Claims and judgments | \$ 8,774 | 107 | (1,393) | 7,488 | 3,832 |
| Environmental cleanup | 28,228 | — | (129) | 28,099 | 1,838 |
| Interest rate swap liability | 2,519 | — | (727) | 1,792 | — |
| Total other liabilities | \$ 39,521 | 107 | (2,249) | 37,379 | 5,670 |

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Notes to Basic Financial Statements
August 31, 2025 and 2024

| | Year ended August 31, 2024 | | | | |
|------------------------------|----------------------------|-----------|-----------|-------------------|------------------------|
| | Beginning balance | Additions | Reduction | Ending balance | Due within one year |
| 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 | \$ 32,296 | 7,225 | — | 39,521 | 4,860 |

(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: | | | | |
| 2026 | \$ 58,445 | 32,489 | 430 | 91,364 |
| 2027 | 59,295 | 30,622 | 299 | 90,216 |
| 2028 | 61,985 | 28,844 | 153 | 90,982 |
| 2029 | 45,325 | 27,427 | — | 72,752 |
| 2030 | 46,135 | 26,177 | — | 72,312 |
| 2031–2035 | 233,465 | 109,850 | — | 343,315 |
| 2036–2040 | 210,890 | 72,119 | — | 283,009 |
| 2041–2045 | 173,475 | 41,622 | — | 215,097 |
| 2046–2050 | 166,075 | 15,335 | — | 181,410 |
| 2051-2054 | 77,070 | 4,046 | — | 81,116 |
| Total | \$ 1,132,160 | 388,531 | 882 | 1,521,573 |

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 \$78.8 million of the outstanding principal as of August 31, 2025.

Future debt service is calculated using rates in effect as of August 31, 2025 for variable rate bonds, which ranged from 1.70% to 2.79% in the month of August. The variable bond rate was 2.44% as of

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August 31, 2025. The variable rate received under the swaps is 70% of one month Secured Overnight Financing Rate (SOFR) plus 0.0801% until maturity, which was 3.13% as of August 31, 2025.

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

Seventeenth Series Bonds (1998 Ordinance)

On September 18, 2024, the City issued Gas Worked 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 to 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.

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.

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.

In the event that the letter of credit agreements supporting the Eighth 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 | |
|----------------|----------------|--------------------------------|----------------------------------|---------|
| | | | 2025 | 2024 |
| 5th Series A-2 | Variable * | 2035 | \$ — | 30,000 |
| 8th Series B | Variable * | 2028 | 17,565 | 22,650 |
| 8th Series C | Variable * | 2028 | 17,470 | 22,530 |
| 8th Series D | Variable * | 2028 | 26,210 | 33,800 |
| 8th Series E | Variable * | 2028 | 17,565 | 22,650 |
| 13th Series | 3.00%–5.00% | 2034 | — | 101,225 |
| 14th Series | 2.00%–5.00% | 2038 | 162,785 | 174,295 |
| 15th Series | 2.00%–5.00% | 2047 | 229,885 | 235,505 |
| 16th Series A | 4.00%–5.00% | 2050 | 192,210 | 196,120 |
| 16th Series B | 4.00%–5.00% | 2040 | 44,220 | 44,220 |
| 17th Series A | 5.00%–5.30% | 2054 | 314,960 | — |
| 17th Series B | 5.00% | 2034 | 109,290 | — |
| | | | \$ 1,132,160 | 882,995 |

* As of August 31, 2025, the SOFR based rate was 3.13%.

(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 \$7.2 million and \$6.4 million in FY 2025 and FY 2024, 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, 2025, the swaps had a notional amount of \$78.8 million and the associated variable rate debt had a \$78.8 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$17.6 million and the associated variable rate bonds had a \$17.6 million principal amount.
- The Series C swap had a notional amount of \$17.4 million and the associated variable rate bonds had a \$17.4 million principal amount.
- The Series D swap had a notional amount of \$26.2 million and the associated variable rate bonds had a \$26.2 million principal amount.
- The Series E swap had a notional amount of \$17.6 million and the associated variable rate bonds had a \$17.6 million principal amount.

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

Fair Value – As of August 31, 2025, the swaps had a combined negative fair value of approximately \$1.8 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, 2025, 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, 2025 and 2024 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, 2024 | \$ (2,519) | — | (3,162) |
| Change in fair value through August 31, 2025 | 727 | — | (727) |
| Amortization of terminated hedge | — | — | 1,420 |
| Balance, August 31, 2025 | <u>\$ (1,792)</u> | <u>—</u> | <u>(2,469)</u> |

| | <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> |

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.

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

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 4.4% and 4.6% to determine the present value of the lease and software subscription obligations in FY 2025 and FY 2024, respectively.

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, 2025, 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 | | | | Ending balance |
|--------------------|----|--------------------------|---------------------------|--------------------------|-----------------------|-----------------------|
| | | Beginning balance | Principal payments | Interest payments | Total payments | |
| Fiscal year ending | | | | | | |
| August 31: | | | | | | |
| 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 | | 53,747 | 1,241 | 2,805 | 4,046 | 52,506 |
| 2030-2034 | | 52,506 | 8,045 | 12,867 | 20,912 | 44,461 |
| 2035-2039 | | 44,461 | 11,852 | 10,267 | 22,119 | 32,609 |
| 2040-2044 | | 32,609 | 16,914 | 6,522 | 23,436 | 15,695 |
| 2045-2048 | | 15,694 | 15,694 | 1,534 | 17,228 | — |
| Total | \$ | | <u>59,238</u> | <u>45,907</u> | <u>105,145</u> | |

As of August 31, 2025, 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 | | | | Ending balance | |
|--------------------|----|--|------------------|---------------------------|--------------------------|-----------------------|-----------------------|
| | | Beginning balance | Additions | Principal payments | Interest payments | | Total payments |
| Fiscal year ending | | | | | | | |
| August 31: | | | | | | | |
| 2025 | \$ | 1,489 | 9,506 | 3,822 | 69 | 3,891 | 7,173 |
| 2026 | | 7,173 | — | 3,287 | 318 | 3,605 | 3,886 |
| 2027 | | 3,886 | — | 2,640 | 171 | 2,811 | 1,246 |
| 2028 | | 1,246 | — | 1,246 | 55 | 1,301 | — |
| Total | \$ | | | <u>10,995</u> | <u>613</u> | <u>11,608</u> | |

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

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(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 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.

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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 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, 2025, 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 | 2,532 |
| Participants: | |
| Vested | 808 |
| Nonvested | <u>334</u> |
| Total participants | <u>1,142</u> |
| Total membership | <u><u>3,674</u></u> |

(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, 2025 and 2024, the actuarially determined employer contribution was \$24.9 million and \$25.9 million, respectively. For each of the fiscal years ended August 31, 2025 and 2024, PGW contributed \$30.0 million. The contributions for fiscal years ended August 31, 2025 and 2024 were based on the direction of the City of Philadelphia Director of Finance. Employee contributions were approximately \$3.0 million and \$2.6 million in the plan year ended June 30, 2025 and June 30, 2024, respectively.

(e) Net Pension Liability

The Company's net pension liability as of August 31, 2025 and 2024 was measured as of June 30, 2025 and 2024 based on an actuarial valuation as of June 30, 2025 and June 30, 2024, respectively.

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

| | 2025 | 2024 |
|---------------------------|-------------|-------------|
| 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 2025 and FY 2024 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 2025 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 | 7.6 |
| Fixed income | 25.0 | 45.0 | 32.5 | 4.9 |
| Alternatives | — | 10.0 | 7.5 | — |
| Cash equivalents | — | 10.0 | — | — |
| | | | <u>100.0 %</u> | |

Discount rate: The discount rate used to measure the total pension liability at June 30, 2025 and 2024 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, 2024 | \$ 841,654 | 654,983 | 186,671 |
| Changes for the year: | | | |
| Service cost | 9,755 | — | 9,755 |
| Interest | 57,461 | — | 57,461 |
| Differences between expected and actual experience | 6,156 | — | 6,156 |
| Change of Assumptions | 10,193 | — | 10,193 |

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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 | — | 3,000 | (3,000) |
| Net investment income | — | 77,274 | (77,274) |
| Benefit payments, including refunds of employee contributions | (62,116) | (62,116) | — |
| Administrative expenses | — | (362) | 362 |
| Net changes | <u>21,449</u> | <u>47,796</u> | <u>(26,347)</u> |
| Balances at August 31, 2025 | \$ <u>863,103</u> | <u>702,779</u> | <u>160,324</u> |

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, 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 |
| 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 | <u>8,088</u> | <u>50,850</u> | <u>(42,762)</u> |
| Balances at August 31, 2024 | \$ <u>841,654</u> | <u>654,983</u> | <u>186,671</u> |

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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, 2025, 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 | \$ 252,177 | 160,324 | 82,585 |

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 |

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, 2025 and 2024, the Company recognized pension expense of \$9.4 million and \$25.3 million, respectively. At August 31, 2025 and 2024, the Company reported

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deferred outflows of resources and deferred inflows of resources related to the pension from the following sources (thousands of U.S. dollars):

| | <u>August 31, 2025</u> | | <u>August 31, 2024</u> | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
| Differences between expected and actual experience | \$ 6,157 | — | 4,480 | — |
| Changes of assumptions | 7,496 | — | 237 | — |
| Net difference between projected and actual earnings on pension plan investments | — | 34,823 | — | 20,160 |
| Contributions made after measurement date | <u>6,396</u> | <u>—</u> | <u>6,396</u> | <u>—</u> |
| Total | <u>\$ 20,049</u> | <u>34,823</u> | <u>11,113</u> | <u>20,160</u> |

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2025 will be recognized as a reduction of the total pension liability in FY 2026. 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: | |
| 2026 | \$ 11,041 |
| 2027 | (14,934) |
| 2028 | (10,786) |
| 2029 | <u>(6,491)</u> |
| | <u>\$ (21,170)</u> |

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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, 2025 (thousands of U.S. dollars):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|-------------------|----------------|----------------|----------------|
| Corporate bonds | \$ — | 69,486 | — | 69,486 |
| Common and preferred stock | 464,824 | 15 | 2 | 464,841 |
| U.S. government securities | 68,251 | 67,736 | — | 135,987 |
| Financial agreements | — | 9,672 | — | 9,672 |
| Asset backed securities | 1,346 | — | — | 1,346 |
| Municipal obligations | — | 364 | — | 364 |
| | <u>\$ 534,421</u> | <u>147,273</u> | <u>2</u> | <u>681,696</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, 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> |

(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

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designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

(b) Benefits Provided

Medical Benefits: 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. Union employees who retired between January 1, 2024 and August 31, 2024 were 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 continued to receive the Keystone 10 as the base plan and can buy up to a more expensive plan. The base plan after August 31, 2024 is Keystone 15.

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

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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.

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(c) Participants Covered

At December 31, 2024, the date of the latest actuarial valuation, the OPEB Plan’s combined membership consisted of the following:

| | Number |
|-------------------------------|---------------|
| Retirees | 1,459 |
| Beneficiaries | 384 |
| Active employees – Union | 1,088 |
| Active employees – Management | 539 |
| Total number of participants | 3,470 |

(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, 2024, PGW contributed \$30.5 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, 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.

(e) Net OPEB Liability

The Company’s net OPEB liability as of August 31, 2025 and 2024 was measured as of December 31, 2024 and 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024 and 2023, respectively. The valuation and measurement date was December 31, 2024.

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.

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- *Demographic assumptions:* including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.

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 | \$ 6,432 | 3,528 | 272 |
| 55 | 8,184 | 4,488 | 272 |
| 60 | 10,248 | 5,628 | 272 |
| 64 | 12,336 | 6,768 | 272 |
| 65 | 2,448 | 5,184 | 272 |
| 70 | 2,352 | 4,980 | 272 |
| 75 | 2,520 | 5,328 | 272 |

- *Life insurance:* The claims cost for life insurance is based on the actuarial present value of projected life insurance claims.

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- *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 | 4.99 % |
| 55–59 | 4.80 |
| 60–64 | 4.65 |
| 65–69 | (0.99) |
| 70–74 | 1.10 |
| 75–79 | 1.68 |
| 80–84 | 1.88 |
| 85+ | — |

Demographic assumptions:

- *Mortality rates*: Mortality rates for FY 2025 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:

| Years of service | Annual increase | Years of service | Annual increase |
|---------------------|--------------------|---------------------|--------------------|
| 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:

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| Age | Service < 30 | Service > 30 | Age | Service < 30 | Service > 30 |
|-----|--------------|--------------|-----|--------------|--------------|
| 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 | | | |

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

| Age | Service < 1 year | 1 year of service | 2 years of service | 3 years of service | 4 years of service | Service > 5 years |
|-------|------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| 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, 2024 is summarized in the following table:

| Asset class | Minimum | Maximum | Target | Expected annual return |
|---------------------------|----------------|----------------|----------------|-------------------------------|
| Domestic equity large cap | 27.5 % | 37.5 % | 32.5 % | 6.7 % |
| Domestic equity small cap | 10.0 | 15.0 | 12.5 | 6.9 |
| Emerging market equity | 5.0 | 10.0 | 7.5 | 7.2 |
| International equity | 15.0 | 20.0 | 17.5 | 8.1 |
| Fixed income | 20.0 | 40.0 | 30.0 | 4.9 |
| Commodities/real assets | — | 10.0 | — | 3.8 |
| Cash equivalents | — | 5.0 | — | 2.4 |
| | | | <u>100.0 %</u> | |

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

| Year | Medical (Pre-65) | Medical (Post-65) | Prescription drugs | Dental/Vision |
|-------------|-------------------------|--------------------------|---------------------------|----------------------|
| 2025 | 7.50 % | 5.50 % | 10.00 % | 4.25%/3.00% |
| 2026 | 7.00 | 5.00 | 9.50 | 4.25/3.00 |
| 2027 | 6.50 | 4.75 | 9.00 | 4.25/3.00 |
| 2028 | 6.00 | 4.50 | 8.50 | 4.25/3.00 |
| 2029 | 5.80 | 4.50 | 7.50 | 4.25/3.00 |
| 2030-2034 | 5.50 | 4.50 | 6.50 | 4.25/3.00 |
| 2035-2044 | 4.70 | 4.50 | 6.00 | 4.25/3.00 |
| 2045-2054 | 4.60 | 4.50 | 5.50 | 4.25/3.00 |
| 2055-2074 | 4.50 | 4.50 | 4.50 | 4.25/3.00 |
| 2075+ | 4.00 | 4.00 | 4.00 | 4.25/3.00 |

- *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, 2024 and December 31,

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2023, 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, 2024 | \$ 507,621 | 393,914 | 113,707 |
| Changes for the year: | | | |
| Service cost | 6,392 | — | 6,392 |
| Interest | 34,931 | — | 34,931 |
| Differences between expected and actual experience | 12,079 | — | 12,079 |
| Assumption changes | 12,852 | — | 12,852 |
| Benefit payments | (30,522) | — | (30,522) |
| Contributions-employer | — | 49,022 | (49,022) |
| Projected investment return over the year | — | 28,211 | (28,211) |
| Plan asset gain/(loss) | — | 19,301 | (19,301) |
| Benefit payments | — | (30,522) | 30,522 |
| Administrative expenses and bank fees | — | (78) | 78 |
| Net changes | 35,732 | 65,934 | (30,202) |
| Balances at August 31, 2025 | \$ <u>543,353</u> | <u>459,848</u> | <u>83,505</u> |

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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) |
| Projected investment return over the year | — | 23,084 | (23,084) |
| 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 |

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, 2024, 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 | \$ 156,076 | 83,505 | 23,865 |

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

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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:

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

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, 2024, 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:

| | 1% Decrease | Current healthcare cost trend rates | 1% Increase |
|--------------------|--------------------|--|--------------------|
| Net OPEB liability | \$ 24,439 | 83,505 | 155,926 |

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:

| | 1% Decrease | Current healthcare cost trend rates | 1% Increase |
|--------------------|--------------------|--|--------------------|
| Net OPEB liability | \$ 57,465 | 113,707 | 183,108 |

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, 2025 and 2024, the Company recognized OPEB expense of \$8.7 million and \$1.1 million, respectively. At August 31, 2025 and 2024, the Company reported deferred

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

| | <u>August 31, 2025</u> | | <u>August 31, 2024</u> | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
| Differences between expected and actual experience | \$ 10,515 | 58,481 | 467 | 80,078 |
| Changes of assumptions | 39,158 | 1,570 | 42,492 | 2,076 |
| Difference between projected and actual earnings on OPEB plan investments | — | 2,181 | 16,491 | — |
| Contributions made after measurement date | <u>30,788</u> | <u>—</u> | <u>32,133</u> | <u>—</u> |
| Total | <u>\$ 80,461</u> | <u>62,232</u> | <u>91,583</u> | <u>82,154</u> |

The \$30.8 million and \$32.1 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2024 and 2023, respectively, will be recognized as a reduction of the total OPEB liability in FY 2026 and FY 2025, 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: | |
| 2026 | \$ (49) |
| 2027 | 3,632 |
| 2028 | (13,297) |
| 2029 | (6,132) |
| 2030 | 2,100 |
| Thereafter | <u>1,187</u> |
| | <u>\$ (12,559)</u> |

(Continued)

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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 December 31, 2024 (thousands of U.S. dollars):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------------|-------------------|----------------|----------------|----------------|
| Domestic equity mutual funds | \$ 225,131 | — | — | 225,131 |
| International equity mutual funds | 106,488 | — | — | 106,488 |
| Corporate bonds | — | 514 | — | 514 |
| U.S. treasuries | 7,261 | — | — | 7,261 |
| U.S. government agency | — | 1,563 | — | 1,563 |
| Bond mutual funds | 94,838 | — | — | 94,838 |
| Municipal bonds – mutual funds | 23,923 | — | — | 23,923 |
| Total investments, at fair value | <u>\$ 457,641</u> | <u>2,077</u> | <u>—</u> | <u>459,718</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, 2023 (thousands of U.S. dollars):

| | <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> |

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).

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(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 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 % | 35.6 % |
| Domestic equity small cap | 12.5 | 13.2 |
| Emerging market international equity | 7.5 | 7.1 |
| Developed market international equity | 17.5 | 16.0 |
| Fixed income | 30.0 | 27.8 |
| Cash and cash equivalents | — | 0.3 |

(i) Rate of Return

For the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.76% and 16.64%, 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, 2024 and 2023 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

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not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust.

(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, 2024 and 2023, 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, Causeway Emerging Markets Fund and MainStay MackKay 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, 2025 and 2024, the Company recognized pension expense of \$2.5 million and \$2.0 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 as of August 31, 2025 and 2024.

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 \$2.5 million and \$2.0 million in FY 2025 and FY 2024, 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 as of August 31, 2025, and 2024 were \$28.1 million and \$28.2 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 a decrease in the total liability for pollution remediation obligations of \$0.1 million in FY 2025 and an increase in the total liability for pollution obligations of \$4.6 million in FY 2024. 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 2025, 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, 2025.

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, 2025 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: | | | | | |
| 2025 | \$ 8,774 | 107 | (1,393) | 7,488 | 3,832 |
| 2024 | 6,789 | 5,285 | (3,300) | 8,774 | 3,318 |
| 2023 | 8,253 | 1,207 | (2,671) | 6,789 | 3,769 |

(15) Commitments and Contingencies

Commitments

Commitments for major construction and maintenance contracts were approximately \$57.1 million and \$117.0 million, as of August 31, 2025 and 2024, 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 \$6.5 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 2026 Capital Budget was approved by City Council in the amount of \$185.2 million. Within this approval, funding was provided to continue the implementation of an Eighteen-mile CIMR Program. The cost for this program in FY 2026 is expected to be \$63.7 million. The total Six-year cost of the CIMR Program is forecasted to be \$341.6 million. In addition to the Eighteen-mile CIMR Program, the FY 2026 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2026 is expected to cost \$36.2 million. The total Six-year cost of this incremental program is forecasted to be \$229.5 million. The FY 2026 Capital Budget also includes \$5.1 million for PGW's initial implementation of Advanced Metering Infrastructure (AMI), which will replace the Automatic Meter Reading (AMR) devices. The total 6-year cost of this program to replace AMR units is approximately \$79.3 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

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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 Supreme Court Docket No. 14 EAP 2020; 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 owed 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.

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.

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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 were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022,

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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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) were reviewed by the full Commission. The Commission entered its Opinion and Order on January 23, 2025. The January 2025 Order directed PGW to provide credits (a) of \$59,679.29, plus interest, to SBG's accounts based on recalculations of how partial payments impacted SBG's debts; and (b) \$333,462.59 to remove all late payment charges (1.5% per month) from amounts that were secured by docketed liens (judgments). On March 6, 2025, PGW credited SBG's accounts (totaling \$408,861.15) as directed by the Commission..

SBG filed an appeal with the Commonwealth Court (215 CD 2025) arguing that the Commission should have provided a different and greater recovery of damages to them. PGW filed a cross-appeal with the Commonwealth Court (282 CD 2025) arguing that the Commission exceeded its statutory jurisdiction by providing damages to SBG for overcharged interest on judgments (obtained by docketing liens). The Commonwealth Court consolidated the appeals. The appeals have been briefed. Oral argument has not been scheduled at this time. It is not clear when the Commonwealth Court will decide the appeals.

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

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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 also filed a motion for summary judgment on the grounds 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 Order entered November 25, 2025, the jury selection will be on March 27, 2026 with the trial starting on March 30, 2026.

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.

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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 actions by PGW, such as coordination and training with the excavator community that will create some additional but unquantified expenses. The settlement was approved by the Commission on September 15, 2025.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2024-3052277.

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.

PGW filed its answer responding to the formal complaint on January 29, 2025, denying the allegations of the Formal Complaint. An evidentiary hearing was held as scheduled on October 17, 2025. On November 18, 2025, the Administrative Law Judge issued a Briefing Order, setting forth a briefing schedule in January and February 2026.

(16) Risk Disclosure

PGW has evaluated known concentrations and constraints that warrant disclosure as of year-end.

(a) Concentrations:

PGW's operations are subject to concentration risks in the following areas:

- **Customer Base** A substantial portion of PGW's revenue is derived from residential customers within the City of Philadelphia. Economic downturns, demographic shifts, or regulatory changes affecting this population may materially impact revenue collections.
- **Fuel Supply** PGW relies on a limited number of pipeline suppliers for natural gas delivery. Disruptions due to geopolitical events, infrastructure failures, or regulatory constraints could affect supply continuity and cost stability. PGW's cost of purchased gas is a major expense and is sensitive to fluctuations in regional gas markets. PGW adjusts its GCR quarterly to better align recovered fuel costs with actual costs.

(Continued)

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

Notes to Basic Financial Statements

August 31, 2025 and 2024

- **Labor Force** PGW's workforce is predominantly unionized, represented by the Utility Workers Union of America. Labor agreements are negotiated with this bargaining unit. Any prolonged labor disputes or changes in labor market conditions could adversely affect service delivery and operational efficiency.
- **Capital Program Funding** PGW's long-term capital investment plan is significant. It intends to invest approximately \$650 million in infrastructure improvements over future years. Failure to secure adequate funding or mismatch between capital plan and rate recovery could strain PGW's liquidity. PGW monitors its capital program and sequences projects to manage funding needs and maintain flexibility.

(b) Constraints:

PGW is subject to various legal, regulatory, and contractual constraints that may limit its ability to respond to emerging risks:

- **Rate Regulation** PGW's rates are subject to approval by the Pennsylvania Public Utility Commission. These regulatory frameworks may constrain PGW's ability to adjust rates in response to cost fluctuations or capital needs. PGW's ability to recover its costs is regulated by the Pennsylvania Public Utility Commission (PUC). In its most recent rate filing, PGW is proposing to increase base revenues from \$468 million to \$523 million to cover inflation, wages, health benefits, and capital improvement needs. Because of this reliance on regulatory approval, any decision by the PUC to disallow certain cost recovery, delay rate approval, or reduce authorized returns would materially affect PGW's margins. The PUC may impose limits on how much cost can be passed to customers, timing of cost recovery (lag, deferrals), or disallow certain expenses (e.g. efficiency, environmental, or non-recognized costs). These constraints can reduce flexibility in funding operations and capital. However, PGW seeks to justify and recover capital, operational, and inflation-driven cost increases.
- **Debt and Bond Covenant Constraints** PGW's outstanding debt obligations include covenants that restrict certain financial and operational activities. These covenants may limit flexibility in responding to adverse financial conditions. PGW may have constraints in existing financing or revenue bond covenants that require certain coverage ratios, minimum margins, or restrict additional debt if financial performance declines.
- **Environmental Compliance** PGW is subject to federal, state, and local environmental regulations. Changes in compliance requirements or enforcement actions may result in increased costs or operational limitations.
- **Municipal and Political Constraints** As a city-owned utility, PGW is subject to political, public policy, or municipal constraints (e.g. resistance to rate increases, mandates for low-income assistance programs, constraints on cross-subsidies) that may limit rate flexibility or transfer of funds.

(c) Assessment of Risk

As of August 31, 2025, PGW has not identified any specific concentration or constraint that is more likely than not to result in a significant adverse impact within the next 12 months. PGW continues to monitor these exposures and maintains contingency plans to mitigate potential disruptions.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2025 and 2024

(17) Subsequent Events

On November 9, 2025, the PUC entered its Order and Opinion in the rate case, which approved the Settlement Agreement without modification. Thereafter, PGW made its Compliance Tariff filing on November 24, 2025. The new rates approved by the Settlement Agreement became effective on December 1, 2025. The Settlement Agreement also provides PGW with a temporary increase in the DSIC which will terminate on November 30, 2027.

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 | | | | | | | | | |
|--|--------------------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Total pension liability: | | | | | | | | | | |
| Service cost | \$ 9,755 | 9,256 | 8,713 | 7,152 | 7,178 | 6,400 | 6,554 | 6,103 | 5,823 | 5,399 |
| Interest cost | 57,461 | 56,901 | 56,413 | 55,276 | 55,454 | 56,893 | 57,241 | 55,718 | 55,443 | 55,903 |
| Differences between expected and actual experience | 6,156 | 2,859 | 1,923 | 9,665 | 2,057 | (3,034) | (12,089) | 15,706 | 2,182 | (8,840) |
| Changes in assumptions | 10,193 | — | — | 1,481 | 22,923 | (24,891) | (1,834) | (3,864) | (7,952) | 26,748 |
| Benefit payments | (62,116) | (60,928) | (60,313) | (58,502) | (56,647) | (55,061) | (53,893) | (52,627) | (51,376) | (50,447) |
| Net change in total pension liability | 21,449 | 8,088 | 6,736 | 15,072 | 30,965 | (19,693) | (4,021) | 21,036 | 4,120 | 28,763 |
| Total pension liability (beginning) | 841,654 | 833,566 | 826,830 | 811,758 | 780,793 | 800,486 | 804,507 | 783,471 | 779,351 | 750,588 |
| Total pension liability (ending) | 863,103 | 841,654 | 833,566 | 826,830 | 811,758 | 780,793 | 800,486 | 804,507 | 783,471 | 779,351 |
| Plan fiduciary net position: | | | | | | | | | | |
| Contributions – employer | 30,000 | 30,000 | 30,000 | 30,043 | 29,728 | 29,414 | 28,570 | 29,143 | 27,918 | 21,123 |
| Contributions – employee | 3,000 | 2,642 | 2,215 | 1,854 | 1,607 | 1,520 | 1,249 | 1,078 | 852 | 602 |
| Net investment income (loss) | 77,274 | 79,630 | 66,844 | (80,989) | 155,840 | 14,286 | 34,260 | 44,310 | 61,003 | 2,872 |
| Benefit payments | (62,116) | (60,928) | (60,313) | (58,502) | (56,647) | (55,061) | (53,893) | (52,627) | (51,376) | (50,447) |
| Administrative expense | (362) | (494) | (361) | (200) | (217) | (168) | (192) | (184) | (129) | (1,611) |
| Net change in fiduciary net position | 47,796 | 50,850 | 38,385 | (107,794) | 130,311 | (10,009) | 9,994 | 21,720 | 38,268 | (27,461) |
| Plan fiduciary net position (beginning) | 654,983 | 604,133 | 565,748 | 673,542 | 543,231 | 553,240 | 543,246 | 521,526 | 483,258 | 510,719 |
| Plan fiduciary net position (ending) | 702,779 | 654,983 | 604,133 | 565,748 | 673,542 | 543,231 | 553,240 | 543,246 | 521,526 | 483,258 |
| Net pension liability (ending) | \$ 160,324 | 186,671 | 229,433 | 261,082 | 138,216 | 237,562 | 247,246 | 261,261 | 261,945 | 296,093 |
| Net position as a percentage of pension liability | 81.42 % | 77.82 % | 72.48 % | 68.42 % | 82.97 % | 69.57 % | 69.11 % | 67.53 % | 66.57 % | 62.01 % |
| Covered payroll for the year ended June 30, | \$ 112,581 | 108,177 | 102,709 | 97,435 | 97,959 | 95,934 | 98,453 | 101,271 | 94,767 | 90,860 |
| Net pension liability as a percentage of covered payroll | 142.41 % | 172.56 % | 223.38 % | 267.96 % | 141.10 % | 247.63 % | 251.13 % | 257.98 % | 276.41 % | 325.88 % |

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:

Demographic assumptions updated in FY 2025 and in FY 2020.

Investment Rate of Return: 7.00% in 2025-2021 and 7.30% in 2020-2016.

Mortality Rates Adopted:

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2021 in FY 2025, 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)

| <u>Fiscal year ending</u> | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 24,870 | 25,937 | 26,084 | 26,151 | 23,492 | 26,844 | 28,797 | 28,395 | 29,260 | 26,476 |
| Contributions made | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 29,227 | 28,797 | 28,395 | 29,260 | 26,476 |
| Contribution deficiency/(excess) | \$ (5,130) | (4,063) | (3,916) | (3,849) | (6,508) | (2,383) | — | — | — | — |
| Covered payroll for the year ended August 31, | \$ 111,009 | 109,677 | 99,076 | 92,374 | 93,601 | 94,634 | 99,494 | 97,431 | 91,176 | 87,416 |
| Contributions as a percent of covered payroll | 27.02 % | 27.35 % | 30.28 % | 32.48 % | 32.05 % | 30.88 % | 28.94 % | 29.14 % | 32.09 % | 30.29 % |

Notes to schedule:

Actuarial Valuation Date: July 1 for FY 2025-2016.

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 and prior periods.

Amortization Method: Based on 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 2025-2021 and 7.30% in FY 2020-2016.

Mortality Rates:

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2021 in FY 2025, 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
(Thousands of U.S. Dollars)

| | Fiscal year ending | | | | | | | | |
|---|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB liability: | | | | | | | | | |
| Service cost | \$ 6,392 | 6,030 | 6,597 | 5,762 | 4,999 | 5,867 | 6,268 | 5,180 | 5,315 |
| Interest cost | 34,931 | 36,604 | 35,641 | 36,577 | 35,387 | 37,374 | 40,262 | 38,182 | 39,961 |
| Differences between expected and actual experience | 12,079 | (72,157) | 695 | (25,286) | (30,648) | (16,787) | (64,606) | (5,345) | (30,973) |
| Changes in assumptions | 12,852 | 33,158 | (3,089) | 15,652 | 31,995 | (24,572) | 7,707 | 61,382 | (6,481) |
| Benefit payments | (30,522) | (25,356) | (25,677) | (25,197) | (27,636) | (28,845) | (28,729) | (29,747) | (30,370) |
| Net change in total OPEB liability | 35,732 | (21,721) | 14,167 | 7,508 | 14,097 | (26,963) | (39,098) | 69,652 | (22,548) |
| Total OPEB liability (beginning) | 507,621 | 529,342 | 515,175 | 507,667 | 493,570 | 520,533 | 559,631 | 489,979 | 512,527 |
| Total OPEB liability (ending) | \$ 543,353 | 507,621 | 529,342 | 515,175 | 507,667 | 493,570 | 520,533 | 559,631 | 489,979 |
| Plan fiduciary net position | | | | | | | | | |
| Contributions - employer | \$ 49,022 | 43,856 | 44,177 | 43,697 | 46,136 | 47,345 | 47,229 | 48,247 | 48,870 |
| Investment income | 47,512 | 54,847 | (63,740) | 41,417 | 42,258 | 42,444 | (14,754) | 22,669 | 10,710 |
| Benefit payments | (30,522) | (25,356) | (25,677) | (25,197) | (27,636) | (28,845) | (28,729) | (29,747) | (30,370) |
| Administrative, investment management expenses and bank fees | (78) | (69) | (68) | (52) | (40) | (37) | (36) | (49) | (30) |
| Net change in plan fiduciary net position | 65,934 | 73,278 | (45,308) | 59,865 | 60,718 | 60,907 | 3,710 | 41,120 | 29,180 |
| Plan fiduciary net position (beginning) | 393,914 | 320,636 | 365,944 | 306,079 | 245,361 | 184,454 | 180,744 | 139,623 | 110,443 |
| Plan fiduciary net position (ending) | 459,848 | 393,914 | 320,636 | 365,944 | 306,079 | 245,361 | 184,454 | 180,743 | 139,623 |
| Net OPEB liability (ending) | \$ 83,505 | 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 | 84.63% | 77.60% | 60.57% | 71.03% | 60.29% | 49.71% | 35.44% | 32.30% | 28.50% |
| Covered employee payroll as of December 31, | 135,469 | 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 | 61.64% | 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: Varies by participant years of service (see Note 11(e)) in FY 2025-2021; and 4.5% in FY 2020-2015.

Discount rate: 7.00% in FY 2025-2022; 7.30% in FY 2021-2017.

Inflation Rate: 2.5% in FY 2025-2023; 2.0% in FY 2022-2017.

Trends and per capita claim cost assumptions are reviewed annually to determine whether they continue to represent the best estimate of future results or should be revised to reflect any changes in long-term trend expectations.

Mortality Rates:

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 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 2024, 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 2024, 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, Health 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, Health 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 2024, 2023 and 2022, MP-2020 in 2021 and 2020, MP-2019 in 2019, MP-2018 in 2018 and MP-2017 in 2017.

See accompanying independent auditors' report.

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

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 13,920 | 16,003 | 23,271 | 19,085 | 22,541 | 25,972 | 33,405 | 37,638 | 37,639 | 41,782 |
| Contributions made | 47,676 | 45,806 | 45,044 | 42,248 | 44,880 | 47,104 | 47,548 | 47,114 | 48,065 | 49,551 |
| Contribution deficiency/(excess) | \$ (33,756) | (29,803) | (21,773) | (23,163) | (22,339) | (21,132) | (14,143) | (9,476) | (10,426) | (7,769) |
| Covered employee payroll as of August 31, | 156,716 | 153,053 | 140,442 | 136,105 | 135,243 | 131,595 | 128,642 | 130,171 | 119,667 | 112,956 |
| Contributions as a percent of covered employee payroll | 30.42% | 29.93% | 32.07% | 31.04% | 33.18% | 35.79% | 36.96% | 36.19% | 40.17% | 43.87% |

Notes to schedule:

Actuarial Valuation Date: December 31, 2024, 2023, 2022 and 2021 for fiscal year 2025, 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 2025, 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 2025-2021; and 4.5% in FY 2020-2015.

General Inflation: 2.5% in FY 2025-2023; 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 2025, 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% FY 2025-2022; 7.30% in 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 2024, 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 2024, 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 2024, 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, Health 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, Health 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 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.

See accompanying independent auditors' report.



STATISTICAL SECTION

In FY 2025, Philadelphia Gas Works (PGW) invested approximately \$102.2 million to replace 37.1 miles of aging infrastructure, replacing aging cast iron with upgraded material that does not rust and corrode to ensure safety and sustainability. As a result of these investments and grants, PGW reduced pipeline emissions by 7,429

metric tons (MT) of carbon dioxide equivalent (CO₂e). PGW's goal for FY 2025 was to reduce its comprehensive greenhouse gas (GHG) emissions by 10,000 MT of CO₂e. PGW exceeded its target: GHG emissions were reduced by 12,184 MT CO₂e, in large part due to the reduced emissions through pipeline replacement.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Statistical Section
Description of Schedules
August 31, 2025

This section of the Company's annual comprehensive 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 2016 through 2025
(Thousands of U.S. dollars)

| Assets | 2025 | 2024 | 2023 |
|---|------------------|------------------|------------------|
| Current assets: | | | |
| Cash and cash equivalents | 82,557 | 115,612 | 139,302 |
| Accounts receivable (net of provision for uncollectible accounts) | 102,481 | 89,137 | 91,957 |
| Gas inventories, materials, and supplies | 56,825 | 67,390 | 79,454 |
| Current portion of capital improvement fund | 104,646 | - | 43,730 |
| Workers' compensation escrow fund | 3,059 | 2,929 | 2,778 |
| Other current assets ^{(2) (3)} | 17,485 | 14,929 | 15,385 |
| Total current assets | <u>367,053</u> | <u>289,997</u> | <u>372,606</u> |
| Noncurrent assets: | | | |
| Utility plant, at original cost: | | | |
| In service | 3,105,667 | 2,995,617 | 2,902,469 |
| Lease assets ⁽²⁾ | 80,561 | 80,747 | 80,351 |
| Software subscriptions ⁽³⁾ | 12,937 | 10,387 | 8,135 |
| Under construction | 260,588 | 213,317 | 161,751 |
| Total | <u>3,459,753</u> | <u>3,300,068</u> | <u>3,152,706</u> |
| Less accumulated depreciation | 1,437,730 | 1,387,474 | 1,329,678 |
| Less accumulated depreciation - lease assets ⁽²⁾ | 9,552 | 5,955 | 2,488 |
| Less accumulated depreciation - software subscriptions ⁽³⁾ | 2,940 | 6,596 | 5,071 |
| Utility plant, net | <u>2,009,531</u> | <u>1,900,043</u> | <u>1,815,469</u> |
| Unamortized bond issuance costs | 808 | 639 | 681 |
| Capital improvement fund | 140,585 | - | - |
| Sinking fund, revenue bonds | 121,485 | 116,145 | 109,581 |
| Regulatory asset - environmental | 28,099 | 28,228 | 23,610 |
| Regulatory asset - pandemic | 18,159 | 25,302 | 30,485 |
| Other noncurrent assets | 4,187 | 5,932 | 3,665 |
| Total noncurrent assets | <u>2,322,854</u> | <u>2,076,289</u> | <u>1,983,491</u> |
| Total assets | <u>2,689,907</u> | <u>2,366,286</u> | <u>2,356,097</u> |
| Deferred outflows of resources | | | |
| Accumulated fair value of hedging derivatives | - | - | - |
| Unamortized losses on bond refunding | 11,086 | 16,449 | 19,763 |
| Deferred outflows related to pension | 20,049 | 11,113 | 29,060 |
| Deferred outflows related to OPEB ⁽¹⁾ | 80,461 | 91,583 | 100,068 |
| Total deferred outflows of resources | <u>111,596</u> | <u>119,145</u> | <u>148,891</u> |
| Total assets and deferred outflows of resources | <u>2,801,503</u> | <u>2,485,431</u> | <u>2,504,988</u> |

(1) 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.

(2) 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.

Source - PGW's Audited Financial Statements

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 115,637 | 158,265 | 172,267 | 124,145 | 131,051 | 88,535 | 91,743 |
| 107,001 | 81,991 | 83,681 | 85,989 | 82,611 | 82,028 | 73,563 |
| 92,876 | 53,373 | 46,706 | 51,691 | 52,364 | 55,414 | 47,891 |
| 107,822 | 93,600 | - | 68,634 | 61,000 | 55,000 | - |
| 2,667 | 2,740 | 2,736 | 2,711 | 2,646 | 2,616 | 2,603 |
| 16,191 | 12,738 | 18,485 | 18,143 | 18,002 | 28,714 | 31,017 |
| 442,194 | 402,707 | 323,875 | 351,313 | 347,674 | 312,307 | 246,817 |
| 2,810,896 | 2,700,055 | 2,585,092 | 2,486,973 | 2,394,302 | 2,244,731 | 2,178,632 |
| 1,202 | 2,541 | - | - | - | - | - |
| 8,438 | - | - | - | - | - | - |
| 141,469 | 105,321 | 86,349 | 87,826 | 75,953 | 105,393 | 73,531 |
| 2,962,005 | 2,807,917 | 2,671,441 | 2,574,799 | 2,470,255 | 2,350,124 | 2,252,163 |
| 1,299,288 | 1,239,513 | 1,180,021 | 1,123,329 | 1,066,299 | 1,012,009 | 967,353 |
| 855 | 1,696 | - | - | - | - | - |
| 4,053 | - | - | - | - | - | - |
| 1,657,809 | 1,566,708 | 1,491,420 | 1,451,470 | 1,403,956 | 1,338,115 | 1,284,810 |
| 725 | 784 | 233 | 258 | 290 | 322 | 512 |
| 4,851 | 91,322 | - | - | 50,815 | 110,000 | - |
| 106,188 | 107,684 | 102,824 | 106,509 | 103,255 | 102,202 | 86,652 |
| 28,871 | 27,572 | 33,758 | 37,102 | 31,593 | 30,010 | 28,425 |
| 30,674 | 32,497 | - | - | - | - | - |
| 4,647 | 5,927 | 7,242 | 6,054 | 9,057 | 11,301 | 6,364 |
| 1,833,765 | 1,832,494 | 1,635,477 | 1,601,393 | 1,598,966 | 1,591,950 | 1,406,763 |
| 2,275,959 | 2,235,201 | 1,959,352 | 1,952,706 | 1,946,640 | 1,904,257 | 1,653,580 |
| - | 9,117 | 13,888 | 10,332 | 594 | 7,911 | 14,763 |
| 23,321 | 27,487 | 31,947 | 36,776 | 42,054 | 47,614 | 57,175 |
| 68,189 | 24,575 | 24,408 | 14,421 | 24,943 | 39,400 | 88,043 |
| 62,576 | 71,721 | 61,198 | 91,175 | 81,048 | 33,076 | - |
| 154,086 | 132,900 | 131,441 | 152,704 | 148,639 | 128,001 | 159,981 |
| 2,430,045 | 2,368,101 | 2,090,793 | 2,105,410 | 2,095,279 | 2,032,258 | 1,813,561 |

(3) During FY 2023, the Company implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which 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 2016 through 2025
(Thousands of U.S.dollars)

| Fund Equity and Liabilities | 2025 | 2024 | 2023 |
|--|------------------|------------------|------------------|
| Current liabilities: | | | |
| Notes payable | - | 35,000 | - |
| Current portion of revenue bonds | 69,871 | 65,728 | 70,110 |
| Accounts payable | 78,694 | 73,357 | 80,632 |
| Current portion of long-term liabilities | 5,670 | 4,860 | 7,947 |
| Customer deposits | 2,277 | 2,396 | 2,653 |
| Current portion of lease liabilities ⁽²⁾ | 1,586 | 1,534 | 1,329 |
| Current portion of software subscription liabilities ⁽³⁾ | 3,287 | 727 | 1,838 |
| Other current liabilities ⁽⁵⁾ | 28,514 | 44,836 | 47,970 |
| Accrued accounts: | | | |
| Interest, taxes, and wages ⁽⁵⁾ | 7,543 | 6,821 | 13,786 |
| Distribution to the City | 3,000 | 3,000 | 3,000 |
| Total current liabilities | 200,442 | 238,259 | 229,265 |
| Non current liabilities: | | | |
| Long-term revenue bonds | 1,191,331 | 914,850 | 980,578 |
| Long-term lease liabilities ⁽²⁾ | 56,119 | 57,705 | 58,642 |
| Long-term software subscription liabilities ⁽³⁾ | 3,886 | 761 | - |
| Other noncurrent liabilities ^{(1) (5)} | 53,710 | 55,901 | 24,350 |
| Net pension liability | 160,324 | 186,671 | 229,433 |
| Net OPEB liability ⁽¹⁾ | 83,505 | 113,707 | 208,706 |
| Total noncurrent liabilities | 1,548,875 | 1,329,595 | 1,501,709 |
| Total liabilities | 1,749,317 | 1,567,854 | 1,730,974 |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to gain on bond refunding | 1,840 | 145 | 156 |
| Deferred inflows related to pension | 34,823 | 20,160 | - |
| Deferred inflows related to OPEB ⁽¹⁾ | 62,232 | 82,154 | 40,372 |
| Accumulated fair value of hedging derivatives | 2,469 | 3,162 | 5,204 |
| Total deferred inflows of resources | 101,364 | 105,621 | 45,732 |
| Total liabilities and deferred inflows of resources | 1,850,681 | 1,673,475 | 1,776,706 |
| Net position | | | |
| Excess (deficiency) of net investment in capital assets ^{(2) (3) (4)} | 916,776 | 822,451 | 744,673 |
| Restricted (debt service) | 121,485 | 116,145 | 109,581 |
| Restricted (workers' compensation) | 3,059 | 2,929 | 2,778 |
| Unrestricted ^{(1) (2) (3) (4) (5)} | (90,498) | (129,569) | (128,750) |
| Total net position ⁽⁵⁾ | 950,822 | 811,956 | 728,282 |
| Total liabilities, deferred inflows of resources, and net position | 2,801,503 | 2,485,431 | 2,504,988 |

(1) 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.

(2) 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.

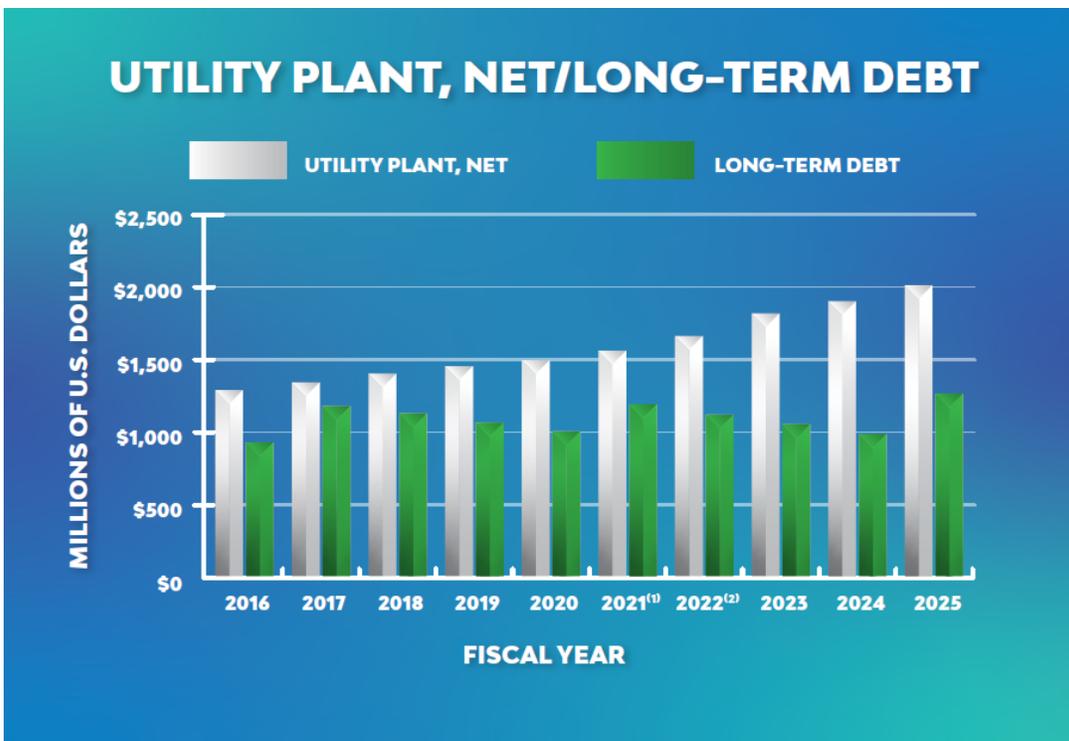
(3) During FY 2023, the Company implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize 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.

| <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| - | - | - | - | - | - | 71,000 |
| 64,202 | 65,417 | 63,103 | 62,946 | 62,709 | 49,890 | 44,803 |
| 96,764 | 79,928 | 69,657 | 67,530 | 72,620 | 54,922 | 55,870 |
| 5,927 | 5,552 | 6,463 | 6,313 | 7,216 | 5,828 | 6,808 |
| 2,262 | 1,659 | 2,282 | 3,090 | 2,644 | 3,385 | 3,308 |
| 131 | 554 | - | - | - | - | - |
| 1,856 | - | - | - | - | - | - |
| 6,164 | 35,363 | 31,088 | 6,178 | 15,220 | 6,005 | 6,983 |
| 14,388 | 14,751 | 14,115 | 12,406 | 11,969 | 12,956 | 6,417 |
| 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| <u>194,694</u> | <u>206,224</u> | <u>189,708</u> | <u>161,463</u> | <u>175,378</u> | <u>135,986</u> | <u>198,189</u> |
| 1,050,687 | 1,122,609 | 936,721 | 999,474 | 1,062,763 | 1,125,473 | 881,620 |
| 114 | 150 | - | - | - | - | - |
| 1,770 | - | - | - | - | - | - |
| 36,927 | 51,681 | 63,395 | 65,482 | 55,889 | 65,686 | 149,621 |
| 261,082 | 138,216 | 237,562 | 247,246 | 261,261 | 261,945 | 296,093 |
| 149,231 | 201,588 | 248,209 | 336,079 | 378,888 | 350,356 | - |
| <u>1,499,811</u> | <u>1,514,244</u> | <u>1,485,887</u> | <u>1,648,281</u> | <u>1,758,801</u> | <u>1,803,460</u> | <u>1,327,334</u> |
| <u>1,694,505</u> | <u>1,720,468</u> | <u>1,675,595</u> | <u>1,809,744</u> | <u>1,934,179</u> | <u>1,939,446</u> | <u>1,525,523</u> |
| 168 | 181 | - | - | - | - | - |
| 5,937 | 94,514 | 28,147 | 18,230 | 13,266 | 12,275 | - |
| 102,608 | 102,885 | 91,524 | 69,874 | 36,134 | 30,920 | - |
| 2,478 | - | - | - | - | - | - |
| <u>111,191</u> | <u>197,580</u> | <u>119,671</u> | <u>88,104</u> | <u>49,400</u> | <u>43,195</u> | <u>-</u> |
| <u>1,805,696</u> | <u>1,918,048</u> | <u>1,795,266</u> | <u>1,897,848</u> | <u>1,983,579</u> | <u>1,982,641</u> | <u>1,525,523</u> |
| 678,913 | 591,091 | 523,543 | 494,460 | 432,354 | 375,366 | 415,561 |
| 106,188 | 107,684 | 102,824 | 106,509 | 103,255 | 102,202 | 86,652 |
| 2,667 | 2,740 | 2,736 | 2,711 | 2,646 | 2,616 | 2,603 |
| <u>(163,419)</u> | <u>(251,462)</u> | <u>(333,576)</u> | <u>(396,118)</u> | <u>(426,555)</u> | <u>(430,567)</u> | <u>(216,778)</u> |
| <u>624,349</u> | <u>450,053</u> | <u>295,527</u> | <u>207,562</u> | <u>111,700</u> | <u>49,617</u> | <u>288,038</u> |
| <u>2,430,045</u> | <u>2,368,101</u> | <u>2,090,793</u> | <u>2,105,410</u> | <u>2,095,279</u> | <u>2,032,258</u> | <u>1,813,561</u> |

(4) 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 excluded from the calculation of net investment in capital assets.

(5) In FY 2025 the Company implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for all forms of compensated leave and associated salary related payments, including certain defined contribution pensions and defined contribution OPEB. Adoption of GASB 101 resulted in the retroactive restatement of FY 2024.

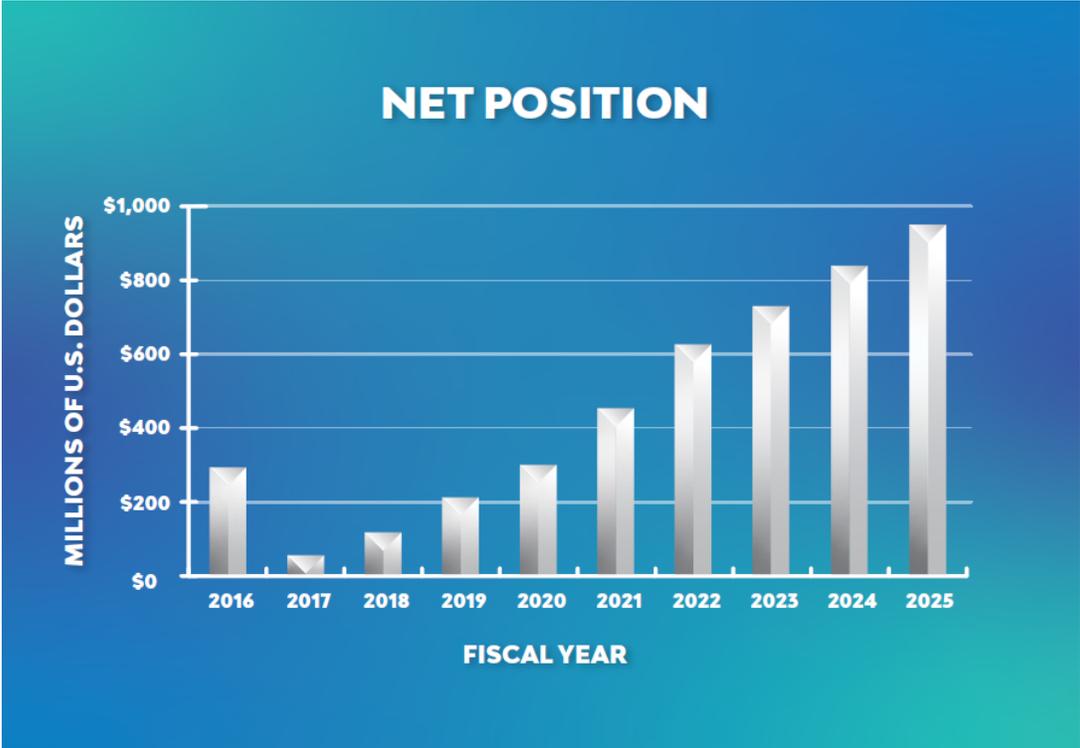
PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Debt to Total Capitalization Ratio and
 Utility Plant, Net/Long-Term Debt
 Fiscal Years 2016 through 2025



- (1) For FY 2021 and forward, Utility Plant, Net includes lease assets due to the implementation of GASB Statement No. 87, *Leases*.
- (2) For FY 2022 and forward, 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 revenue bonds, unamortized discounts, and unamortized premiums.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Net Position
Fiscal Years 2016 through 2025



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Statements of Revenues and Expenses
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

| | 2025 | 2024 | 2023 |
|---|-----------------|-----------------|-----------------|
| Operating revenues: | | | |
| Gas revenues: | | | |
| Nonheating | 22,823 | 21,231 | 25,914 |
| Gas transport service | 88,604 | 82,542 | 77,530 |
| Heating | 606,310 | 553,613 | 599,980 |
| Provision for uncollectible accounts ⁽²⁾ | (37,561) | (29,897) | (40,270) |
| Total gas revenues | <u>680,176</u> | <u>627,489</u> | <u>663,154</u> |
| Appliance and other revenues | 6,653 | 7,019 | 7,339 |
| Other operating revenues ⁽⁸⁾ | 43,164 | 39,937 | 40,533 |
| Total operating revenues | <u>729,993</u> | <u>674,445</u> | <u>711,026</u> |
| Operating expenses: | | | |
| Natural gas ⁽⁸⁾ | 214,446 | 174,568 | 223,996 |
| Gas processing ⁽⁴⁾ | 26,072 | 25,576 | 25,569 |
| Field operations ^{(3) (4) (6)} | 98,295 | 96,588 | 89,803 |
| Field services ⁽³⁾ | - | - | - |
| Distribution ⁽³⁾ | - | - | - |
| Collection and account management ⁽⁴⁾ | 13,926 | 12,483 | 12,894 |
| Customer services ^{(4) (6)} | 17,265 | 15,995 | 13,962 |
| Marketing ⁽⁴⁾ | 3,964 | 3,765 | 3,857 |
| Administrative and general ^{(1) (3) (4) (6)} | 78,415 | 81,319 | 66,704 |
| Pensions | 9,380 | 25,345 | 31,544 |
| Other postemployment benefits ⁽¹⁾ | 8,675 | 1,075 | 4,791 |
| Taxes | 10,236 | 9,830 | 9,121 |
| Total operating expenses before depreciation | <u>480,674</u> | <u>446,544</u> | <u>482,241</u> |
| Depreciation ^{(4) (6)} | 71,322 | 75,293 | 81,962 |
| Less depreciation expense included in operating expenses above | - | - | - |
| Net depreciation | <u>71,322</u> | <u>75,293</u> | <u>81,962</u> |
| Total operating expenses | <u>551,996</u> | <u>521,837</u> | <u>564,203</u> |
| Operating income | <u>177,997</u> | <u>152,608</u> | <u>146,823</u> |
| Investment gain (loss) and other income | 29,228 | 14,467 | 14,000 |
| Income before interest expense | <u>207,225</u> | <u>167,075</u> | <u>160,823</u> |
| Interest expense: | | | |
| Long-term debt and other interest expense ^{(4) (6)} | 50,359 | 39,507 | 38,890 |
| Allowance for funds used during construction ⁽⁵⁾ | - | - | - |
| Total interest expense | <u>50,359</u> | <u>39,507</u> | <u>38,890</u> |
| Excess of revenues over expenses prior to City Payment | <u>156,866</u> | <u>127,568</u> | <u>121,933</u> |
| Distribution to the City of Philadelphia | <u>(18,000)</u> | <u>(18,000)</u> | <u>(18,000)</u> |
| Excess of revenues over expenses | <u>138,866</u> | <u>109,568</u> | <u>103,933</u> |
| Net position, beginning of the year ^{(1) (4) (6)} | 811,956 | 728,282 | 624,349 |
| Implementation of New GASB Pronouncement ^{(1) (4) (6) (7)} | - | (25,894) | - |
| Net position, end of the year ^{(1) (4) (6) (7)} | <u>950,822</u> | <u>811,956</u> | <u>728,282</u> |

(1) 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.

(2) 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.

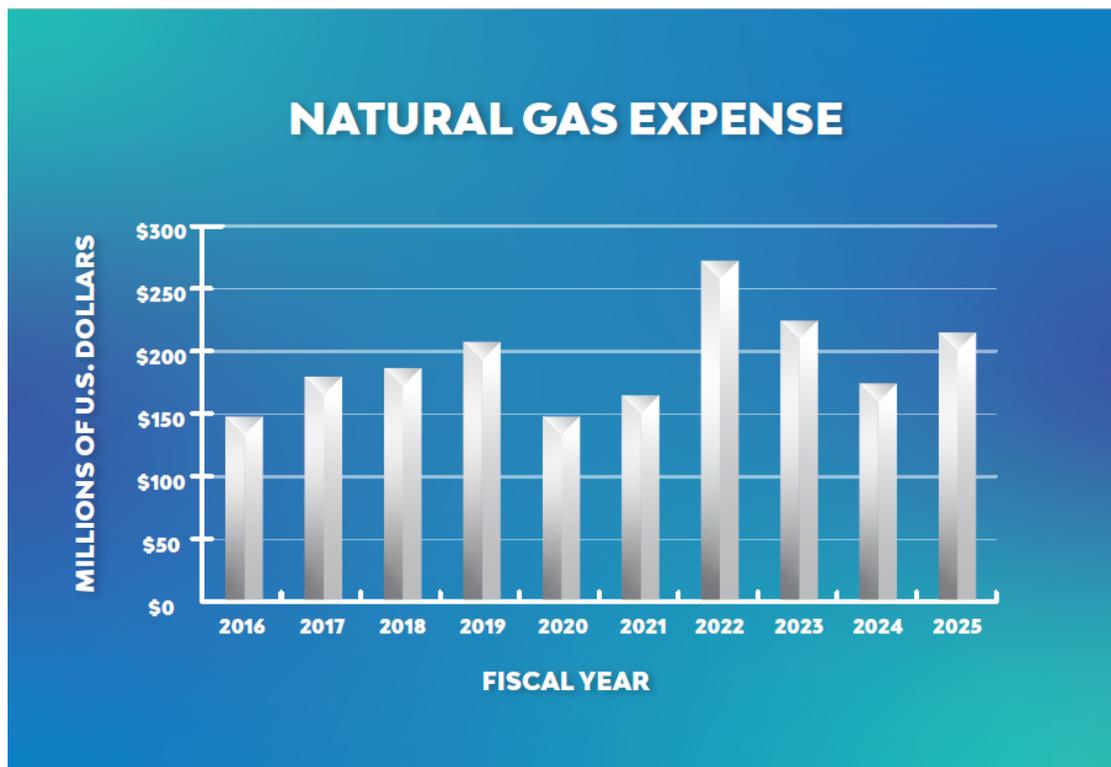
(3) Presentation of the FY 2018 Statement of Revenue and Expenses was restated in FY 2019 to reflect Distribution, Field Services, and Operations Support Services (OSS) as a single line item – Field operations. Prior to FY 2019 and the FY 2018 restatement, Distribution and Field Services were reported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

(4) 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.

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------|----------|----------|----------|----------|-----------|----------|
| 32,064 | 23,122 | 21,599 | 25,065 | 23,492 | 21,694 | 21,873 |
| 71,710 | 67,907 | 62,846 | 63,565 | 51,724 | 44,370 | 41,008 |
| 687,142 | 549,982 | 531,436 | 605,437 | 583,864 | 552,342 | 509,467 |
| (25,287) | (16,261) | (44,088) | (29,983) | (30,826) | (29,992) | (27,133) |
| 765,629 | 624,750 | 571,793 | 664,084 | 628,254 | 588,414 | 545,215 |
| 6,656 | 6,019 | 6,190 | 7,908 | 8,121 | 8,199 | 7,961 |
| 33,152 | 15,978 | 6,954 | 12,736 | 11,124 | 9,598 | 10,928 |
| 805,437 | 646,747 | 584,937 | 684,728 | 647,499 | 606,211 | 564,104 |
| 272,468 | 163,892 | 146,754 | 206,825 | 186,265 | 179,230 | 146,524 |
| 24,085 | 23,294 | 24,316 | 22,028 | 21,644 | 16,789 | 17,948 |
| 79,542 | 79,678 | 78,699 | 79,341 | 88,105 | - | - |
| - | - | - | - | - | 37,715 | 36,277 |
| - | - | - | - | - | 41,318 | 37,173 |
| 13,237 | 13,364 | 12,408 | 12,490 | 11,975 | 11,200 | 10,913 |
| 12,825 | 13,762 | 13,686 | 13,983 | 13,904 | 13,230 | 12,432 |
| 4,433 | 4,113 | 3,999 | 4,232 | 3,751 | 3,644 | 3,671 |
| 64,535 | 61,899 | 65,521 | 67,649 | 63,206 | 59,372 | 99,652 |
| 20,675 | (3,146) | 19,473 | 30,268 | 43,159 | 54,826 | 62,336 |
| (1,242) | (902) | 10,862 | 28,351 | 32,889 | 28,062 | 9,929 |
| 8,984 | 8,894 | 8,957 | 8,705 | 8,758 | 7,890 | 7,521 |
| 499,542 | 364,848 | 384,675 | 473,872 | 473,656 | 453,276 | 444,376 |
| 72,342 | 69,312 | 64,161 | 68,186 | 63,970 | 54,347 | 51,679 |
| - | - | - | - | 7,516 | 6,770 | 6,231 |
| 72,342 | 69,312 | 64,161 | 68,186 | 56,454 | 47,577 | 45,448 |
| 571,884 | 434,160 | 448,836 | 542,058 | 530,110 | 500,853 | 489,824 |
| 233,553 | 212,587 | 136,101 | 142,670 | 117,389 | 105,358 | 74,280 |
| (1,523) | 1,322 | 5,594 | 10,788 | 4,634 | 1,989 | 1,393 |
| 232,030 | 213,909 | 141,695 | 153,458 | 122,023 | 107,347 | 75,673 |
| 39,597 | 43,914 | 37,590 | 40,891 | 43,293 | 42,416 | 48,739 |
| - | (2,413) | (1,860) | (1,295) | (1,353) | (1,408) | (1,120) |
| 39,597 | 41,501 | 35,730 | 39,596 | 41,940 | 41,008 | 47,619 |
| 192,433 | 172,408 | 105,965 | 113,862 | 80,083 | 66,339 | 28,054 |
| (18,000) | (18,000) | (18,000) | (18,000) | (18,000) | (18,000) | (18,000) |
| 174,433 | 154,408 | 87,965 | 95,862 | 62,083 | 48,339 | 10,054 |
| 450,053 | 295,527 | 207,562 | 111,700 | 49,617 | 288,038 | 277,984 |
| (137) | 118 | - | - | - | (286,760) | - |
| 624,349 | 450,053 | 295,527 | 207,562 | 111,700 | 49,617 | 288,038 |

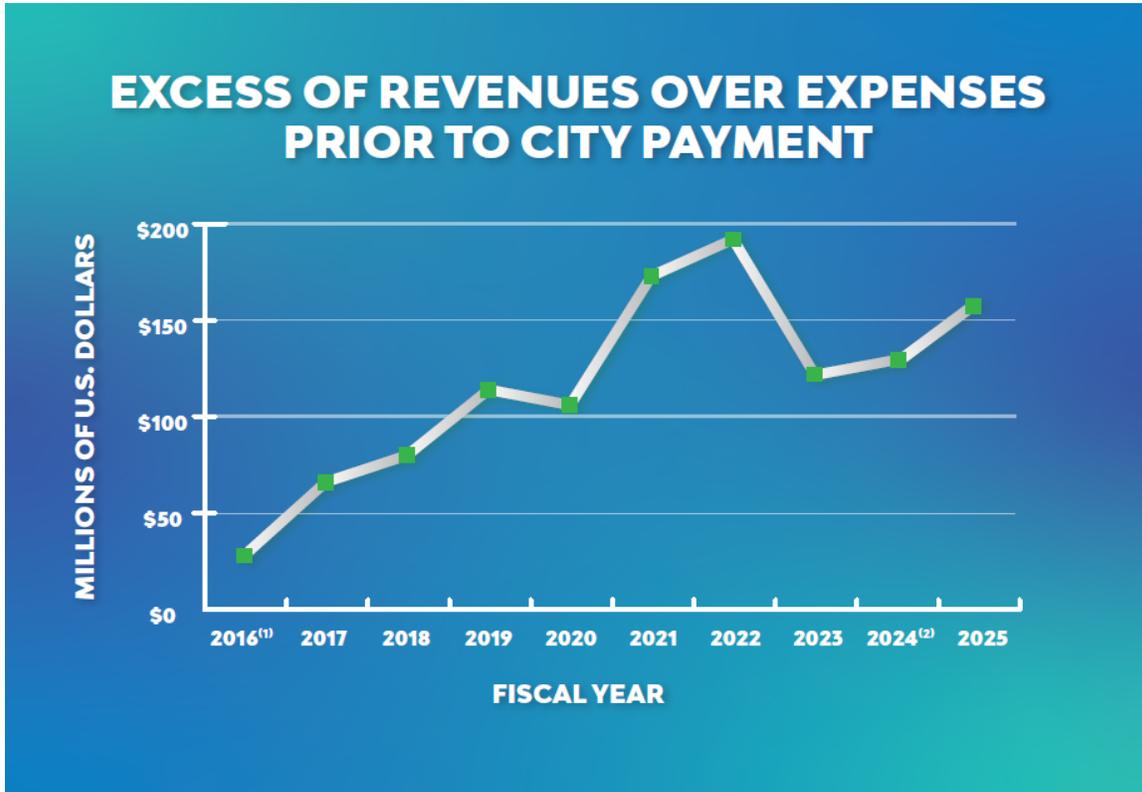
- (5) During FY 2022, the Company implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. 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 AFUDC.
- (6) During FY 2023, the Company implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which 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.
- (7) In FY 2025 the Company implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for all forms of compensated leave and associated salary related payments, including certain define contribution pensions and defined contribution OPEB. Adoption of GASB 101 resulted in the retroactive restatement of FY 2024.
- (8) The Company restated FY 2024 to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Operating Revenues and Natural Gas Expenses
 Fiscal Years 2016 through 2025



(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.

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Excess of Revenues Over Expenses
 Prior to City Payment
 Fiscal Years 2016 through 2025



- (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 restated FY 2024 to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Average Number of Customers Billed by System
Fiscal Years 2016 through 2025

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|--------------|-----------------------|-----------------------|-----------------------|
| Residential | 490,700 | 492,800 | 493,100 |
| Commercial | 25,000 | 25,000 | 25,000 |
| Industrial | 500 | 500 | 500 |
| Total | <u><u>516,200</u></u> | <u><u>518,300</u></u> | <u><u>518,600</u></u> |

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 Emergency Order by initiating phase 2 regarding customer protections until December 31, 2021.

| 2022 | 2021⁽²⁾ | 2020⁽¹⁾ | 2019 | 2018 | 2017 | 2016 |
|----------------|---------------------------|---------------------------|----------------|----------------|----------------|----------------|
| 496,400 | 498,300 | 498,300 | 484,300 | 482,300 | 479,300 | 476,300 |
| 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 600 | 700 | 700 | 700 | 700 | 700 | 700 |
| <u>522,000</u> | <u>524,000</u> | <u>524,000</u> | <u>510,000</u> | <u>508,000</u> | <u>505,000</u> | <u>502,000</u> |

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Gas Revenues
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

| | 2025 | 2024 | 2023 |
|---|----------------|----------------|----------------|
| Firm non-heat | 19,785 | 19,383 | 22,617 |
| Interruptible gas sales | 2,221 | 1,448 | 5,057 |
| Billed non-heating | 22,006 | 20,831 | 27,674 |
| Gas Cost Rates (GCR) non-heating adjustment | 817 | 401 | (1,761) |
| Total non-heating | 22,823 | 21,232 | 25,913 |
| Billed heating | 572,134 | 517,900 | 622,898 |
| GCR heating adjustment | 20,548 | 12,760 | (49,080) |
| Total billed heating | 592,682 | 530,660 | 573,818 |
| Weather normalization adjustment (WNA) | 10,354 | 22,640 | 28,898 |
| Total heating | 603,036 | 553,300 | 602,716 |
| Total gas sold | 625,859 | 574,532 | 628,629 |
| Firm transportation (FT) non-heat | 6,569 | 5,611 | 5,698 |
| FT heating | 61,488 | 55,842 | 52,265 |
| WNA - FT | 1,506 | 2,921 | 3,498 |
| Total heating FT | 62,994 | 58,763 | 55,763 |
| Total FT | 69,563 | 64,374 | 61,461 |
| Unbilled adjustment | 3,273 | 312 | (2,735) |
| Gas Transportation Service (GTS): transportation | 2,276 | 2,685 | 1,230 |
| GTS - customer/customer choice | 13,367 | 12,502 | 11,884 |
| GTS - supplier/customer choice | 11 | 11 | 11 |
| GTS - firm supplier | 3,256 | 2,867 | 2,944 |
| Interruptible Distribution System Improvement Charge (DSIC) | 131 | 102 | - |
| Total Gas Revenues | <u>717,737</u> | <u>657,386</u> | <u>703,424</u> |

Source - PGW Records

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 24,535 | 21,267 | 20,496 | 23,328 | 23,352 | 21,588 | 20,765 |
| 6,338 | 2,085 | 1,922 | 1,325 | 1,059 | 377 | 346 |
| 30,873 | 23,352 | 22,418 | 24,653 | 24,411 | 21,965 | 21,111 |
| 1,191 | (230) | (820) | 412 | (919) | (271) | 762 |
| 32,064 | 23,122 | 21,598 | 25,065 | 23,492 | 21,694 | 21,873 |
| 632,373 | 544,653 | 540,576 | 592,730 | 612,556 | 527,191 | 454,852 |
| 30,918 | (5,392) | (21,686) | 11,040 | (23,933) | (4,768) | 17,424 |
| 663,291 | 539,261 | 518,890 | 603,770 | 588,623 | 522,423 | 472,276 |
| 20,523 | 10,540 | 9,683 | 1,347 | (3,848) | 27,748 | 39,021 |
| 683,814 | 549,801 | 528,573 | 605,117 | 584,775 | 550,171 | 511,297 |
| 715,878 | 572,923 | 550,171 | 630,182 | 608,267 | 571,865 | 533,170 |
| 5,428 | 5,060 | 4,963 | 5,328 | 5,063 | 4,559 | 4,518 |
| 47,294 | 46,112 | 43,259 | 42,250 | 32,591 | 26,850 | 22,789 |
| 2,637 | 1,222 | 1,106 | 249 | 42 | 1,846 | 2,458 |
| 49,931 | 47,334 | 44,365 | 42,499 | 32,633 | 28,696 | 25,247 |
| 55,359 | 52,394 | 49,328 | 47,827 | 37,696 | 33,255 | 29,765 |
| 3,329 | 181 | 2,864 | 320 | (911) | 2,171 | (1,830) |
| 1,177 | 1,165 | 1,160 | 1,161 | 1,144 | 1,171 | 1,231 |
| 12,695 | 11,469 | 10,381 | 12,664 | 11,566 | 8,938 | 8,784 |
| 11 | 583 | (561) | 12 | 13 | 14 | 11 |
| 2,467 | 2,296 | 2,538 | 1,901 | 1,305 | 992 | 1,217 |
| - | - | - | - | - | - | - |
| <u>790,916</u> | <u>641,011</u> | <u>615,881</u> | <u>694,067</u> | <u>659,080</u> | <u>618,406</u> | <u>572,348</u> |

Source - PGW Records

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Sales and Transportation Volumes
Fiscal Years 2016 through 2025
(Sales in Mcf)*

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|-------------------|
| Firm non-heat | 1,205,601 | 1,275,040 | 1,231,117 |
| Interruptible gas sales | 582,792 | 465,975 | 893,017 |
| Billed non-heating | 1,788,393 | 1,741,015 | 2,124,134 |
| Total non-heating | 1,788,393 | 1,741,015 | 2,124,134 |
| | | | |
| Billed heating | 37,101,247 | 34,058,389 | 34,506,889 |
| Total billed heating | 37,101,247 | 34,058,389 | 34,506,889 |
| Total heating | 37,101,247 | 34,058,389 | 34,506,889 |
| Total gas sold | 38,889,640 | 35,799,404 | 36,631,023 |
| | | | |
| Firm transportation (FT) non-heat | 734,210 | 652,890 | 673,336 |
| | | | |
| FT heating | 6,095,880 | 5,700,762 | 5,387,063 |
| Total heating FT | 6,095,880 | 5,700,762 | 5,387,063 |
| Total FT | 6,830,090 | 6,353,652 | 6,060,399 |
| | | | |
| Unbilled adjustment | (24,282) | 3,484 | (19,592) |
| | | | |
| GTS: transportation | 13,309,175 | 14,027,652 | 14,005,836 |
| GTS - customer/customer choice | 11,253,348 | 10,676,050 | 10,852,841 |
| Utility use | 360,492 | 331,963 | 315,456 |
| Unaccounted for gas | 1,301,413 | 1,289,950 | 1,099,948 |
| Less off system sales | (111,954) | (35,876) | (209,730) |
| Total sendout ⁽¹⁾ | <u>71,807,922</u> | <u>68,446,280</u> | <u>68,736,181</u> |
| | | | |
| Unaccounted for gas as a % of total sendout | 1.8% | 1.9% | 1.6% |
| Degree Days ⁽²⁾ | 4,030 | 3,809 | 3,740 |

* 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) which is measured at the Philadelphia International Airport.

Source - PGW Records

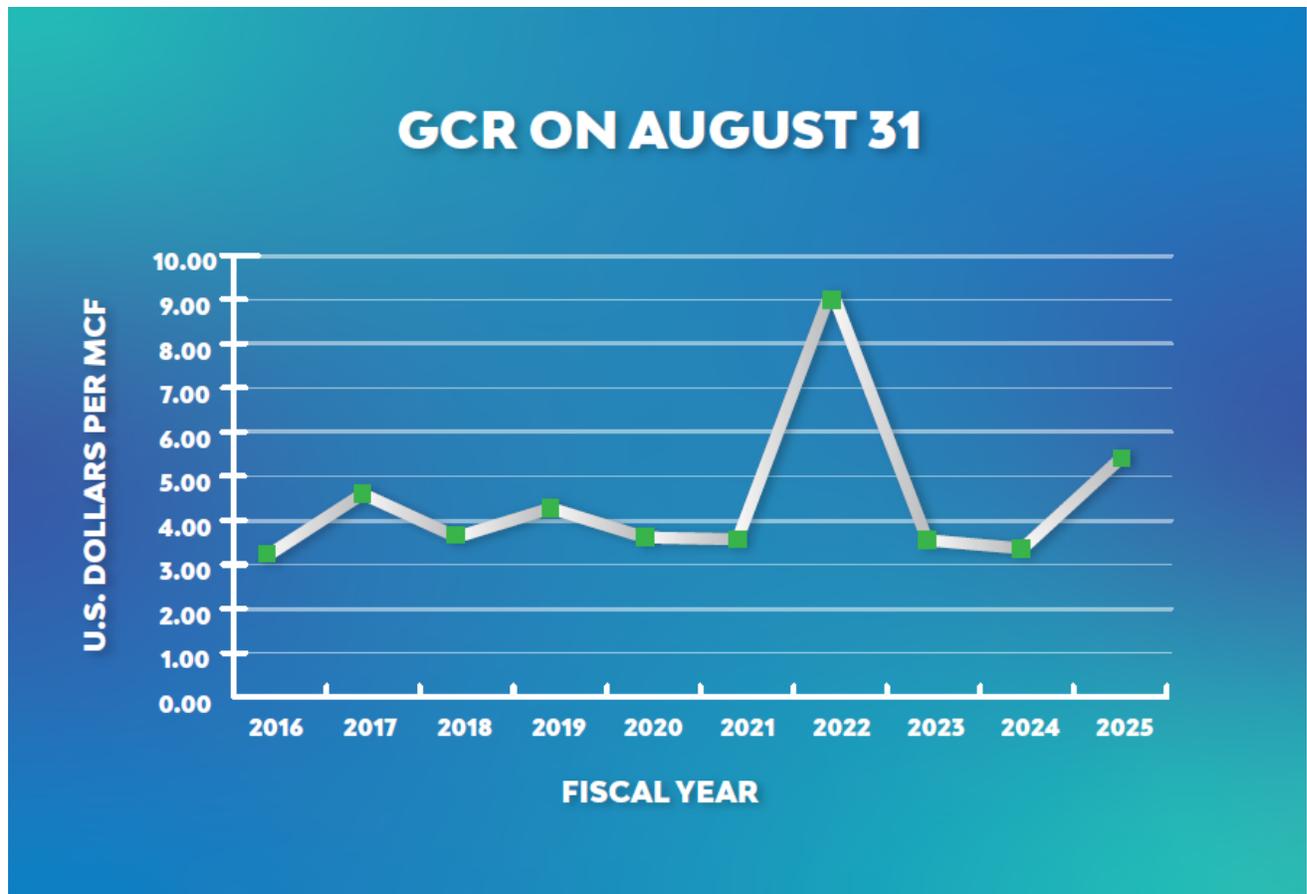
| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1,443,472 | 1,504,008 | 1,416,532 | 1,618,792 | 1,592,458 | 1,508,362 | 1,568,529 |
| 1,318,917 | 492,120 | 587,757 | 204,951 | 165,808 | 18,420 | 37,909 |
| 2,762,389 | 1,996,128 | 2,004,289 | 1,823,743 | 1,758,266 | 1,526,782 | 1,606,438 |
| 2,762,389 | 1,996,128 | 2,004,289 | 1,823,743 | 1,758,266 | 1,526,782 | 1,606,438 |
| 38,515,577 | 38,797,073 | 37,583,722 | 41,603,356 | 42,925,738 | 38,464,325 | 36,115,312 |
| 38,515,577 | 38,797,073 | 37,583,722 | 41,603,356 | 42,925,738 | 38,464,325 | 36,115,312 |
| 38,515,577 | 38,797,073 | 37,583,722 | 41,603,356 | 42,925,738 | 38,464,325 | 36,115,312 |
| 41,277,966 | 40,793,201 | 39,588,011 | 43,427,099 | 44,684,004 | 39,991,107 | 37,721,750 |
| 648,034 | 619,706 | 672,219 | 708,321 | 664,696 | 640,312 | 667,248 |
| 5,070,660 | 5,147,806 | 5,312,963 | 5,262,884 | 4,242,257 | 3,816,219 | 3,456,099 |
| 5,070,660 | 5,147,806 | 5,312,963 | 5,262,884 | 4,242,257 | 3,816,219 | 3,456,099 |
| 5,718,694 | 5,767,512 | 5,985,182 | 5,971,205 | 4,906,953 | 4,456,531 | 4,123,347 |
| (50,812) | 54,480 | (20,584) | 27,810 | 521,488 | (7,071) | 33,433 |
| 13,391,475 | 13,239,471 | 13,167,948 | 13,150,399 | 12,926,197 | 12,630,935 | 12,796,900 |
| 11,780,092 | 11,633,361 | 11,603,620 | 13,843,821 | 12,833,659 | 11,612,597 | 11,303,602 |
| 300,196 | 296,018 | 209,460 | 261,766 | 263,681 | 264,016 | 233,115 |
| 1,557,842 | 1,202,717 | 1,487,570 | 1,667,421 | 1,351,894 | 1,684,675 | 1,738,806 |
| (909,962) | - | - | - | - | - | - |
| 73,065,491 | 72,986,760 | 72,021,207 | 78,349,521 | 77,487,876 | 70,632,790 | 67,950,953 |
| 2.1% | 1.6% | 2.1% | 2.1% | 1.7% | 2.4% | 2.6% |
| 3,853 | 4,108 | 3,353 | 3,995 | 3,986 | 3,552 | 3,356 |

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Gas Cost Rate
 Fiscal Years 2016 through 2025
 (U.S. dollars)

| | 2025 | 2024 | 2023 |
|-------------|-------------|-------------|-------------|
| September 1 | 3.2492 | 3.5056 | 8.6371 |
| December 1 | 3.8001 | 4.0030 | 8.0242 |
| March 1 | 5.1308 | 3.8396 | 4.9740 |
| June 1 | 5.4918 | 3.3378 | 3.5516 |

Shown in dollars per thousand cubic feet

Source - PGW Records



| 2022 | 2021⁽¹⁾ | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------|---------------------------|-------------|-------------|-------------|-------------|-------------|
| 4.8745 | 3.4107 | 4.6030 | 3.8633 | 4.1523 | 4.2026 | 4.0724 |
| 6.0100 | 3.8484 | 4.7175 | 4.4723 | 4.6913 | 4.1577 | 3.6934 |
| 5.6123 | 3.4687 | 3.9009 | 4.8779 | 3.8857 | 4.9430 | 3.4946 |
| 9.0057 | 3.5700 | 3.6124 | 4.2724 | 3.6210 | 4.5986 | 3.2179 |

- (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.

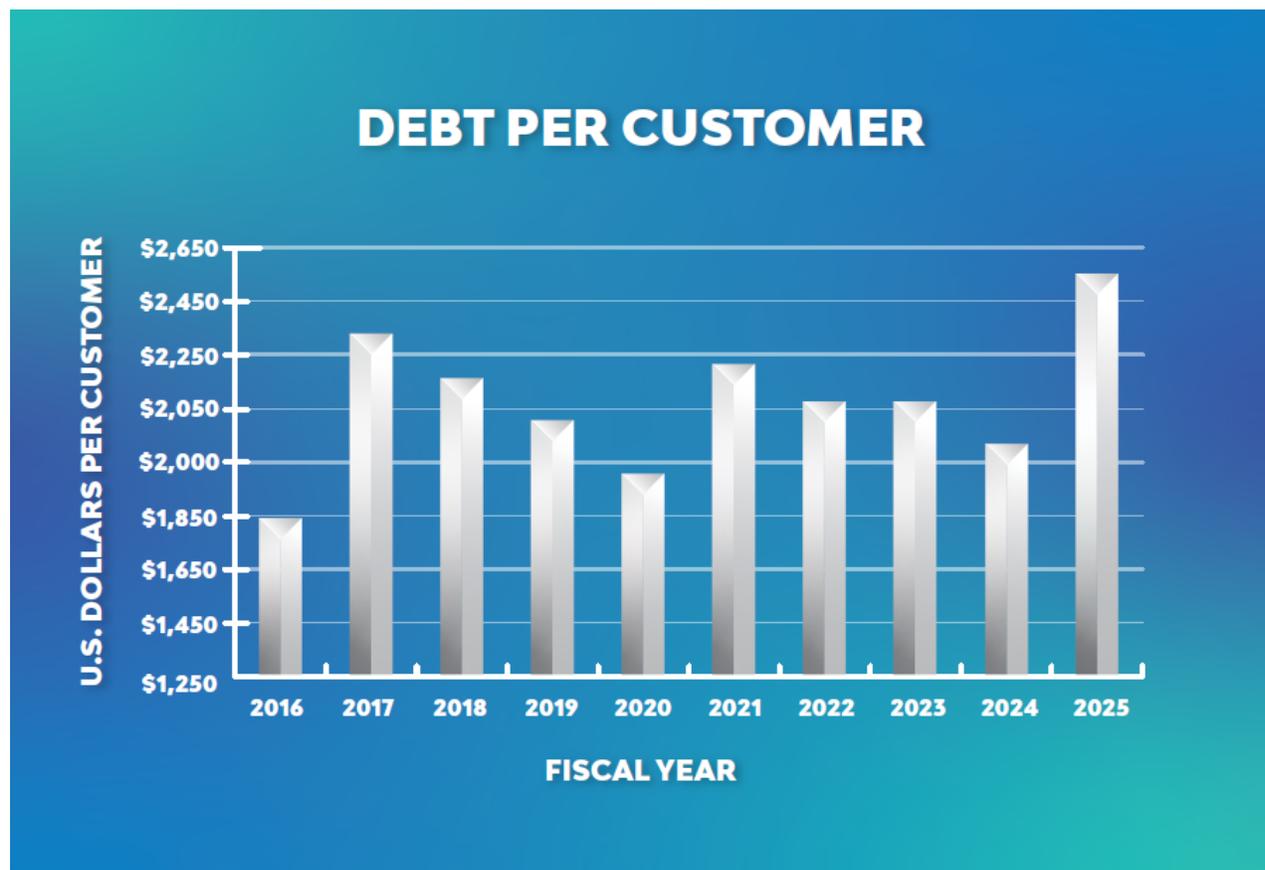
PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Ratios of Outstanding Debt by Type
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

| | Revenue Bonds | Unamortized Discount | Unamortized Premium | Total Revenue Bonds | Lease Liabilities |
|---------------------|---------------|-------------------------|------------------------|------------------------|-------------------|
| 2025 ⁽⁴⁾ | 1,132,160 | - | 129,042 | 1,261,202 | 57,705 |
| 2024 | 882,995 | (40) | 97,623 | 980,578 | 59,239 |
| 2023 | 943,250 | (44) | 107,481 | 1,050,687 | 59,971 |
| 2022 | 997,020 | (48) | 117,918 | 1,114,890 | 245 |
| 2021 | 1,058,630 | (52) | 129,448 | 1,188,026 | 704 |
| 2020 | 911,610 | (56) | 88,270 | 999,824 | - |
| 2019 | 964,480 | (60) | 98,000 | 1,062,420 | - |
| 2018 | 1,016,300 | (64) | 109,236 | 1,125,472 | - |
| 2017 | 1,054,725 | (68) | 120,706 | 1,175,363 | - |
| 2016 | 837,830 | (110) | 88,703 | 926,423 | - |

- (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.
- (5) In FY 2025, total outstanding debt was changed to include total revenue bonds, lease liabilities, and software subscription liabilities. The calculations for the ratio to operating revenue and debt per customer changed for all fiscal years shown.

Source - PGW's Audited Financial Statements and PGW Records

| Software Subscription Liabilities | Total Outstanding Debt | Operating Revenue | Ratio to Operating Revenue ⁽⁵⁾ | Number of Customers | Debt per Customer (1) (2) (3) (5) |
|---|---------------------------|----------------------|---|------------------------|---|
| 7,173 | 1,326,080 | 729,993 | 182% | 516,200 | 2,569 |
| 1,488 | 1,041,305 | 674,445 | 154% | 518,400 | 2,009 |
| 1,838 | 1,112,496 | 711,026 | 156% | 518,600 | 2,145 |
| 3,626 | 1,118,761 | 805,437 | 139% | 522,000 | 2,143 |
| - | 1,188,730 | 646,747 | 184% | 524,000 | 2,269 |
| - | 999,824 | 584,937 | 171% | 524,000 | 1,908 |
| - | 1,062,420 | 684,728 | 155% | 510,000 | 2,083 |
| - | 1,125,472 | 647,499 | 174% | 508,000 | 2,215 |
| - | 1,175,363 | 606,211 | 194% | 505,000 | 2,327 |
| - | 926,423 | 564,104 | 164% | 502,000 | 1,845 |



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Debt Service Coverage
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|-------------|
| Funds Provided | | | |
| Total gas revenues | 680,176 | 627,489 | 663,154 |
| Other operating revenues | 49,817 | 36,580 | 47,872 |
| Total operating revenues | 729,993 | 664,069 | 711,026 |
| Other income increase (decrease) restricted funds | 13,726 | 9,478 | 11,596 |
| AFUDC (Interest) ⁽¹⁾ | - | - | - |
| Total funds provided | 743,719 | 673,547 | 722,622 |
| Funds Applied | | | |
| Fuel costs | 214,446 | 164,192 | 223,996 |
| Other operating costs | 337,550 | 347,269 | 340,207 |
| Total operating expenses | 551,996 | 511,461 | 564,203 |
| Less: non-cash expenses ⁽²⁾ | 29,987 | 50,771 | 91,079 |
| Total funds applied | 522,009 | 460,690 | 473,124 |
| Funds available to cover debt service | 221,710 | 212,858 | 249,498 |
| Funds available excluding lease costs | 221,710 | 212,858 | 249,498 |
| Net available after prior debt service | 221,710 | 212,858 | 249,498 |
| Net available after prior capital leases | 221,710 | 212,858 | 249,498 |
| 1998 ordinance bonds debt service | 110,077 | 103,704 | 99,144 |
| Debt service coverage 1998 bonds ⁽³⁾ | 2.01 | 2.05 | 2.52 |
| Net available after 1998 debt service | 111,633 | 109,154 | 150,354 |

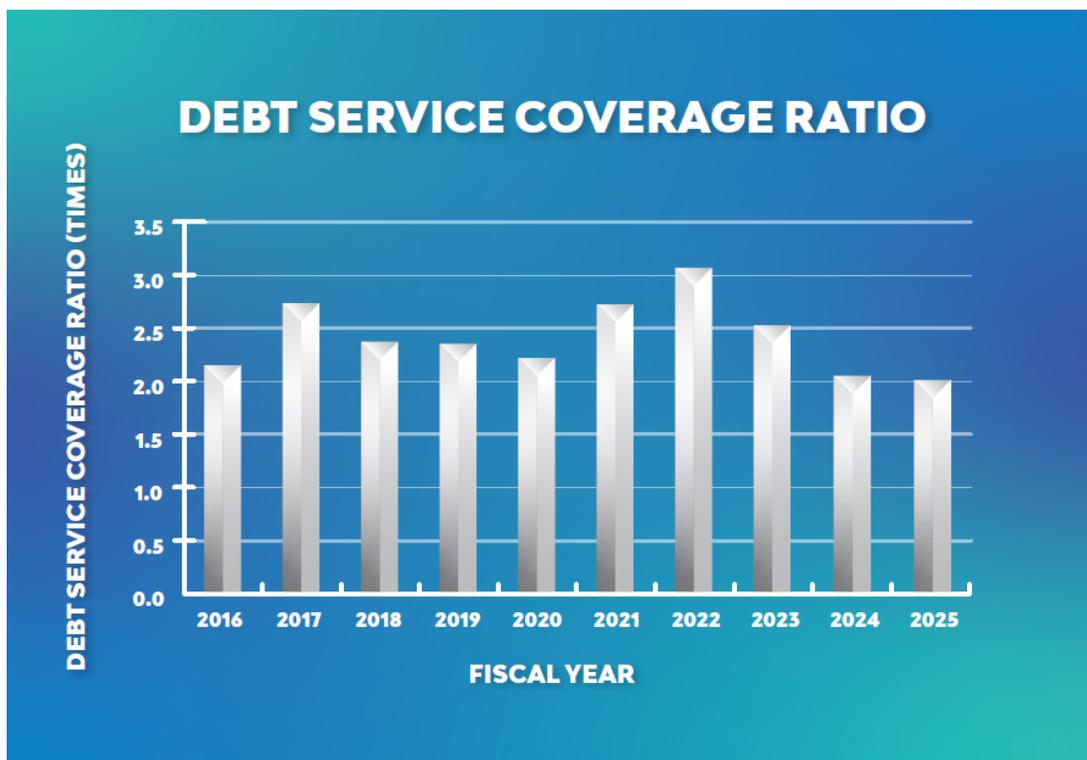
(1) During FY 2022, the Company implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. 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, 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.

(3) Debt service coverage ratio is not adjusted for the \$18.0 million annual City payment.

Source - PGW's Audited Financial Statements and PGW Records

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------|---------|---------|---------|---------|---------|---------|
| 765,629 | 624,750 | 571,793 | 664,084 | 628,254 | 618,406 | 572,348 |
| 39,808 | 21,997 | 13,144 | 20,644 | 19,245 | 17,797 | 18,889 |
| 805,437 | 646,747 | 584,937 | 684,728 | 647,499 | 636,203 | 591,237 |
| (2,139) | 1,295 | 12,303 | 10,788 | 4,634 | 1,087 | 1,416 |
| - | 2,413 | 1,860 | 1,295 | 1,353 | 1,408 | 1,120 |
| 803,298 | 650,455 | 599,100 | 696,811 | 653,486 | 638,698 | 593,773 |
| 272,468 | 163,892 | 146,754 | 206,825 | 186,265 | 179,230 | 146,524 |
| 300,109 | 270,268 | 302,081 | 335,233 | 343,845 | 360,467 | 370,433 |
| 572,577 | 434,160 | 448,835 | 542,058 | 530,110 | 539,697 | 516,957 |
| 68,773 | 46,075 | 61,105 | 74,481 | 82,843 | 84,027 | 89,059 |
| 503,804 | 388,085 | 387,730 | 467,577 | 447,267 | 455,670 | 427,898 |
| 299,494 | 262,370 | 211,370 | 229,234 | 206,219 | 183,028 | 165,875 |
| 299,494 | 262,370 | 211,370 | 229,234 | 206,219 | 183,028 | 165,875 |
| 299,494 | 262,370 | 211,370 | 229,234 | 206,219 | 183,028 | 165,875 |
| 299,494 | 262,370 | 211,370 | 229,234 | 206,219 | 183,028 | 165,875 |
| 98,430 | 97,383 | 96,182 | 98,417 | 87,690 | 67,582 | 77,867 |
| 3.04 | 2.70 | 2.20 | 2.33 | 2.35 | 2.71 | 2.13 |
| 201,064 | 164,987 | 115,188 | 130,817 | 118,529 | 115,446 | 88,008 |



PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Demographic and Economic Statistics*
 Principal Employers
 2024 Calendar Year and Nine Years Prior

| 2024 | 2015 |
|--|--|
| Children's Hospital of Philadelphia | Children's Hospital of Philadelphia |
| City of Philadelphia | City of Philadelphia |
| Comcast Corporation | Comcast Corporation |
| School District of Philadelphia | Drexel University |
| 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 | University of Pennsylvania |
| Hospital of the University of Pennsylvania | Hospital of the University of Pennsylvania |

Listed Alphabetically

Source - City of Philadelphia

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

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Demographic and Economic Statistics*
 Calendar Years 2015 through 2024

| <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> |
|----------------------|-----------------------|--|--|----------------------------------|
| 2024 | 1,573,916 | 96,312,500 | 61,193 | 4.5% |
| 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% |

Sources:

(1) U.S. Census Bureau

(2) U.S. Department of Commerce, Bureau of Economic Analysis

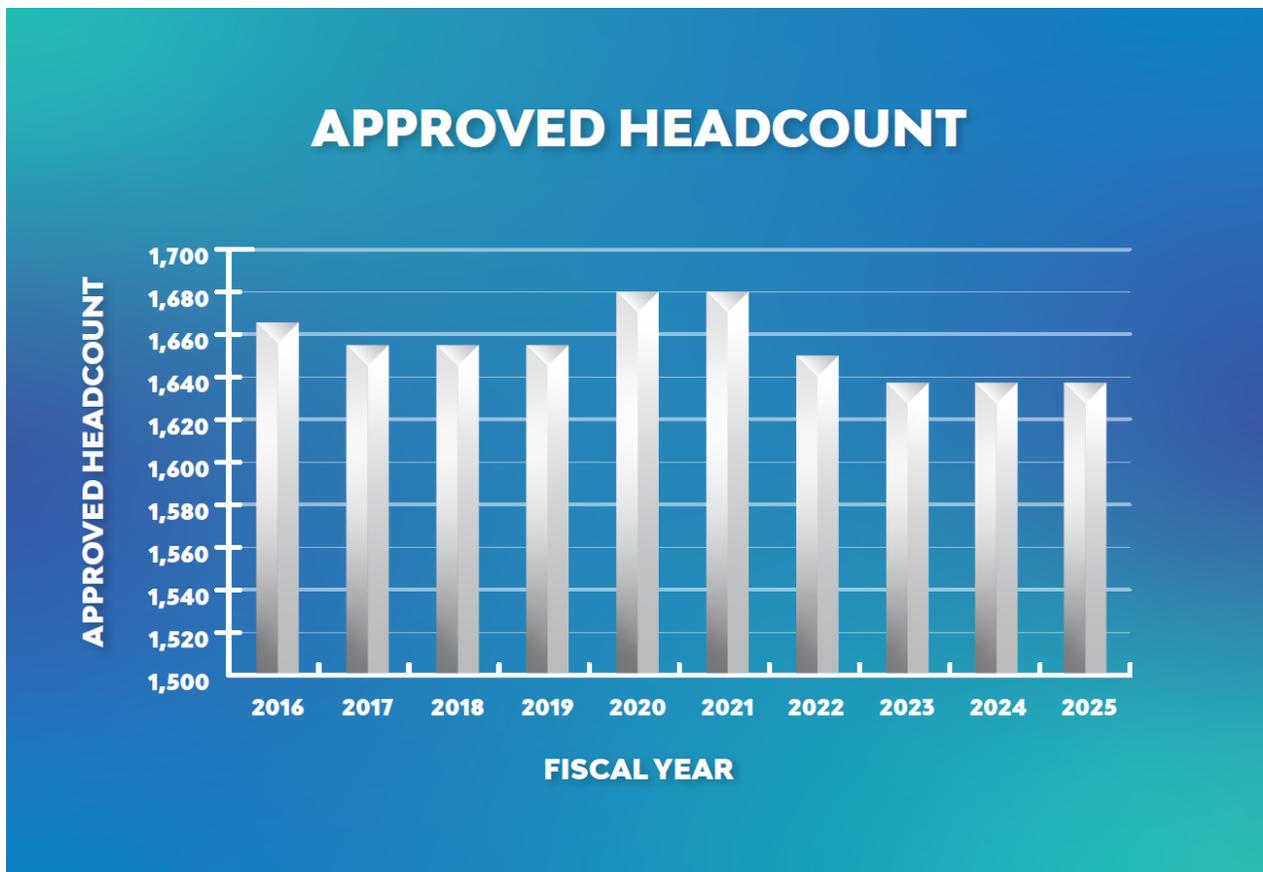
(3) U.S. Department of Labor, Bureau of Labor Statistics

* 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 2016 through 2025

| Departments | 2025 | 2024 | 2023 |
|-------------------------------------|--------------|--------------|--------------|
| President & Chief Executive Officer | 2 | 2 | 2 |
| Chief Financial Officer | 1 | 1 | 2 |
| Gas processing | 125 | 117 | 118 |
| Field services | 353 | 353 | 355 |
| Distribution | 494 | 484 | 481 |
| Collection | 29 | 26 | 27 |
| Customer service | 121 | 138 | 146 |
| Marketing | 28 | 29 | 29 |
| Administrative and general | 523 | 501 | 492 |
| PGW Total | 1,676 | 1,651 | 1,652 |
| Personnel savings | (45) | (20) | (21) |
| Philadelphia Gas Commission | 6 | 6 | 6 |
| Grand Total | 1,637 | 1,637 | 1,637 |

Source - PGW's Annual Operating Budget

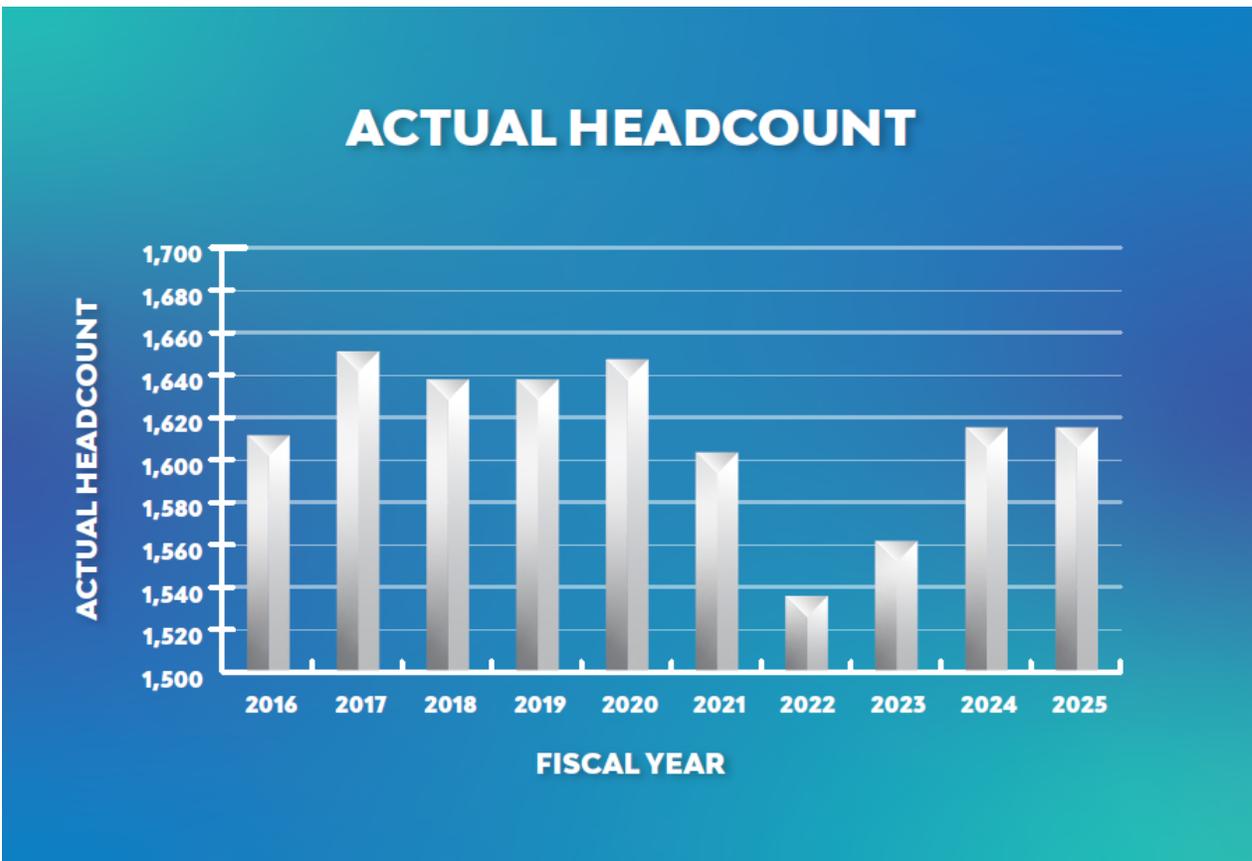


| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 118 | 115 | 116 | 115 | 116 | 116 | 116 |
| 355 | 364 | 365 | 364 | 372 | 372 | 374 |
| 483 | 483 | 481 | 483 | 486 | 486 | 480 |
| 27 | 27 | 28 | 28 | 29 | 29 | 29 |
| 170 | 177 | 170 | 169 | 170 | 170 | 170 |
| 29 | 31 | 32 | 32 | 32 | 32 | 32 |
| 487 | 511 | 521 | 497 | 480 | 480 | 484 |
| <u>1,675</u> | <u>1,714</u> | <u>1,719</u> | <u>1,694</u> | <u>1,691</u> | <u>1,691</u> | <u>1,691</u> |
| (31) | (39) | (44) | (44) | (41) | (41) | (31) |
| 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| <u>1,650</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> |

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Actual Full-Time Personnel by Department
 Fiscal Years 2016 through 2025

| Departments | 2025 | 2024 | 2023 |
|-------------------------------------|--------------|--------------|--------------|
| President & Chief Executive Officer | 2 | 2 | 2 |
| Chief Financial Officer | 1 | 1 | 1 |
| Gas processing | 118 | 123 | 116 |
| Field services | 347 | 353 | 347 |
| Distribution | 493 | 485 | 476 |
| Collection | 26 | 24 | 24 |
| Customer service | 115 | 119 | 102 |
| Marketing | 21 | 24 | 25 |
| Administrative and general | 486 | 478 | 462 |
| PGW Total | 1,609 | 1,609 | 1,555 |
| Philadelphia Gas Commission | 6 | 6 | 6 |
| Grand Total | 1,615 | 1,615 | 1,561 |

Source - PGW Records



| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| 110 | 114 | 117 | 116 | 117 | 117 | 116 |
| 340 | 353 | 364 | 353 | 361 | 370 | 362 |
| 473 | 479 | 480 | 474 | 474 | 486 | 473 |
| 23 | 26 | 27 | 27 | 27 | 26 | 25 |
| 109 | 138 | 157 | 167 | 167 | 169 | 157 |
| 25 | 26 | 26 | 25 | 27 | 27 | 27 |
| 446 | 454 | 464 | 464 | 454 | 445 | 440 |
| <u>1,530</u> | <u>1,596</u> | <u>1,641</u> | <u>1,632</u> | <u>1,633</u> | <u>1,646</u> | <u>1,606</u> |
| 5 | 7 | 6 | 6 | 5 | 5 | 5 |
| <u>1,535</u> | <u>1,603</u> | <u>1,647</u> | <u>1,638</u> | <u>1,638</u> | <u>1,651</u> | <u>1,611</u> |

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Operating Indicators
Fiscal Years 2016 through 2025

| | 2025 | 2024 | 2023 |
|---|-------------|-------------|-------------|
| Financial | | | |
| Debt service ratio (1998 Ordinance) | 2.01 | 2.05 | 2.52 |
| Debt to total capital ratio | 57.0% | 54.7% | 59.1% |
| Bad debt as a % of revenue | 4.9% | 4.2% | 5.4% |
| Bad debt reserve as a % of accounts receivable | 44.0% | 50.1% | 54.2% |
| Collection factor (receipts/billings) | 98.2% | 98.4% | 97.8% |
| Cash balance (Thousands of U.S. dollars) | 82,557 | 115,612 | 139,302 |
| Natural Gas (NG) storage (Thousands of U.S. dollars) | 42,218 | 50,126 | 65,315 |
| Payroll | | | |
| Total payroll (Thousands of U.S. dollars) (Includes Overtime) | 155,952 | 152,313 | 139,739 |
| Overtime (Thousands of U.S. dollars) | 13,642 | 13,429 | 11,599 |
| Overtime as a % of Total Payroll | 8.7% | 8.8% | 8.3% |
| Liquefied Natural Gas (LNG) | | | |
| LNG to storage (Mcf)* | 1,351,173 | 1,248,474 | 1,896,921 |
| LNG from storage (Mcf) | 2,668,607 | 1,565,492 | 1,609,568 |
| Net to (from) storage (Mcf) | (1,317,434) | (317,018) | 287,353 |
| Natural Gas Cost | | | |
| Gas utilized (Mcf) | 41,337,074 | 37,676,591 | 37,979,338 |
| Gas utilized (Thousands of U.S. dollars) | 214,415 | 174,540 | 223,978 |
| Cost per Mcf (\$) | 5.19 | 4.63 | 5.90 |
| Natural Gas Sales Information | | | |
| Firm gas sold (Mcf) | 38,306,848 | 35,333,429 | 35,738,006 |
| Interruptible gas sold (Mcf) | 582,792 | 465,975 | 893,017 |
| Total gas sold (Mcf) | 38,889,640 | 35,799,404 | 36,631,023 |
| Transportation gas - GTS (Mcf) | 31,392,613 | 31,057,354 | 30,919,076 |
| Other (Mcf) | 1,525,669 | 1,589,522 | 1,186,082 |
| Total gas sendout (Mcf) | 71,807,922 | 68,446,280 | 68,736,181 |
| Unaccounted for gas as a % of total gas sendout | 1.8% | 1.9% | 1.6% |
| Transportation gas - GTS as a % of total gas sendout | 43.7% | 45.4% | 45.0% |
| Firm gas sold as a % of total gas sold | 98.5% | 98.7% | 97.6% |
| Degree Days ⁽¹⁾ | | | |
| Fiscal Year | 4,030 | 3,809 | 3,740 |

* 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.

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------|------------|------------|------------|------------|------------|------------|
| 3.04 | 2.70 | 2.20 | 2.33 | 2.35 | 2.71 | 2.13 |
| 64.1% | 72.5% | 77.2% | 83.7% | 91.0% | 95.9% | 76.3% |
| 3.0% | 2.5% | 7.0% | 4.2% | 4.5% | 4.7% | 4.6% |
| 50.3% | 58.0% | 49.0% | 43.7% | 44.5% | 44.3% | 50.2% |
| 96.7% | 96.1% | 96.6% | 96.3% | 95.4% | 96.5% | 97.7% |
| 115,637 | 158,265 | 172,267 | 124,145 | 131,051 | 88,535 | 91,743 |
| 81,467 | 40,762 | 35,898 | 41,263 | 41,652 | 46,031 | 38,556 |
| 135,576 | 134,590 | 130,981 | 128,107 | 129,688 | 119,182 | 112,556 |
| 12,072 | 10,392 | 9,412 | 11,776 | 13,863 | 11,118 | 11,125 |
| 8.9% | 7.7% | 7.2% | 9.2% | 10.7% | 9.3% | 9.9% |
| 1,661,358 | 1,096,567 | 1,639,438 | 2,180,597 | 1,868,481 | 2,331,475 | 2,233,463 |
| 3,106,204 | 1,293,188 | 1,140,527 | 1,914,218 | 2,516,678 | 1,396,559 | 1,258,905 |
| (1,444,846) | (196,621) | 498,911 | 266,379 | (648,197) | 934,916 | 974,558 |
| 43,690,313 | 42,219,842 | 41,908,102 | 46,127,914 | 47,226,345 | 43,557,457 | 40,301,447 |
| 272,438 | 163,873 | 146,732 | 206,801 | 186,254 | 179,222 | 146,515 |
| 6.24 | 3.88 | 3.50 | 4.48 | 3.94 | 4.11 | 3.64 |
| 39,959,049 | 40,301,081 | 39,000,254 | 43,222,148 | 44,518,196 | 39,972,687 | 37,683,841 |
| 1,318,917 | 492,120 | 587,757 | 204,951 | 165,808 | 18,420 | 37,909 |
| 41,277,966 | 40,793,201 | 39,588,011 | 43,427,099 | 44,684,004 | 39,991,107 | 37,721,750 |
| 30,890,261 | 30,640,344 | 30,756,750 | 32,965,425 | 30,666,809 | 28,700,063 | 28,223,849 |
| 897,264 | 1,553,215 | 1,676,446 | 1,956,997 | 2,137,063 | 1,941,620 | 2,005,354 |
| 73,065,491 | 72,986,760 | 72,021,207 | 78,349,521 | 77,487,876 | 70,632,790 | 67,950,953 |
| 2.1% | 1.6% | 2.1% | 2.1% | 1.7% | 2.4% | 2.6% |
| 42.3% | 42.0% | 42.7% | 42.1% | 39.6% | 40.6% | 41.5% |
| 96.8% | 98.8% | 98.5% | 99.5% | 99.6% | 100.0% | 99.9% |
| 3,853 | 4,108 | 3,353 | 3,995 | 3,986 | 3,552 | 3,356 |

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Capital Asset Information
Calendar Years 2016 through 2025

| | 2025 | 2024 | 2023 |
|------------------------------|----------------|----------------|----------------|
| Gas main (Miles) | 3,090 | 3,049 | 3,047 |
| Services (Miles) | 2,851 | 2,861 | 2,871 |
| Number of meters | | | |
| Residential/Small commercial | 508,782 | 514,393 | 511,470 |
| Large diaphragm | 4,123 | 3,783 | 4,046 |
| Rotary | 10,326 | 10,253 | 10,425 |
| Turbine | 267 | 281 | 277 |
| Total | 523,498 | 528,710 | 526,218 |

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

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 3,043 | 3,046 | 3,047 | 3,042 | 3,041 | 3,039 | 3,020 |
| 2,881 | 2,889 | 2,887 | 2,889 | 2,891 | 2,868 | 2,865 |
| 513,903 | 513,954 | 515,165 | 506,946 | 501,529 | 502,305 | 499,110 |
| 3,833 | 3,768 | 3,663 | 3,543 | 3,385 | 3,179 | 3,030 |
| 10,178 | 10,211 | 10,245 | 10,210 | 10,653 | 10,076 | 10,034 |
| 276 | 276 | 280 | 280 | 286 | 284 | 283 |
| <u>528,190</u> | <u>528,209</u> | <u>529,353</u> | <u>520,979</u> | <u>515,853</u> | <u>515,844</u> | <u>512,457</u> |

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Ten Largest Customers
Fiscal Years 2025 and 2016
(Thousands of U.S. dollars)

| | 2025 | | 2016 |
|----------------|--------|----------------|--------|
| Customer 1 (A) | 4,596 | Customer 1 (C) | 2,814 |
| Customer 2 (B) | 3,574 | Customer 2 (B) | 2,619 |
| Customer 3 | 3,450 | Customer 3 (A) | 2,204 |
| Customer 4 (C) | 3,025 | Customer 4 | 1,998 |
| Customer 5 (D) | 2,534 | Customer 5 (F) | 1,353 |
| Customer 6 (E) | 2,111 | Customer 6 (E) | 966 |
| Customer 7 (F) | 1,779 | Customer 7 (G) | 932 |
| Customer 8 (G) | 1,421 | Customer 8 (H) | 690 |
| Customer 9 (H) | 1,043 | Customer 9 (D) | 568 |
| Customer 10 | 997 | Customer 10 | 522 |
| Total | 24,530 | Total | 14,666 |

Note - A letter designation indicates a repeat customer from the Fiscal Year 2016 list identified on the Fiscal Year 2025 list.

Source - PGW Records

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