MEMORANDUM

TO: André C. Dasent (Counsel for Philadelphia Gas Works)
William J. Gallagher (VP, Budget & Strategic Development, PGW)
CC: FY 2027 Capital Budget Service List
FROM: Philadelphia Gas Commission Staff
RE: PGW's Proposed FY 2027 Capital Budget and Forecast
DATE: January 13, 2026

This memo sets out Data Request **KB-HE-1** through **KB-HE-16**. Please respond (identifying the person providing the response) by written electronic format no later than January 24, 2025. Thank you for your cooperation.

KB-HE-1. With respect to the Gas Processing Department's project titled "Replace Liquefier–Richmond," what is the primary project driver (e.g., demand growth, peak shaving, emergency preparedness, or supply diversification)?

KB-HE-2. How does the "Replace Liquefier- Richmond" project align with the following:

- **a.** PGW's long-term capital plan;
- **b.** System reliability and resilience goals; and
- **c.** Any applicable regulatory mandates?

KB-HE-3. Did PGW evaluate any alternative solutions (e.g., contracting, third-party services, or expansion of existing facilities)? If so, please summarize the alternatives considered and the rationale for their rejection.

KB-HE-4. On page 13 of the budget filing PGW states that **"**PGW is currently negotiating a Public Private Partnership ("3P") opportunity related to the RFP for LNG Commercial and Asset Optimization posted on June 21, 2025. If an agreement is reached, PGW will no longer need the funding requested herein for this liquefier project. It is expected that PGW will know if this option is feasible by September of 2026."

- **a.** Provide an update on the status of these negotiations.
- **b.** If a partnership is finalized, would PGW's capital expenditures on this project be reduced? Please quantify.

KB-HE-5. PGW indicates that the existing liquefier is approaching end of life (industry-published service life of approximately 20 years, with 40–50 years potentially achievable). However, according to the CH-IV report, the liquefier was placed in service in 2002, making it 23 years old.

- **a.** Based upon PGW's internal reviews and the CH-IV analysis, when does PGW expect the existing liquefier to reach end of life?
- **b.** What factors drive that assessment?

KB-HE-6. Has PGW experienced any reliability or performance issues with the existing liquefier? If so, please describe the nature, frequency, and operational impact of those issues.

KB-HE-7. Has an analysis been performed to quantify how failure of the liquefier would impact operating expenses? If so, please provide the estimated incremental costs.

KB-HE-8. Per the CH-IV engineering and consulting report, four of the eleven liquefiers reviewed in the market survey have plans to be replaced within the next five years, and three of the eleven have already been taken out of service. Does PGW have additional information regarding the average life span of those seven liquefiers or other relevant benchmarking data? If so, please provide.

KB-HE-9. The CH-IV report notes that PGW's cold box was designed with larger temperature gradients than industry standards, which can reduce life expectancy. Does PGW have records explaining why this design was chosen, i.e. oversight, evolving standards, or unique operational needs? If so, please provide.

KB-HE-10. The CH-IV report states that "BAHX heat exchangers have operated well beyond 20 years when operated within industry guidelines," and that prior to the analysis PGW operated the expander plant outside of those guidelines to meet Design Day and Failure Scenario LNG production needs. Since the issuance of the report, what, if any, specific operational changes have PGW implemented to minimize thermal excursions?

KB-HE-11. Given the CH-IV report's conclusions regarding the historical thermal cycling at approximately five times the recommended level, the criticality of the liquefier, and the estimated 2.5-year lead time in the event of failure:

a. Does PGW plan to execute the replacement project in phases?

b. If so, can the FY 2027 Capital Request be phased, and what funding amount would be required specifically for the FY 2027 portion (Phase 1), with remaining amounts deferred to future budget years?

KB-HE-12. What controls (if any) are in place to ensure the Replace Liquefier–Richmond project is appropriately budgeted and to prevent out-of-scope or significant cost overruns?

KB-HE-13. Does PGW's current capital request for the "Replace Liquefier–Richmond" project include funding for contingencies or unforeseen conditions? If so, how was the contingency amount determined?

KB-HE-14. During colder days in the winter months the liquefier can supply as much at 30% of send out requirements. Is there historical data showing exactly how much of

the send out requirements the liquefier supplied over the past three heating season? If so please provide?

KB-HE-15. In the FY 2026 Proposed Budget the forecast showed the Liquefier would be approximately $170,000,000. However the FY 2027 Proposed budget has the liquefier cost at $181,992,000. Please explain the almost $12,000,000 ($11,992,000) increase from the FY 2026 Forecast to the FY 2027 Proposed Capital Budget?

KB-HE-16. In reference to the 800 Building Chiller Plant Sequencing /Optimization:

a. Will this project save money on heating and/or cooling?
b. Will the new system be more energy efficient?
c. If so, please provide any analysis of the savings.
d. Please explain the main issues with the current HVAC System?