

MEMORANDUM

TO: Philadelphia Gas Commissioners
FROM: Gas Commission Staff
DATE: February 3, 2026
RE: **PGW's FY 2025/2026 Capital Budget Amendment**

RECOMMENDATIONS

It is recommended that the Philadelphia Gas Commission ("Commission"):

ENDORSE Amendment to PGW's FY 2025 Capital Budget to extend the lifespan of one (1) line item and RECOMMEND that City Council amend PGW's FY 2026 Capital Budget to extend the lifespans for two (2) line items, all for time only.

A. BACKGROUND / PROCEDURAL HISTORY

On December 12, 2025, the Philadelphia Gas Works ("PGW" or "Company") filed its FY 2026 Capital Spending Forecast for the First Quarter and Authorized Spending Reports for June, July and August 2025 (hereinafter "Budget Amendment Request.") Within this filing, PGW requested three line item reauthorizations affecting line items from its fiscal year ("FY") 2024 and 2025 Budgets. Specifically, PGW identified the following compliance issues.

1. Replace 800 Building Main Electric Switchgear (72-01-2-04) (\$2,616,000)

PGW seeks reauthorization for this line item that was originally approved in its FY 2024 Capital Budget with a two-year lifespan which ended on August 31, 2025. In its filing, PGW indicated that current spending projections indicate that activities will continue into FY 2026.¹

2. South Operations Center ("SOC") (72-01-2-08) (\$24,733,000)

In its Budget Amendment Request, PGW stated that "this project was originally approved with a two-year lifespan ending on August 31, 2025."² PGW indicated that it received a one-year extension to August 31, 2026 and that spending was currently projected to continue into FY 2027.³ PGW also acknowledged that if approved, this request will result in a second lifespan extension and as such suggested that its request be treated as a Capital Budget Amendment, consistent with precedent.⁴

¹See PGW's FY 2026 Capital Spending Forecast for 1st Quarter, Authorized Spending Reports for June, July, and August 2025 and Request for Lifespan Extensions (hereinafter "Budget Amendment Request.")

² Id.

³ Id.

⁴ Id.

3. Vehicle Replacement (#73-01-2-03) (\$5,183,000)

When this line item was approved in PGW's FY 2025 Capital Budget, it was authorized with a two-year lifespan ending August 31, 2026. In its Budget Amendment Request, PGW requested a one-year extension, which would extend the project's duration through August 31, 2027.⁵

Commission Staff issued a review schedule on December 15, 2025. The Public Advocate ("Advocate") filed its initial set of data requests, PA-CB-1 through PA-CB-3, on January 9, 2026. PGW responded to the data requests on January 20, 2026. The Advocate submitted a Letter Brief on January 27, 2026. At the request of the Hearing Examiners, on January 29, 2026, PGW submitted Comments in Support of its Proposed Capital Budget Reauthorizations to clarify certain technical issues raised in the Advocate's Letter Brief.⁶

B. APPLICABLE LEGAL STANDARDS

1. Management Agreement/Ordinance

The Agreement Between the City of Philadelphia And The Philadelphia Facilities Management Corporation For The Management And Operation Of The Philadelphia Gas Works ("Management Agreement / Ordinance") identifies legal duties and obligations applicable to PGW's capital budgets / programs.

In General – Section I.6. requires Philadelphia Facilities Management Corporation to apply the highest standards of management practice and diligence to the operation of PGW. Section VI.7. requires PFMC to keep the Gas Commission fully informed of its plans for operation, improvement, extension and betterment of PGW. Section VI.9. vests the Gas Commission with the responsibility for overseeing PFMC's operation of PGW. Section II.4. further requires that PFMC maintain the Gas Works in good order and condition with the best and most economical processes in use that are customary in the best regulated gas works, to the extent permitted by funds available for said purpose.

Budgets Are Subject To Approval – Section IV.2.b. requires PFMC to prepare annually for PGW a proposed capital budget for the ensuing year and a forecast for the six (6) years comprising the ensuing budget year and the five (5) years next following subject to review and recommendation to City Council by the Director of Finance and the Gas Commission and approval by City Council.

Spending Must Comply with Budget Approvals and Applicable Standards-Section IV.2.c. requires that PGW's expenditures be made pursuant to approved budgets subject to any rules and regulations, if any, promulgated by the Gas Commission in connection therewith.

⁵ Id.

⁶ See email from Hearing Examiner Wushinske to the service list dated January 27, 2026.

Oversight Authority-Section VI.9. provides that the Gas Commission shall have responsibility for overseeing the operation of the Gas Works and that all power not specifically granted to the PFMC shall reside with the Gas Commission.

2. FY 2021, 2024, 2025, and 2026 Capital Budget Ordinances / Capital Program Protocols

Section 3 of the Ordinances approving PGW's 2021, 2024, 2025, and 2026 Capital Budgets require that PGW adhere to the Capital Program Protocols set out in Appendix #2 of the Ordinances, during the lifespan of the line items in the respective Budgets.⁷ Said Protocols thereby govern the proposed reauthorizations.

Part 1-Subpart C.8. of the Protocols limit the Commission's authority to one extension of time to extend the lifespan of an approved project.

Part 1 – Subpart I.1. of the Protocols prohibits capital work that is not funded by line item spending authority in an approved budget unless it is in accordance with the work/cost preapprovals in Part 1 – Subparts I.2. through I.3.

Part 2 – Subpart D.2. provides that if PGW anticipates that total spending authority in an approved budget could be exceeded, PGW shall notify the Gas Commission as soon as possible with an explanation / justification. Said notice shall be accompanied by a proposal for an amendment. If a budget amendment is barred by Part 3 – Subpart A.2., said notice shall be accompanied by an alternative remediation plan. If no remediation is possible, the notice will indicate accordingly and explain why.

Part 2 – Subpart C.2. of the Protocols requires PGW to notify the Gas Commission as soon as possible and provide the Commission with an explanation / justification if a line item authorization in an approved Budget could be exceeded and to propose a remedial solution. Subpart C.3. further provides that if PGW anticipates that a line item spending authorization will be exceeded because of a material change to the project(s) originally contemplated in Supporting Documentation when the line item was proposed, the notice referenced in Part 2 – Subpart C.2. shall explain why PGW failed to propose beforehand an amendment to the given budget or a supplemental authorization in a future budget.

Part 3 – Subpart A.2. provides that a proposal to amend an approved Budget shall be filed with the Gas Commission by no later than the first business day in March of the budget year.

⁷ Bill No. 200300 (passed by City Council on June 18, 2020, and signed by the Mayor on June 26, 2020) (hereinafter "FY 2021 Capital Budget Ordinance"); Bill No. 230451 (passed by City Council on June 22, 2023, and signed by the Mayor on July 12, 2023) (hereinafter "FY 2024 Capital Budget Ordinance"); Bill No. 240417 (passed by City Council on June 13, 2024, and signed by the Mayor on June 26, 2024) (hereinafter "FY 2025 Capital Budget Ordinance"); and Bill No. 25052800 (passed by City Council on June 12, 2025, and signed by the Mayor on June 13, 2025) (hereinafter "FY 2026 Capital Budget Ordinance").

C. DISCUSSION

While the Public Advocate does not oppose PGW's requests, it filed a Letter Brief to reconcile several issues in PGW's request, as well as to make suggestions for future filings.⁸ The Hearing Examiners appreciate PGW and the Advocate's cooperation to resolve these technical issues, discussed below. The Hearing Examiners agree with the Advocate's suggestions and recommend that the Commission endorse them, along with approval of PGW's Budget Amendment Request. The Hearing Examiners highlight that PGW's request is for time-only, with no additional funding.

1. Replace 800 Building Main Electric Switchgear (72-01-2-04) (\$2,616,000)

In its Letter Brief, the Public Advocate raises the lack of clarity regarding PGW's request to extend this line item.⁹ The Advocate states that PGW's Budget Amendment request asks for extension of this line item, but "does not clearly identify the manner in which the Commission should act on this request,"¹⁰ although the attached PFMC resolution presents it as an amendment to the FY 2026 Capital Budget.¹¹ Nonetheless, PGW's Budget Amendment request only identified the SOC project as requiring a Capital Budget Amendment, as the Advocate notes.¹²

The Advocate asserts that amending the current year's budget is the only way to extend spending authority for this project as amending the FY 2024 Capital Budget is not permitted under the Capital Program Protocols.¹³ The Advocate further points out that "the FY 2024 Capital Program Protocols, unlike subsequently adopted protocols, do not provide the Commission discretion to extend line item lifespan without a City Council approved budget amendment;" however, the Advocate states that it doesn't oppose a recommendation for approval of an amendment to PGW's FY 2026 Capital Budget to authorize and additional 12 months of spending authority for this project.¹⁴

In its Reply Comments, PGW confirmed that it seeks to amend the FY 2026 to Capital Budget to extend the lifespan for the Replace 800 Building Main Electric Switchgear line item.¹⁵ PGW states that "PGW's Reauthorization Request, when read as a whole, indicates that PGW seeks to amend the FY 2026 Capital Budget to extend the lifespan for the 800 Building project."¹⁶ PGW

⁸ Public Advocate PGW FY 2025 Capital Budget Amendment Letter in Lieu of Brief (hereinafter "PA Letter Brief.")

⁹ Id. at 1.

¹⁰ Id.

¹¹ Id. at 2; PGW's Budget Amendment Request.

¹² Id.

¹³ Id.

¹⁴ Id.

¹⁵ Comments Submitted on Behalf of Philadelphia Gas Works in Support of its Proposed Capital Budget Reauthorizations at 2.

¹⁶ Id.

notes that as the Advocate expressed its non-opposition to an amendment to the FY 2026 Capital Budget to extend this project, this request is uncontested and should be approved.¹⁷

2. South Operations Center ("SOC") (72-01-2-08) (\$24,733,000)

The Public Advocate also identifies issues requiring clarification regarding PGW's request to extend the lifespan for its South Operations Center ("SOC") line item.¹⁸ The Public Advocate points out that in its filing, PGW described this project as stemming from the FY 2024 Capital Budget when it in fact originated in the FY 2021 Capital Budget as part of the Building Consolidation Initiative.¹⁹ The Advocate further explains that this project "was subsequently expanded and reauthorized in its own line item on a stand-alone basis by amendment to the FY 2024 Capital Budget with an expiration of August 31, 2025,"²⁰ "then further reauthorized by amendment to the FY 2025 Capital Budget with an expiration of August 31, 2026."²¹ Pursuant to this timeline, the Advocate asserts that PGW is actually requesting a seventh year of spending for this project, rather than a second one-year lifespan extension.²²

Based on the foregoing, the Advocate contends that PGW's request for a waiver of the Capital Program Protocols to amend the FY 2026 Capital Budget to extend this line item (as indicated by the PFMC Resolution) is misplaced.²³ First, the Advocate asserts that such a request does not require waiver the Protocols as City Council may amend a PGW Capital Budget Ordinance prior to the end of that fiscal year, unrelated to the provisions of the Protocols regarding lifespan extensions.²⁴ Second, the Advocate argues that as PGW and the Commission are bound by the Protocols, no waiver could be considered in any case.²⁵ Concluding that the Commission cannot approve a 12-month extension without City Council approval, the Advocate states that it "does not oppose a Commission order recommending that City Council approve an amendment to the FY 2026 Capital Budget to authorize an additional 12 months of spending authority for PGW's SOC project," adding that such Order should explicitly acknowledge that the recommendation does not implicate waiver of the Capital Program Protocols.²⁶

In its Comments, PGW states that its request did not seek a waiver of the Capital Program Protocols.²⁷ PGW clarifies that its request is for an amendment to the FY 2026 Capital Budget to extend this line item.²⁸ PGW notes the Advocate's non-opposition to extension of this line item

¹⁷ Id. at 2-3.

¹⁸ PA Letter Brief at 3-4.

¹⁹ Id. (citing PGW's Response to the Advocate's Discovery PA-CB-3 (a)-(c)).

²⁰ Id. at 3 (citing Bill No. 240378).

²¹ Id. (citing Bill No. 250529).

²² Id.

²³ Id. at 4.

²⁴ Id.

²⁵ Id.

²⁶ Id.

²⁷ PGW Comments at 3-4.

²⁸ Id.

through a FY 2026 Capital Budget Amendment, as well as the Advocate's recommendation that the Commission Order state that the request does not constitute a waiver of the Protocols.²⁹ For these reasons, PGW requests that this Commission recommend approval of the SOC budget reauthorization.³⁰

3. Vehicle Replacement (#73-01-2-03) (\$5,183,000)

The Advocate states that PGW's request to extend the lifespan of its vehicle replacement line item lacks clarity regarding the method for reauthorization, similar to the Replace 800 Building Main Electric Switchgear line item.³¹ However, according to the Advocate, the PFMC Resolution attached to PGW's request resolves to amend the FY 2025 Capital Budget.³² The Advocate further argues that this request could not be approved due to timeliness.³³ The Advocate identifies three potential methods by which PGW's lifespan extension may be achieved: (1) amending the FY 2026 Capital Budget, (2) recommending that City Council include the project in the FY 2027 Capital Budget, or (3) extending the lifespan without City Council approval pursuant to the limited authority set forth in the FY 2025 Capital Program Protocols.³⁴ The Advocate continues that in response to its discovery, PGW confirmed that it seeks to "extend the line item lifespan for expenditure pursuant to the authority vested in the Commission via the Capital Program Protocols themselves, without City Council action."³⁵ The Public Advocate concludes that it does not oppose this request, which would be "a single, 12-month lifespan extension for the Vehicle Replacement project, as authorized by Part 1, Subpart C.8 of the FY 2025 Capital Program Protocols."³⁶

In addition to the procedural issues raised above, the Advocate also asserts that PGW should include all necessary information in its filings.³⁷ In the instant case, the Advocate explains that through PGW's responses to its discovery, it learned that PGW seeks this extension because "its chosen vendor was unable to fulfill the requirements of PGW's purchase order, requiring PGW to rebid for nine Maintenance Trucks, thus necessitating a lifespan extension."³⁸ While the Advocate is satisfied with PGW's explanation, it reasons that PGW should include this information upfront, rather than waiting for discovery.³⁹

²⁹ Id.

³⁰ Id.

³¹ PA Letter Brief at 2-3.

³² Id. at 2.

³³ Id. at 2. The Advocate further explains that such a request would have had to be filed by March 1 of the budget year. As PGW's request was filed on December 12, 2025, an FY 2025 Capital Budget Amendment request would be 268 days past the deadline.

³⁴ Id. at 2-3 (citing Part 1, Subpart C.8 of the FY 2025 Capital Program Protocols).

³⁵ Id. (citing PGW's Response to PA-CB-2.).

³⁶ Id. at 3.

³⁷ Id.

³⁸ Id. (citing Response to PA-CB-2.).

³⁹ Id.

In its Comments, PGW clarifies that it seeks approval for the Vehicle Replacement line item lifespan extension through Commission approval (with no additional City Council approval) pursuant to the FY 2025 Capital Program Protocols.⁴⁰ Noting that the Advocate does not oppose this method for extending the line item's lifespan, PGW requests that it be approved.⁴¹ PGW further agrees with the Advocate that City Council must be notified of the extension, should the Commission approve it, along with supporting reasons.⁴²

E. Conclusion

The Hearing Examiners agree with PGW and the Advocate that the requested budget amendments, which upon clarification are unopposed, should be approved. Specifically, the Hearing Examiners recommend that the Commission (1) recommend that City Council approve an amendment to PGW's FY 2026 Capital Budget to extend the line item lifespan for Replace 800 Building Main Electric Switchgear (72-01-2-04) (\$2,616,000); (2) recommend that City Council approve an amendment to PGW's FY 2026 Capital Budget to extend the line item lifespan for South Operations Center ("SOC") (72-01-2-08) (\$24,733,000) stating in the Commission Order that the request does not constitute a waiver of the Protocols; and (3) approve a single, 12-month lifespan extension for Vehicle Replacement (#73-01-2-03) (\$5,183,000), as authorized by Part 1, Subpart C.8 of the FY 2025 Capital Program Protocols.

In addition, the Hearing Examiners agree with the Advocate that PGW should include all necessary information in its filings and recommend that this Commission order PGW to do so. In particular, the Hearing Examiners recommend that PGW be ordered to include in its initial requests supporting documentation when such documentation exists and be reminded that its filings should clearly set forth the action that is requested.

cc: FY 2026 Capital Budget Service List
Travis Kniffen, Esq., City of Philadelphia Law Department

⁴⁰ PGW Comments at 3.

⁴¹ Id.

⁴² Id. (citing Part 1, Subpart C.8.D of the FY 2025 Capital Program Protocols).