

**BEFORE THE
PHILADELPHIA GAS COMMISSION**

In the Matter of the Proposed :
FY 2027 Capital Budget/Oversight : **Filed January 2, 2026**
Proceeding of the Philadelphia Gas Works :

PUBLIC ADVOCATE'S MAIN BRIEF

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I. INTRODUCTION

The Philadelphia Gas Works (PGW) has filed a proposed FY 2027 Capital Budget request for \$390,561,000. PGW's FY 2027 Capital Budget request represents a proposed increase of \$204,677,000 from the gross amount (\$185,885,000) of the FY 2026 Capital Budget.¹ PGW's proposed FY 2027 Capital Budget represents a 110% increase in requested spending authority compared to PGW's FY 2026 Capital Budget.

In this proceeding, the Public Advocate and PGW have agreed upon two downward adjustments totaling \$559,000 in the Information Services Department (withdrawn requests for spending authority for SAN Storage (\$354,000)² and Expense Management Reimbursement (\$205,000)).³ The Public Advocate and PGW have agreed upon one conditional funding adjustment to PGW's filed budget regarding the proposed replacement of 20 sedans (\$646,000). In addition, the Public Advocate and PGW have agreed that the \$914,000 associated with PGW's IP Cameras for the M&R Stations (#47-01-1-05) should be approved with a 24-month spending lifespan, rather than the 36-month lifespan PGW proposed.⁴ Finally, the Public Advocate and PGW anticipate reaching agreement regarding an additional stipulation governing PGW's Fleet Department's Vehicle and Mobile Equipment Replacements and Additions line items. It is anticipated that such stipulation will be submitted for the Commission's approval in short order.

¹ PA St. 1 at 3-5.

² PGW's Hearing Exhibit (H-1) indicated PGW would propose a stipulation regarding this expenditure in its brief. However, upon submission of PGW's response to TR-4, PGW withdrew the request for expenditure for this project, citing the Public Advocate's testimony.

³ PGW response to TR-4; Public Advocate response to TR-3.

⁴ PGW response to TR-4; Public Advocate response to TR-3.

The remainder of this brief is submitted in support of the Public Advocate’s recommended adjustment to deny spending authority for PGW’s proposed \$181,992,000 project to replace the liquefier at the Richmond LNG plant. For the reasons discussed below, the Commission should approve a downward adjustment of \$181,992,000 to PGW’s proposed FY 2027 Capital Budget.

II. HISTORY OF THE PROCEEDING

PGW commenced this review of its proposed FY 2027 Capital Budget and Five-Year Forecast on January 2, 2026, by filing with the Commission. The Hearing Examiners established the review schedule via prehearing memorandum on January 6, 2026. The Public Advocate and the Hearing Examiners commenced discovery on January 13, 2026, both issuing Interrogatories and Requests for Production of Documents.⁵

Pursuant to the adopted schedule, Informal Discovery (ID) conferences were held on January 15 and February 3, 2026. On February 12, 2026, the Public Advocate filed its Direct Testimony of Lafayette K. Morgan, Jr. A Public Hearing was held on February 19, 2026. Responses to Transcript Requests (TRs) issued at the Public Hearing were filed by PGW and the Public Advocate on February 24, 2026.

The Hearing Examiners issued a briefing memo on February 20, 2026. Consistent with the briefing memo, the Public Advocate submits this Main Brief in support of the adjustment to deny budget authorization for PGW’s Richmond LNG liquefier replacement project, to which

⁵ Responses to the Public Advocate’s discovery are numbered and designated as series “PA-CB” whereas responses to the Hearing Examiners’ discovery are numbered and designated as series “KB-HE.”

PGW does not agree.

III. DISCUSSION

A. Overview of PGW's Proposed Replacement of the Richmond Liquefier.

PGW's budget proposal identifies its current liquefier at the Richmond plant as having been installed in 2002. However, as PGW clarified, the plant was undergoing testing by its manufacturer for three years, and so was not in fact in service until 2025.⁶ PGW submits that the plant is nearing the end of its useful life and posits that a plant failure could result in "sendout challenges and potential service disruptions."⁷ As proposed by PGW, replacement of the liquefier would be a four-year project, with the new liquefier to start operating in 2030.⁸ According to PGW, at that time "the existing liquefier will have been in service for about 28 years."⁹ PGW contends that 25 to 30 years is a "reasonable and conservative estimate of useful life."¹⁰

PGW's filing includes descriptions of four options PGW claims to have considered to meet customer demand: upgrading LNG trucking facilities; spot purchasing pipeline gas; increasing pipeline capacity; and replacing the LNG liquefier at the Richmond Plant. PGW contends that increased trucking capacity is untenable, that spot purchases of pipeline gas expose

⁶ Tr. at 18; PA-CB-1.

⁷ PGW filing at 13.

⁸ Tr. at 27-28; see also PA St. 1 at 7.

⁹ Id.

¹⁰ Tr. at 21-22.

customers to volatile price risk, and that increased pipeline capacity is unavailable.¹¹

Accordingly, PGW submits that replacing the LNG liquefier will best enable it to meet customer demand while adding the potential to operate the plant year-round, since the current plant experiences seasonal limitations.¹²

Notwithstanding PGW's budget request, however, PGW is currently negotiating a public-private partnership ("3P") with a third party. If those negotiations are successful, PGW expects the third party would construct the new replacement liquefier at PGW's Richmond Plant.¹³ PGW's budget submission stated, however, its plan to "concurrently pursue the construction of [sic] new replacement liquefier at Richmond Plant by both PGW and a Third Party."¹⁴ The Public Advocate understands that PGW's negotiations are ongoing, with the goal of finalizing 3P terms by September. As explained more fully below, if the 3P comes to fruition during the timeline anticipated by PGW, there would be no expenditure from PGW's FY 2027 Capital Budget to replace the LNG liquefier at the Richmond Plant.¹⁵

B. The Commission Should Deny PGW's Requested \$181,992,000 Budget to Replace the Richmond Liquefier.

As set forth in Mr. Morgan's testimony, and further developed during the Public Hearing and this Main Brief, there are a multitude of reasons why the Commission should deny PGW's

¹¹ PGW filing at 13-14; see also PA St. 1 at 7-8.

¹² PGW filing at 14.

¹³ Id.

¹⁴ PGW filing at 15.

¹⁵ PA St. 1 at 8-9.

budget request to replace the Richmond liquefier. The Public Advocate recognizes and values the significant concerns raised by members of the public who attended the Public Hearing. Each of the bases described below militates heavily against authorizing PGW to spend nearly \$182 million in its FY 2027 Capital Budget to replace the Richmond liquefier.

i. PGW’s Assertions Regarding the Plant’s Useful Life Are Inadequately Supported.

As set forth above, PGW contends its existing LNG liquefier has been in service since 2002 and so the plant will reach an estimated 28 years in service by the time its replacement project is completed, ostensibly 2030. However, this is both factually inaccurate and substantively unpersuasive. Indeed, PGW’s Richmond LNG liquefier was placed in service in 2005, and so PGW’s starting point for calculating the plant’s years in service is incorrect. Furthermore, the extent to which the existing plant is nearing the end of its useful life relies heavily, if not exclusively, upon unsubstantiated assertions. Indeed, as Mr. Morgan concludes, PGW both “overstates the age of the plant” and fails to provide evidence to substantiate that the liquefier is near the end of its useful life.¹⁶

For PGW, as with any utility, capital assets dedicated to providing utility service (i.e., “plant in service”) establish one of the significant components used to determine customer rates. For investor-owned utilities, plant in service forms one of the principal bases for determining potential shareholder return. For PGW, rates are set using the cash flow methodology and so

¹⁶ PA St. 1 at 9.

capital investments are recovered through rates designed to cover PGW's debt service, as well as such internally generated funds as the Public Utility Commission determines to be appropriate and in the public interest for purposes such as capital improvements, retirement of debt and working capital.¹⁷ In either case, the value, assumed useful lives of utility plant in service, and, in PGW's case particularly, the associated debt service and capital improvement costs, are essential to establishing the financial bases for rates and determining what customers ultimately pay for utility service. Prematurely approving the \$181,992,000 for the liquefaction plant in this budget would result in PGW increasing its debt in preparation to finance the plant. The debt service costs will be passed on to customers and unnecessarily increase customer rates even if the plant is not ultimately constructed. This is because PGW will have borrowed the funds and be required to service the debt even if the plant is not constructed.

The service life of an asset is generally based on the period over which the asset is used as intended, subject to wear and tear and technology obsolescence. In PGW's case, it is undisputed that from 2002 through 2004, PGW's expander LNG liquefier *was not* used and useful plant in service. Therefore, the plant was not subject to the rigors of being used as designed or the intended purpose of its installation. In fact, PGW acknowledges the plant's manufacturer was continuing to work on the plant to try to achieve its production capacity.¹⁸ During the period from 2002 through 2004, PGW was not operating the LNG liquefier to serve its customers, and instead the plant's manufacturer continued to make adjustments prior to

¹⁷ See 52 Pa. Code §69.2702.

¹⁸ PGW refers to the plant's use during this period as a "testing mode." Tr. at 18.

fulfilling and completing PGW's purchase. PGW's LNG liquefier went into service in March 2005, with a lower daily guaranteed capacity than PGW specified.¹⁹ Accordingly, contrary to PGW's statements, the Richmond LNG liquefier has been in service for 21 years.

PGW contends that the useful life of its LNG liquefier is approximately 25-30 years. In contrast, however, service lives of similar plants have exceeded 40-50 years.²⁰ Indeed, PGW's consultant, CH-IV, relied for comparison purposes on plants currently in service that are more than 50 years old.²¹ In order to support PGW's claim that its LNG liquefier would have a shorter useful life, CH-IV then piggybacked on a study by a prior consultant, Chart Energy and Chemicals, Inc., a division of Chart Industries Inc. (Chart), to conclude that PGW's thermal cycling would reduce the expected useful life of the LNG liquefier. However, CH-IV did not rely upon "hard data" for this conclusion, but rather "assumed thermal cycling events based on the standard annual operation" of a theoretically typical LNG peak shaver.²² On this basis, Mr. Morgan determined that PGW's support was premised on theoretical assumptions.²³

PGW attempts to bolster CH-IV's conclusions, submitting that their assumptions "were based on conversations with the operators [of other LNG facilities] and knowledge of how those operators in the industry generally operate their plants."²⁴ But, those assumptions remain

¹⁹ Tr. at 18, 21. It is unclear on the record of this proceeding why PGW accepted the lower guaranteed capacity of the final plant or took any recourse against its manufacturer.

²⁰ PGW filing at 117.

²¹ PA-CB-18(b); KB-HE-8.

²² PA-CB-49.

²³ PA St. 1 at 10.

²⁴ Tr. at 35.

speculative and lacking in record support. Indeed, PGW’s request for nearly \$182 million in spending authority is premised, largely, upon what amounts to double hearsay – statements attributed to CH-IV that rely upon statements by others.

The Commission will recall that, in the FY 2023 Capital Budget proceeding, PGW received \$14,500,000 in spending authority (which it did not utilize) to replace the Richmond LNG cold box. PGW’s current LNG replacement proposal is likewise predicated on avoiding cold box failure.²⁵ Relevant to its FY 2023 Capital Budget request, a report prepared by Chart examined operating data of the existing LNG cold box, determined that PGW was operating the facility outside of Chart’s guidelines, and provided recommendations (which PGW implemented²⁶) to modify its operations.²⁷ PGW then acknowledged that it had not seen any indication the unit was about to fail and that its need for replacement was based on a “general rule of thumb” regarding the plant’s useful life.²⁸ PGW maintains in this proceeding, however, that its thermal cycling of the cold box contributes to a shorter expected lifespan, but fails to acknowledge that adopting Chart’s recommendations is supposed to extend the useful life of the plant. On this basis, Mr. Morgan submitted that PGW’s concern about a reduced lifespan of the cold box is overstated.²⁹

²⁵ PGW filing at 13; 116-120.

²⁶ See KB-HE-10.

²⁷ See FY 2023 CB PA St. 1 at 6-8.

²⁸ Id. at 8.

²⁹ PA St. 1 at 10-11.

PGW's estimate of the cold box's useful life has been a moving target. PGW has failed to explain how it arrived at a useful life of 25 to 30 years for its existing plant when, in its January 2022 Capital Budget filing it contended that its cold box's useful life was even shorter than the 20-year service life of a unit at an export plant.³⁰ In that same proceeding, PGW contradicted its assertion stating that the useful life of the cold box was 25 years.³¹ In this proceeding, PGW avoids answering the Public Advocate's direct question about the service life of the cold box, stating that according to Chart Industries "a lifespan greater than 20 years is reasonable. By the time a replacement liquefier is installed, the age of the plant will be closer to 28 years."³² The Public Advocate assumes that PGW has determined this range based primarily on its budget request and timeline for completing the project, since PGW provides no other hard data upon which to rely.

PGW suggests that its plant will not be able to remain in service as long as plants used in CH-IV's comparisons on the basis that those plants are dissimilar (smaller).³³ Yet PGW acknowledges that the size of an LNG liquefier is not known to affect service life.³⁴ Remarkably, in reliance upon Chart, CH-IV pronounces its expectation that PGW's cold box will have a shorter useful life than "industry average" without revealing what the industry average is.³⁵ CH-IV fails to acknowledge that Chart (a manufacturer of cold boxes) explicitly refused to

³⁰ PGW FY 2023 CB filing at 13, 129.

³¹ February 16, 2022, Tr. at 8:22-24.

³² PA-CB-5.

³³ Tr. at 33-34.

³⁴ PA-CB-50.

³⁵ PGW filing at 117.

predict the life expectancy of PGW's cold box,³⁶ but correctly projected that, having adopted its recommendations, PGW's cold box "should have a full operating lifetime of greater than 20 years."³⁷

PGW's assertion that the LNG liquefier is reaching the end of its useful life is inadequately supported. For a massive, \$182 million capital project, the Commission must reach the conclusion that expenditure is necessary and prudent based upon specific, verifiable information. PGW has fallen far short of substantiating its need to undertake this project at this time, particularly given the potential alternative, discussed below. Similar plants have remained in service for in excess of 50 years,³⁸ and PGW has received guidance from Chart on how to operate its plant in a manner that extends its useful life. The Commission should deny PGW's requested funding to replace the Richmond LNG liquefier.

ii. PGW's Proposed Replacement Appears Oversized and Fails to Address Declining Firm Load.

In addition to the lack of adequate budget substantiation, PGW's proposed LNG liquefier would have excess capacity, beyond what is needed to serve PGW's customers now and in the future. PGW's proposed plant size likewise fails to recognize declining firm load. As the Commission previously recognized, PGW's request for spending authorization regarding an LNG project must be carefully and adequately vetted to determine its necessity in the context of

³⁶ PGW FY 2023 CB filing at 138.

³⁷ PGW FY 2023 CB filing at 138; see also PA-CB-5.

³⁸ PA-CB-18.

declining load.³⁹ PGW has failed to satisfy this prerequisite to move forward with its LNG plant replacement project.

PGW's proposed plant would have a production capacity of 10 million standard cubic feet per day, equating to an annual production capacity of 3.3 billion cubic feet (BCF) assuming the plant operates 330 days per year.⁴⁰ In contrast, PGW's existing plant, which has adequately met customer needs without requiring PGW to interrupt service to any customers,⁴¹ has a maximum annual production capacity of 2.2 BCF. PGW acknowledges the new plant will not have seasonal operating limits and so would produce more LNG than the existing plant.⁴² PGW provides no explanation for why it would require an additional 1.1 BCF of production capacity in the future. Rather, PGW illogically contends that its larger proposed plant is sized for PGW needs only.⁴³

PGW appears to have based the size of the LNG liquefier on design winter assumptions, which are out of step with PGW's customers' actual needs. Indeed, in purporting to compare the LNG replacement project to an alternative of upgrading trucking facilities to purchase more LNG, PGW projects its expenses over a 30-year period with 30 consecutive design winters!⁴⁴ Just as PGW will never experience 30 consecutive design winters, PGW's firm demand does not

³⁹ See August 13, 2024, Gas Commission Mtg. Tr. (statement of Commissioner Urbania).

⁴⁰ Tr. at 47-48; but see PA-CB-14(b) (reporting 3.3 BCF production based on 300 days of operation per year).

⁴¹ See, e.g., Phila. Indus. & Commercial Users Group v. PA PUC, 128 C.D. 2024 at *7 (reporting the last time Rate IT customers were interrupted was in 2004).

⁴² PA-CB-16.

⁴³ PA-CB-15.

⁴⁴ Tr. at 50-51 (referencing PGW filing at 13-14).

justify a plant designed to liquefy 3.3 BCF every year. Rather, since PGW maintains LNG storage capacity in excess of 4 BCF,⁴⁵ and has not needed to liquefy more than 1.8 BCF in any of the last five years,⁴⁶ a plant designed to liquefy 3.3 BCFs per year is oversized for PGW's current needs.

PGW acknowledges that “overall firm demand...has reduced over the past several years.”⁴⁷ In the context of declining firm load, the excess LNG production capacity PGW seeks is unnecessary. If PGW constructs a larger plant than necessary, as it has proposed, this will result in additional long-term costs to finance and maintain a facility which can produce more LNG than is used and useful in serving customers. The Commission should recall that PGW has historically engaged in off-system sales, generating millions of dollars in revenues due to excess LNG reserves produced by its existing plant.⁴⁸ The Public Advocate notes that, in the context of a future rate case, the Public Utility Commission could determine that, if a portion of PGW's LNG facilities were in excess of what is needed to serve firm demand, PGW's rates should account for a higher assumed cost recovery from non-customer sales, placing PGW in a challenging position in the event of a colder than usual winter. The Gas Commission should not endorse a project that creates additional costs for LNG production capacity beyond what is necessary and which contributes to potential operational risk in the future.

⁴⁵ PA-CB-9 (RFP at 8)

⁴⁶ PA-CB-13.

⁴⁷ Tr. at 36.

⁴⁸ See A. Maykuth, ‘Opportunity Has Passed,’ LNG Developer, The Philadelphia Inquirer, A8 (April 5, 2022).

**iii. PGW Has Not Demonstrated That Its Proposed Replacement is
Consistent With the City’s Sustainability Objectives.**

As Mr. Morgan explains, “PGW has not shown that its proposal is consistent with the City’s environmental goals and obligations, and the Commission should not approve spending without this analysis.”⁴⁹ Mr. Morgan, like many of the members of the public who testified at the Commission’s Public Hearing, expressed concern that PGW’s LNG plant would increase liquefaction capacity, creating emissions throughout the process of liquefying and using LNG. Indeed, Mr. Morgan noted that PGW’s proposed plant would have annual capacity nearly double the annual LNG PGW has produced in each of the last five years.⁵⁰

Members of the public who testified at the Commission’s Public Hearing likewise expressed alarm that PGW’s proposed LNG liquefier was at odds with the City’s “commitment to eliminate climate pollution by 2050.”⁵¹ Others expressed explicit concerns regarding the health risks associated with natural gas usage,⁵² weighed against the necessity of heating older, inefficient homes.⁵³ Multiple members of the public testified that they wanted PGW to commit to investing in carbon neutrality, characterizing PGW’s budget as shortsighted and/or lacking in innovation.⁵⁴ Finally, a couple of members of the public testified about PGW’s ongoing

⁴⁹ PA St. 1 at 12. The Public Advocate notes that PGW’s response to a Post-Hearing Request (PH) fails to identify any emissions reductions associated with this project. See PH-2.

⁵⁰ PA St. 1 at 13.

⁵¹ Tr. at 62; see also Tr. at 78-79, 82, 86-88

⁵² Tr. at 65, 79, 85, 91-92, 96, 99, 104, 108, 110, 112.

⁵³ Tr. at 65-66

⁵⁴ Tr. at 70, 73, 76, 101, 102, 106

engagement with Environmental Resources Management and how the desire to determine low-carbon pathways for PGW was at odds with the investment in a new LNG liquefier.⁵⁵

The Public Advocate appreciates the context and concern expressed by many members of the public who took time away from work, school or other obligations to attend and testify at the Gas Commission's Public Hearing. The Public Advocate shares their concerns, particularly regarding the long-term impact of PGW's proposed LNG liquefier project. Investing PGW funds, primarily through debt supported by customer revenues, in increased liquefaction capacity appears irreconcilable with ongoing initiatives being undertaken both by the City and by PGW. The Commission should not authorize spending approval unless and until PGW can demonstrate that its LNG liquefier project is supported by the City's Office of Sustainability and consistent with the City's environmental objectives.

iv. Key Details Remain Undeveloped, Creating Risk of Higher Price and Project Delay.

As Mr. Morgan explained, "there are assumptions, unknowns and uncertainties with respect to plant design, size and potential target market such that approval at this time could lead to expenditures that may not be necessary."⁵⁶ Indeed, PGW acknowledges the significant unknowns associated with its project. PGW has not begun project detail design, nor developed

⁵⁵ Tr. at 83-84, 87.

⁵⁶ PA St. 1 at 9.

site plans.⁵⁷ PGW lacks a firm price from a contractor for the turnkey project.⁵⁸ The exact location of the plant appears unknown, and detailed engineering, equipment selection, piping and electrical routing have yet to be determined.⁵⁹ Because the specific equipment and piping have not been specified or designed, PGW is unable to perform necessary Flame Acceleration Simulator (FLACS) modeling to determine the exclusion zone or other hazard mitigation measures needed for a new liquefier.⁶⁰ Finally, because PGW's proposed LNG liquefier utilizes different technology than its existing liquefier, the new LNG liquefier would require operational changes for PGW, which have not been thoroughly assessed in this budget proceeding and may create additional, undetermined risks.⁶¹

While PGW submits that it should not adopt a phased approach to this project, because it desires a "turnkey" plant, the Public Advocate maintains that providing PGW with \$182 million in spending authority over a four-year period would be imprudent. Recent experience with significant PGW capital projects indicates a near certainty that PGW's funding needs will change and its project will not be completed during the four-year spending window. Indeed, PGW's progress in advancing toward approval of the potential 3P is itself more than a year behind schedule, as discussed below. The Commission should recall that recent large PGW capital projects, including the South Operations Center and Customer Information System replacement,

⁵⁷ PA-CB-10.

⁵⁸ KB-HE-12.

⁵⁹ PA-CB-10.

⁶⁰ PA-CB-12.

⁶¹ Tr. at 37-38.

have required multiple reauthorizations as well as extensive additional funding. As shown in PGW's contingency workpapers, PGW describes the LNG replacement project as cutting edge, requiring conceptual engineering, and necessitating the highest level of contingency (20%) used for budgeting purposes.⁶² Thus, PGW's filing provides further indication that this LNG replacement project, if approved, is likely to change and/or require revisiting in future Commission budget proceedings.

Given the lack of current detail and significant risk of project redesign and/or adjustment, the Public Advocate submits that, if PGW's proposed \$182 million LNG liquefier replacement project is approved, PGW will undoubtedly return to the Commission for more time and potentially more capital funding in subsequent budget years. Given PGW's opposition to a phased funding approach, and the potential 3P alternative to this project, discussed below, the Public Advocate maintains that the Commission should deny PGW spending authority to replace the Richmond liquefier.

v. Budgeted Funds Will Not be Necessary if PGW Pursues a Public-Private Partnership.

PGW issued a Request for Proposals (RFP) on June 21, 2024 for "LNG Commercial Opportunities and Asset Optimization."⁶³ As set forth in the RFP, PGW's goal of "optimizing" LNG assets is "primarily [to] increase LNG sales revenues by soliciting additional LNG

⁶² PGW filing at 123.

⁶³ PA-CB-9; but see PGW filing at 15 (identifying the RFP as posted on June 21, 2025).

customers to purchase LNG or LNG services.”⁶⁴ The RFP identifies excess LNG to become available “with production from (1) a new peak shaving liquefier and (2) the existing...Expander Plant” and states that additional liquefaction can be added at either PGW’s Richmond or Passyunk facilities.⁶⁵ At the time of the RFP’s issuance, PGW anticipated selection of an proposal by May 27, 2025, with the contract approved by City Council in December 2025. Currently, however, PGW anticipates that it will be able to inform the Commission if it has successfully negotiated the terms of a proposed 3P by September 2026, although PGW hopes to conclude negotiations sooner.⁶⁶

PGW’s filing reveals that PGW has entered into negotiations with a third party related to the RFP, and states “PGW will no longer need the funding requested herein for [the] liquefier project” if an agreement is reached.⁶⁷ That is because, contrary to the description of excess LNG in the RFP, the 3P being negotiated would involve third party financing and construction of the new Richmond LNG liquefier with guaranteed LNG supply to PGW annually.⁶⁸ PGW clarified at the hearing that the 3P currently under consideration would not entail the addition of a second LNG liquefier.⁶⁹ Nonetheless, if a 3P is successfully negotiated, the resulting LNG facility to be

⁶⁴ PA-CB-9 (RFP at 7).

⁶⁵ PA-CB-9 (RFP at 8).

⁶⁶ Tr. at 58.

⁶⁷ PGW filing at 14.

⁶⁸ PA-CB-14(c).

⁶⁹ Tr. at 43-45.

constructed would be larger⁷⁰ and the design and configuration of the plant could be different than what PGW would otherwise construct.⁷¹

Up until the Public Hearing in this proceeding, it was unclear why and whether PGW intended to incur capital expenditures for its proposed LNG liquefier replacement if, in fact, the 3P terms were successfully negotiated. PGW had expressed that it would do engineering work concurrently with negotiations regarding the 3P, an arrangement Mr. Morgan testified was not ideal.⁷² Mr. Morgan elaborated that such a concurrent process disregarded that there is time to wait and conclude negotiations before obtaining spending authority. Moreover, he observed that significant decisions concerning plant size, project design, and plant siting would be easier to determine once there is certainty regarding the 3P.⁷³

During the hearing, however, PGW modified its stance concerning the potential concurrent efforts PGW would undertake. PGW's witness instead testified: "If we agree to terms for the 3P, we would not go forward with internal engineering work after that."⁷⁴ Based on PGW's changed position, together with the timeline for concluding negotiations for the potential 3P (September or sooner), it is clear that approval of expenditure for PGW's LNG liquefier replacement project is neither necessary or prudent. PGW will not require funds for internal engineering (one potential phase of this project, were it to be approved) unless and until

⁷⁰ PA-CB-14(d).

⁷¹ Tr. at 47.

⁷² PA St. 1 at 12 (citing PA-CB-8).

⁷³ PA St. 1 at 12.

⁷⁴ Tr. at 47.

the potential 3P negotiations have concluded. Moreover, in the event such negotiations are successful, PGW would have to initiate a separate Gas Commission proceeding to obtain a recommendation for City Council to authorize the transactions to effectuate the 3P. As Mr. Morgan observes, this would entail “proceedings similar to the Passyunk LNG project which PGW pursued in 2018 and 2019.”⁷⁵

Because PGW anticipates concluding 3P negotiations by September or sooner, there is no basis for approval of PGW’s budget request to spend \$182 million – a sum PGW would not spend at all if the 3P is agreed upon during the expected timeframe. Furthermore, given the lack of adequate substantiation for the LNG replacement, the excess LNG capacity it would provide, its conflict with City sustainability objectives, and the lack of detail and specificity provided by PGW, each as discussed in the preceding sections, the Public Advocate maintains that conditional funding would be inappropriate.⁷⁶

⁷⁵ PA St. 1 at 12.

⁷⁶ Id.

IV. CONCLUSION

For all of the reasons set forth in this Main Brief, the Public Advocate requests that the Commission deny PGW's request for \$181,992,000 in Capital Budget funds to replace the Richmond LNG liquefier.

Respectfully submitted,

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