



March 23, 2026

Ms. Gemela N. McClendon
Executive Director
Philadelphia Gas Commission
1515 Arch Street, 9th Floor
Philadelphia, PA 19102

RE: Comments to PGW FY 2027 Capital Budget Recommended Decision

The Public Advocate submits this letter setting forth three comments to the March 17, 2026, Recommended Decision in the matter of PGW's FY 2027 Capital Budget. The Public Advocate supports the Hearing Examiners' recommendation to deny PGW spending authority for its \$181,922,000 proposal to replace the liquefied natural gas (LNG) plant at its Richmond facility. Nonetheless, for purposes of clarifying the record and ensuring that the Commission is fully informed regarding certain aspects of PGW's Richmond LNG proposal, the Public Advocate submits these additional comments.

Comment 1: The Commission should require PGW to show that future LNG projects are aligned with the City's sustainability objectives.

The Public Advocate's testimony and brief submitted that PGW failed to demonstrate how its proposed Richmond LNG project aligns with the City's sustainability objectives. Although the Recommended Decision summarizes public input provided regarding environmental concerns and recommends that PGW engage members of the public regarding its planning process, it otherwise fails to address this independent basis for denying PGW's requested budget to replace the Richmond liquefier.¹

To reiterate, the Public Advocate submits that 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. Although this concern appears particularly important in the context of PGW's proposal to increase liquefaction capacity by 1.1 BCF annually,² it remains a concern even with a like-for-like replacement project in the context of declining load.

¹ The Recommended Decision makes only passing mention of the City's sustainability objectives, whereas the Public Advocate set forth its concern as one of five independent bases for the Commission to deny spending authority. PA MB at III.b.iii.

² The Hearing Examiners mention the Advocate's concern in the section of the Recommended Decision addressing the potential public-private partnership, but do not otherwise substantively address it.



The Public Advocate maintains that, in the context of any LNG project submitted for Commission review, PGW must show not only that its proposal has been adequately developed to understand key details and verify projected costs, but that it is sized appropriately and is consistent with the City’s sustainability objectives.

Comment 2: The Public Advocate maintains its skepticism of PGW’s claims regarding its Richmond LNG liquefier’s remaining useful life.

The Hearing Examiners appear to recommend that the Commission foreclose considerations regarding the Richmond LNG plant’s useful life if PGW proposes the project in a future proceeding or via budget amendment.³ The Commission should not adopt a recommendation that could impede the efforts of the Public Advocate, PGW, and other potential participants to create a legally-defensible record upon which Commission action could legitimately rest.

The Public Advocate maintains its skepticism regarding PGW’s claims associated with the useful life of the Richmond LNG plant. Several factors contribute to the Public Advocate’s skepticism, namely: PGW’s misrepresentation of the existing plant’s years in service; the “moving target” of PGW’s estimate of the plant’s useful life; and, most importantly, that PGW has received and adopted recommendations of a reputable manufacturer of LNG liquefiers in order to extend the plant’s years in service.

The Hearing Examiners appear to contend that if PGW seeks to amend its FY 2027 Capital Budget, only the size of the proposed plant and the need to address concerns of members of the public should be addressed.⁴ The Commission must not adopt a recommendation that ostensibly narrows the scope of the Public Advocate’s review of a future budget proposal. Indeed, it is imperative that the participants and Hearing Examiners undertake such necessary and detailed review to assist the Commission in its obligations to limit PGW expenditures to those necessary and prudent to the provision of service to customers.

Comment 3: PGW did not save \$90 million in purchased gas costs due to its Richmond LNG liquefier.

The Recommended Decision misstates the benefit of PGW’s LNG plant in addressing heightened customer demand during January’s extreme cold snap. The Hearing Examiners state that “LNG production and storage avoided more than \$90 million in commodity costs.”⁵ The \$90 million is PGW’s estimate of the costs it would have had to incur to purchase pipeline gas during the period from January 19, 2026 to February 2, 2026, in the absence of any LNG reserves, prudent planning for winter send out needs, or suspension to interruptible customers.

³ RD at 22 (“As the Hearing Examiners have found that replacement of the LNG liquefier is prudent for safe and reliable service, the record on the need is closed.”)

⁴ RD at 22.

⁵ RD at 14.



The \$90 million estimate is an overstatement of savings because it fails to account for the accumulated cost of gas PGW had already liquefied, as well as its costs to produce, store and subsequently vaporize LNG. As PGW has explained, its current LNG liquefier is seasonally constrained, meaning it cannot operate when demand is too high or too low. As a result, during very cold weather, like that experienced in Philadelphia this past January, PGW cannot liquefy natural gas. To meet higher demand between January 19, 2026, and February 2, 2026, PGW estimated that it vaporized about 1.15 BCF LNG that had previously been liquefied and maintained in its storage tanks.⁶ It is not clear on the record what PGW paid for the 1.15 BCF of gas vaporized, nor is it clear what costs PGW incurred to liquefy, store and vaporize such gas. Nonetheless, whatever costs PGW incurred to supply that gas to PGW's customers directly reduce the claimed savings associated with a hypothetical purchase of pipeline gas.

The \$90 million estimate likewise presumes that PGW could not plan for, and accumulate LNG reserves, if needed, from other sources. Indeed, it was PGW's ability to *vaporize*, not liquefy, that enabled it to meet higher winter demand. The Public Advocate submits that even if PGW lacked liquefaction capability, prudent planning would have nonetheless enabled PGW to purchase and store some LNG for vaporization at more favorable pricing than the \$90 million PGW estimates. PGW's \$90 million estimate is also premised upon PGW meeting the need of all customers, including those customers who could be interrupted in the event of constrained gas supply. Accordingly, the \$90 million estimate includes costs for pipeline gas for interruptible customers that PGW would not likely have incurred.

For the foregoing reasons, the Public Advocate submits that any savings associated with vaporized LNG used to serve PGW's customers' winter needs have not been accurately estimated and do not amount to \$90 million over a two-week period this winter.

Sincerely,

/s/ Robert W. Ballenger
Robert W. Ballenger

For the Public Advocate

⁶ Tr. at 24.