

Legislation Text

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Approving the Fiscal Year 2024 Capital Budget providing for expenditures for the capital purposes of the Philadelphia Gas Works, including the supplying of funds in connection therewith, and acknowledging receipt of the Revised Forecast of Capital Budgets for Fiscal Years 2025 through 2029, all under certain terms and conditions.

WHEREAS, Section IV.2.b. of 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”) requires the Philadelphia Facilities Management Corporation (“PFMC”) to prepare annually for the Philadelphia Gas Works (“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; and

WHEREAS, Section IV.2.b. of the Management Agreement also requires that the proposed capital budget and forecast be submitted to the Director of Finance and the Philadelphia Gas Commission (“Gas Commission”) for their review and for submission of said budget and forecast, together with their recommendations thereon, to the Council of the City of Philadelphia (“City Council”) for its approval; and

WHEREAS, Section IV.2.b. of the Management Agreement further requires that the proposed capital budget and forecast include a showing of the amounts needed and how the funds required are to be supplied as between funds generated within the business through charges to customers or otherwise and funds to be obtained through capital loans (“Financing Plan”); and

WHEREAS, Section IV.2.c. of the Management Agreement requires that all PGW expenditures be made pursuant to approved budgets; and

WHEREAS, PGW filed with the Gas Commission on January 3, 2023, a proposed Fiscal Year (“FY”) 2024 Capital Budget of Two Hundred Twelve Million Four Hundred Thirty-Two Thousand Dollars (\$212,432,000) (“FY 2024 Capital Budget” or “Budget”) and a Five-Year Forecast of Capital Budgets (FY 2025 - FY 2029) (“Forecast”); and

WHEREAS, the Gas Commission’s review of said Budget proposal in its FY 2024 Budgets/Oversight Proceeding culminated in deliberations taken at a public meeting held on April 25, 2023, at which the Gas Commission endorsed a proposed FY 2024 Capital Budget in an amount not to exceed One Hundred Ninety-Two Million Four Hundred Thirty-Two Thousand Dollars (\$192,432,000) with related constraints and conditions for said Budget; and

WHEREAS, on May 3, 2023, PGW filed with the Gas Commission a Revised Compliance FY 2024 Capital Budget Proposal of One Hundred Ninety-Two Million Four Hundred Thirty-Two Thousand Dollars (\$192,432,000) including its revised Financing Plan for said Budget, together with its Revised Forecast of Capital Budgets for FY 2025 through FY 2029; now, therefore,

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Approval and Acknowledgment

Pursuant to the provisions of Section IV.2.b. and IV.2.c. of the Management Agreement, the Council:

- A. Does hereby approve FY 2024 Capital Budget for PGW in an amount not exceeding One Hundred Ninety-Two Million Four Hundred Thirty-Two Thousand Dollars (\$192,432,000) as reflected in the Revised Compliance FY 2024 Capital Budget Proposal, which includes the associated revised Financing Plan and which is attached as Exhibit #1 to this Ordinance, subject to the provisions of Sections 3, 4, 5, 6 and 7 of this Ordinance; and
- B. Does hereby acknowledge receipt of PGW’s Revised Forecast of Capital Budgets for FY 2025 through FY 2029.

SECTION 2. Spending Authorization

The amounts shown in the approved FY 2024 Capital Budget are hereby authorized for the purposes shown and shall be available for expenditure as of FY 2024, defined as September 1, 2023 through August 31, 2024, in an amount not exceeding One Hundred Ninety-Two Million Four Hundred Thirty-Two Thousand Dollars (\$192,432,000) as reflected in the Revised Compliance FY 2024 Capital Budget Proposal, which is attached as Exhibit #1 to this Ordinance, subject to the provisions of Sections 3, 4, 5, 6 and 7 of this Ordinance.

SECTION 3. Constraints and Conditions - Capital Program Protocols

During the lifespan of the line items in the approved FY 2024 Capital Budget, PGW shall adhere to the “Capital Program Protocols” as a condition of capital budget approval. A copy of said Protocols as adopted by the Gas Commission on April 25, 2023 is attached as Exhibit #2 to this Ordinance and is incorporated herein.

SECTION 4. Constraints and Conditions - Conditional Spending Authorizations

Except as necessitated by Emergency Circumstances as set forth in the “Capital Program Protocols” at Part 1 - Subpart I.3, no spending authority will attach to the following line items until the Gas Commission releases in writing such spending authority as the Gas Commission may make available after appropriate review and good cause shown:

- A. The line item styled “Conditional Funding for Capital Needs Related to Safety (#13-01-2-01) (\$250,000)”;
- B. The line item styled “Conditional Funding for Capital Needs Related to Reliability of Service (#13-01-2-02) (\$250,000)”;
- C. The line item styled “Conditional Funding for Capital Needs Related to Cost-Justified Load Growth (#13-01-2-03) (\$250,000)”.

SECTION 5. Constraints and Conditions - Conditional Spending Authorization for Discrete Projects

The following line items shall be approved on a conditional funding basis subject to the constraints enumerated and approved by the Commission at its April 25, 2023 meeting:

- A. The line item styled “HILCO” (#52-20-1-01) (\$400,000);
- B. The line item styled “Natural Gas Distribution Infrastructure and Safety Modernization” (#52-21-2-04) (\$25,000,000);

- C. The line item styled “Vehicle Additions” (#73-01-1-03) (\$415,000);
- D. The line item styled “1849 Building Power Separation” (#72-01-1-04) (\$332,000);
- E. The line item styled “Richmond CHP Heater” (#53-02-2-05) (\$1,545,000); and
- F. The line item styled “TSA” (#53-02-2-01) (\$720,000).

SECTION 6. Constraints And Conditions - Line Item Transfer Exclusions

A. Conditional Spending Reserve

Except as necessitated by Emergency Circumstances as set forth in the “Capital Program Protocols” at Part 1 - Subpart I.3, the following line items in the Conditional Spending Reserve shall be unavailable as a source of spending authority in transfer transactions:

- i. the line item styled "Conditional Funding for Capital Needs Related to Safety (#13-01-2-01) (\$250,000)”; and
- ii. the line item styled "Conditional Funding for Capital Needs Related to Reliability of Service (#13-01-2-02) (\$250,000)".

B. Discrete Projects

The following line items shall be unavailable as a source of spending authority in transfer transactions:

- i. The line item styled “HILCO” (#52-20-1-01) (\$400,000);
- ii. The line item styled “Natural Gas Distribution Infrastructure and Safety Modernization” (#52-21 - 2-04) (\$25,000,000);
- iii. The line item styled “Vehicle Additions” (#73-01-1-03) (\$415,000); and
- iv. The line item styled “1849 Building Power Separation” (#72-01-1-04) (\$332,000).

SECTION 7. Constraint and Conditions - Conditioned Funding Reserve

Subject to the provisions found in the “Capital Program Protocols” at Part 1 - Subpart A.6 and Part 1 - Subpart B.5, \$4,278,000 shall be made immediately available for expenditure exclusively for Distribution projects that exceed otherwise authorized spending for main and service additions/replacements due to cost overruns during FY 2024 upon PGW filing with the Commission: (a) confirmation that amounts available for inter-departmental or intra-departmental transfers have been utilized to the extent available and/or sufficient; (b) confirmation that amounts available for conditional funding have been utilized to the extent available and/or sufficient; and (c) detailed explanation of the circumstances necessitating expenditure of conditioned funding.

SECTION 8. Exhibits

Exhibits #1 and #2 referenced in this Ordinance and incorporated herein shall be kept on file by the Chief Clerk of City Council and shall be available to the public for inspection, reading or copying at reasonable times.

[Note: Exhibits to this Bill are on file in the Office of the Chief Clerk.]