

Legislation Text

File #: 150442, **Version:** 1

Approving the Fiscal Year 2016 Capital Budget providing for expenditures for the capital purposes of the Philadelphia Gas Works (including the supplying of funds in connection therewith) subject to certain constraints and conditions, and acknowledging receipt of the Forecast of Capital Budgets for Fiscal Years 2017 through 2021.

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 Gas Commission for their review and for submission of said budget and forecast, together with their recommendations thereon, to 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 2, 2015 a proposed Fiscal Year ("FY") 2016 Capital Budget of one hundred eighty one million six hundred two thousand dollars (\$181,602,000) and a Five Year Forecast of Capital Budgets (FY 2017 - FY 2021) ("Forecast"); and

WHEREAS, the Gas Commission's review of said Budget proposal in its FY 2016 Budgets/ Oversight Proceeding culminated in deliberations taken at a public meeting held on April 27, 2015 whereby the Gas Commission endorsed a proposed FY 2016 Capital Budget in an amount not to exceed one hundred fifteen million twenty six thousand dollars (\$115,026,000) with related constraints and conditions for said Budget; and

WHEREAS, on April 30, 2015 PGW filed with the Gas Commission a Compliance FY 2016 Capital Budget Proposal of one hundred fifteen million twenty six thousand dollars (\$115,026,000) including its revised Financing Plan for said Budget; and

WHEREAS, during the course of the Gas Commission's Budget review, PGW submitted a proposed Amendment that would increase said Budget by eight million dollars (\$8,000,000) (subsequently revised by PGW to eight million one hundred ninety six thousand dollars (\$8,196,000)) and increase said Forecast by a total of seventy three million dollars (\$73,000,000), for the purpose of incremental replacement of cast iron mains; and

WHEREAS, the Gas Commission's review of said Amendment proposal in its FY 2016 Budgets/ Oversight Proceeding culminated in deliberations taken at a public meeting held on May 11, 2015 whereby the Gas Commission endorsed amendments to the proposed FY 2016 Capital Budget totaling eight million eighty five thousand dollars (\$8,085,000) for the purpose of incremental cast iron main replacement, thereby increasing said Budget to an amount not to exceed one hundred twenty three million one hundred eleven thousand dollars (\$123,111,000) with related constraints and conditions; and

WHEREAS, the Gas Commission also recommended that Council reject PGW's proposed Capital Financing Plan for its proposed Amendment and directed PGW in consultation with the PFMC Board of Directors to submit an Amended Compliance Financing Plan supported by substantiation that available non-Distribution System Improvement Charge ("DSIC") funding sources would be maximized during FY 2016 and that likely impacts of other potential changed circumstances are being taken into account; and

WHEREAS, on May 14, 2015 PGW filed with the Gas Commission an Amended Compliance FY 2016 Capital Budget Proposal of one hundred twenty three million one hundred eleven thousand dollars (\$123,111,000) and Amended Forecast; and

WHEREAS, on May 20, 2015 PGW filed with the Gas Commission an Amended Capital Financing Plan for said Budget and on June 3, 2015 filed supplemental substantiation regarding this Plan; and

WHEREAS, Council seeks to provide for the evolving capital needs and related expenditures of PGW by incorporating the Gas Commission-endorsed amendments to the proposed FY 2016 Capital Budget reflected in Bill No. 150442, as introduced in Council on May 7, 2015.

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 the Fiscal Year ("FY") 2016 Capital Budget for the Philadelphia Gas Works ("PGW") in an amount not exceeding one hundred twenty three million one hundred eleven thousand dollars (\$123,111,000) as reflected in the Amended Compliance FY 2016 Capital Budget Proposal which includes the associated Amended Financing Plan and which is attached as Exhibit #1-A to this Ordinance, subject to the provisions of Sections 3 through 8 of this Ordinance; and
- B. does hereby acknowledge receipt of PGW's Amended Forecast of Capital Budgets for FY 2017 through FY 2021.

SECTION 2. Spending Authorization

The amounts shown in the approved FY 2016 Capital Budget are hereby authorized for the purposes shown and shall be available for expenditure as of FY 2016 defined as September 1, 2015 through August 31, 2016 in an amount not exceeding one hundred twenty three million one hundred eleven thousand dollars (\$123,111,000) as reflected in the Amended Compliance FY 2016 Capital Budget Proposal which is attached as Exhibit #1-A to this Ordinance, subject to the provisions of Sections 3 through 8 of this Ordinance.

SECTION 3. Constraints And Conditions - Capital Program Protocols

During the lifespan of the line items in the approved FY 2016 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 27, 2015 is attached as Exhibit #2 to this Ordinance and is incorporated herein.

SECTION 4. Constraints And Conditions - Reporting And Disclosure

Approval of the Budget Amendment in the amount of eight million eighty five thousand dollars (\$8,085,000) for the purpose of incremental cast iron main replacement provided by Section 1.A. of this Ordinance is conditioned upon the following:

- A. PGW shall file with Gas Commission by no later than November 30, 2015:
 - i. a copy of the Cast Iron Main Replacement (“CIMR”) benchmarking study that will be performed for PGW by DNV GL (formerly GL Noble Denton) which has an anticipated completion date of September 30, 2015; and
 - ii. a report identifying what, if any, changes to the design of the incremental CIMR program reflected in the Budget Amendment will be made and accordingly, what, if any, line item transfers will be required to implement such changes, accompanied by an appropriately revised FY 2016 Compliance Capital Budget.
- B. The Gas Commission shall submit a report to City Council regarding PGW’s compliance with Section 8.A. of this Ordinance when it submits its annual report on line item transfers in the FY 2015 Capital Budget in January 2016.

SECTION 5. 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)”; and
- B. the line item styled "Conditional Funding For Capital Needs Related To Reliability of Service (#13-01-2-02) (\$250,000)”; and
- C. the line item styled "Conditional Funding For Capital Needs Related To Cost-Justified Load Growth (#13-01-2-03) (\$250,000)”.

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 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 as “FY 2014 Reauthorization - Replace PBX With Voice Over IP Phone System (#47-01-2-04) (\$1,800,000)”;
- ii. the line item styled as “FY 2014 Reauthorization - SCADA Upgrade With Control Room And Alarm Management (#09-01-2-01) (\$267,000)”;
- iii. the line item styled as “FY 2014 Reauthorization - Replace Gas Management System And Supplier Choice Software (#57-01-2-01) (\$518,000)”;
- iv. the line item styled as “FY 2014 Reauthorization - Sparge Curtain & Soil Vapor Extraction - Passyunk/Porter (#38-01-1-01) (\$647,000)”;
- v. the line item styled as FY 2014 Reauthorization - Consolidated Billing And Purchase of Receivables (POR) (#10-01-1-01) (\$21,000)”;
- vi. the line item styled as “Mobile Equipment Additions to Support Incremental Cast Iron Main Replacement (#73-01-1-02) (\$118,000)”;
- vii. the line item styled as “Acquire Additional Vehicles to Support Incremental Cast Iron Main Replacement (#73-01-1-01) (\$632,000)”.

SECTION 7. Constraints And Conditions - Line Item Transfer Restrictions

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

- A. the line item styled as “Long Term Infrastructure Improvement Plan - Incremental Cast Iron (#52-21-2-04) (\$5,500,000)”, except that, if PGW has complied with Section 4.A. of this Ordinance, it may be used as a source for transfers to the following line items solely for the purpose of effectuating the results of the DNV GL benchmarking study as adopted by PGW:
 - i. “Incremental Replacement of 12” HP Cast Iron Main (#52-20-2-02) (\$7,981,000)”;
 - and/or
 - ii. “Incremental Replacement of 30” HP Cast Iron (#52-20-2-03) (\$7,449,000)”;
- B. the line item styled as “Renewal of 1 1/4" and Smaller Services - Incremental Cast Iron (#52-24-2-03) (\$1,835,000)”, except that, if PGW has complied with Section 4.A. of this Ordinance, it may be used as a source for transfers to any applicable services renewal line item/s solely for the purpose of effectuating the results of the DNV GL benchmarking study as adopted by PGW.

SECTION 8. Constraints And Conditions - One Year Lifespans

The following line items shall have lifespans no greater than twelve (12) months commencing on September 1, 2015:

- A. the line item styled as “FY 2014 Reauthorization - Replace PBX With Voice Over IP Phone System (#47-01-2-04) (\$1,800,000)”;
- B. the line item styled as “FY 2014 Reauthorization - SCADA Upgrade With Control Room And Alarm Management (#09-01-2-01) (\$267,000)”;
- C. the line item styled as “FY 2014 Reauthorization - Replace Gas Management System And Supplier Choice Software (#57-01-2-01) (\$518,000)”;
- D. the line item styled as “FY 2014 Reauthorization - Sparge Curtain & Soil Vapor Extraction -

- Passyunk/Porter (#38-01-1-01) (\$647,000)”; and
- E. the line item styled as FY 2014 Reauthorization - Consolidated Billing And Purchase of Receivables (POR) (#10-01-1-01) (\$21,000)”.

SECTION 9. Exhibits

Exhibits *#1-A* 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.]