

INVITATION TO TENDER BONDS
(this “Invitation”)
describing an offer (the “Tender Offer”) made by
THE CITY OF PHILADELPHIA, PENNSYLVANIA (the “City”)

All terms used below with initial capitalization where not required by the rules of grammar and not otherwise defined have the meanings given to them in this Invitation.

The City invites Bondowners, as described herein, of all or any portion of its bonds of the series designations with the maturity dates and CUSIP numbers listed on page (i) hereof (the “Target Bonds”) to offer to sell to the City for cash:

TARGET BONDS

**GAS WORKS REVENUE BONDS
FIFTEENTH SERIES
(1998 GENERAL ORDINANCE)**

(Base CUSIP: 71783M)

THIS INVITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON AUGUST 24, 2026 UNLESS EARLIER TERMINATED OR EXTENDED AS DESCRIBED HEREIN.

Key Dates and Times

*All of these dates and times are subject to change. All times are New York City time.
Notices of changes will be sent in the manner provided for in this Invitation.*

Launch Date	August 11, 2026
Pricing Notice.....	August 18, 2026
Expiration Date	5:00 PM on August 24, 2026
Preliminary Notice of Acceptance.....	August 25, 2026
Final Notice of Acceptance.....	August 26, 2026
Settlement Date	September 3, 2026

To make an informed decision as to whether, and how, to offer Target Bonds, beneficial owners of Target Bonds (“**Bondowners**”) must read this Invitation carefully and should consult with their broker dealer, financial, legal, accounting, tax, and/or other professionals in making this decision.

The Dealer Managers for this Invitation are:

**Jefferies LLC
Loop Capital Markets LLC**

The Information Agent and Tender Agent is:

Globic Advisors Inc.

The date of the Invitation is August 11, 2026.

TARGET BONDS SUBJECT TO INVITATION TO TENDER FOR CASH

**CITY OF PHILADELPHIA, PENNSYLVANIA
GAS WORKS REVENUE BONDS
FIFTEENTH SERIES
(1998 GENERAL ORDINANCE)**

CUSIP ⁽¹⁾ (Base No. 71783M)	Maturity Date (August 1)	Par Call Date	Interest Rate (%)	Outstanding Principal Amount (\$)	Indicative Offer Purchase Price ⁽²⁾
AN5	2028	8/1/2027	5.000	7,775,000	102.522
AP0	2029	8/1/2027	5.000	8,240,000	102.449
AQ8	2030	8/1/2027	5.000	7,175,000	102.376
AR6	2031	8/1/2027	5.000	7,530,000	102.313
AS4	2032	8/1/2027	5.000	7,910,000	102.240
AT2	2033	8/1/2027	5.000	8,300,000	102.168
AU9	2034	8/1/2027	5.000	8,715,000	102.059
AV7	2035	8/1/2027	5.000	9,150,000	101.969
AW5	2036	8/1/2027	5.000	9,610,000	101.879
AX3	2037	8/1/2027	5.000	10,095,000	101.798
AY1 ⁽³⁾	2042	8/1/2027	5.000	58,555,000	101.484
AZ8 ⁽³⁾	2047	8/1/2027	5.000	74,730,000	100.909

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc., solely for the convenience of the Bondowners of the Target Bonds and the City is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

⁽²⁾ Indicative Offer Purchase Prices are expressed as a dollar amount per \$100 principal amount of the Target Bonds, exclude Accrued Interest, and are preliminary and subject to change. Actual Offer Purchase Prices for each maturity and corresponding CUSIP will appear in the Pricing Notice. Accrued Interest on any purchased Target Bonds will be paid by the City to but not including the Settlement Date in addition to the applicable Purchase Price. All capitalized terms used as defined herein.

⁽³⁾ Denotes a Target Term Bond (as herein defined) subject to annual mandatory sinking fund redemption prior to maturity. See Section 2, "Information to Bondowners – Sinking Fund Amortization of Unpurchased Target Term Bonds" herein.

IMPORTANT INFORMATION

This Invitation and other information with respect to the Tender Offer are available from the Dealer Managers and the Information Agent and Tender Agent at www.globic.com/pgw. Bondowners wishing to offer their Target Bonds for purchase pursuant to this Invitation must follow the procedures more fully described herein. The City reserves the right to cancel or modify this Invitation at any time on or prior to the Expiration Date and reserves the right to make a future invitation to tender bonds at prices different than the Offer Purchase Prices described herein and in the Pricing Notice (as defined herein) in its sole discretion. Except as described in this Invitation, the City will have no obligation to purchase Target Bonds offered pursuant to this Invitation. The City further reserves the right to waive any irregularities or defects in any offer received.

The City also reserves the right in the future to purchase, exchange, refund, defease or redeem all or any remaining portion of outstanding Target Bonds. Each of the Target Bonds is subject to redemption in whole or in part, at the option of the City on any date on or after their first optional call date, as applicable, as listed on page (i) at a redemption price equal to 100% of the principal amount of the Target Bonds, or portions thereof, to be redeemed plus accrued but unpaid interest to the date fixed for redemption.

The Tender Offer is not being made to, and Target Bonds offered for purchase in response to this Invitation will not be accepted from or on behalf of, Bondowners in any jurisdiction in which the Tender Offer, the making of offers to sell Target Bonds or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require the Tender Offer to be made through a licensed or registered broker or dealer, the Tender Offer is being made on behalf of the City by the Dealer Managers.

None of the City, the Dealer Managers or the Information Agent and Tender Agent is recommending to any Bondowner whether or not to offer its Target Bonds for purchase in connection with this Tender Offer. Each Bondowner must make its own decision and should read this Invitation, including the City's Preliminary Official Statement relating to its Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Ordinance) attached as Appendix A, and the form of Pricing Notice attached as Appendix B, in their entirety and consult with its broker-dealer, financial, legal, accounting, tax and other advisors in making its own decision.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Invitation, including Appendix A and Appendix B; and, if given or made, such information or representation may not be relied upon as having been authorized by the City.

The delivery of this Invitation shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the City since the date hereof.

The Dealer Managers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, including Appendix A. The Dealer Managers have not independently verified any of the information contained herein, and assume no responsibility for the accuracy or completeness of any such information. References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this Invitation.

This Invitation contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Invitation and other materials referred to or incorporated herein, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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INVITATION TO TENDER BONDS
made by
THE CITY OF PHILADELPHIA, PENNSYLVANIA

1. Introduction.

This Invitation to Tender Bonds, dated August 11, 2026 (as it may be amended or supplemented, this “**Invitation**”) describes an offer (the “**Tender Offer**”) by The City of Philadelphia, Pennsylvania, (the “**City**”), with the assistance of Jefferies LLC, as Lead Dealer Manager, and Loop Capital Markets LLC, as Co-Dealer Manager (collectively, the “**Dealer Managers**”) to the beneficial owners (the “**Bondowners**”) of all or any portion of the City’s outstanding Gas Works Revenue Bonds, Fifteenth Series (1998 General Ordinance) (the “**Target Bonds**”) maturing on the dates set forth in the table on page (i) of this Invitation, to tender to the City such Target Bonds for cash at an offer purchase price (each an “**Offer Purchase Price**”) expressed as a dollar amount per \$100 principal amount of the Target Bonds. On or about August 18, 2026, the City expects to publish the Pricing Notice (the “**Pricing Notice**”) in the form attached hereto as Appendix B, which will set forth the Offer Purchase Price for each respective CUSIP of the Target Bonds (which may differ from the “Indicative Offer Purchase Prices” listed on page (i) herein). See Section 2, “Information to Bondowners – *Tender Consideration – Determination of Offer Purchase Prices for Target Bonds*” herein. In addition, accrued interest (“**Accrued Interest**”) to but not including the Settlement Date (as hereinafter defined) will be paid on purchased Target Bonds.

For each CUSIP of the Target Bonds, the City will accept for purchase either all or none of the offers received from Bondowners pursuant to this Invitation. See Section 10, “Determination of Amounts to be Purchased; Acceptance of Offers; Final Notice of Acceptance” herein. In addition, the purchase of any Target Bonds pursuant to this Invitation is contingent on the issuance of the City’s Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Resolution) (the “**Eighteenth Series Bonds**”) and is also subject to the terms of this Invitation and certain other conditions as described herein.

Purpose. The Tender Offer is a part of a plan of finance of the City as described in the City’s Preliminary Official Statement dated August 11, 2026 relating to the Eighteenth Series Bonds and attached hereto as Appendix A (the “**Eighteenth Series Bonds POS**”) which includes the purchase of up to all of the Target Bonds. **The City’s outstanding bonds of any series that are not identified in the table on page (i) of this Invitation are not subject to the Tender Offer.** For additional information concerning the City, its plan of financing and its outstanding indebtedness, see the Eighteenth Series Bonds POS attached hereto as Appendix A.

Offers by Bondowners. Pursuant to this Invitation, each Bondowner may offer to tender to the City for purchase any or all of its Target Bonds, in a denomination of \$5,000 principal amount (the “**Minimum Authorized Denomination**”) or any integral multiple thereof, with respect to which the Bondowner has a beneficial ownership interest. On or about August 18, 2026, the City expects to publish the Pricing Notice in the form attached hereto as Appendix B, which will set forth the Offer Purchase Price for each respective CUSIP of the Target Bonds. All offers to tender will be made only on the basis of the Offer Purchase Prices listed in the Pricing Notice. See Section 2, “Information to Bondowners—Pricing Notice,” “Information to Bondowners – *Tender Consideration – Determination of Offer Purchase Prices for Target Bonds*” herein.

Source of Funds. The total amount paid to Bondowners to purchase the Target Bonds validly tendered and accepted for purchase pursuant to this Invitation (each a “**Purchase Price**” and collectively, the “**Aggregate Purchase Price**”), in addition to Accrued Interest, is anticipated to be funded from a portion of the proceeds of the City’s Eighteenth Series Bonds to be issued on the Settlement Date (defined below). The purchase of any of the Target Bonds tendered for purchase pursuant to this Invitation is contingent on the issuance of the Eighteenth Series Bonds. The City’s obligations to accept for purchase and to pay for Target Bonds validly tendered (and not validly withdrawn) pursuant to this Invitation are also subject to the

satisfaction or waiver of certain conditions. See Section 14, “Conditions to Purchase,” for additional information regarding certain of such conditions.

City’s Obligation to Purchase Offered Target Bonds. Subject to the terms of this Invitation and the satisfaction of all conditions relating to the City’s obligation to purchase tendered Target Bonds as described herein, and provided that (i) the Target Bonds offered by a Bondowner for purchase have been validly tendered by 5:00 p.m., New York City time, on August 24, 2026 (as extended from time to time in accordance with this Invitation, the “**Expiration Date**”), and (ii) accepted by the City on August 26, 2026 (as extended from time to time in accordance with this Invitation, the “**Final Acceptance Date**”), the City will purchase such Target Bonds tendered for purchase on September 3, 2026 or such later date as the City shall determine (such date, the “**Settlement Date**”). Accrued Interest to but not including the Settlement Date on the Target Bonds validly tendered and accepted for purchase will also be paid on the Settlement Date.

All times in this Invitation are local time in New York City.

No assurances can be given that the Eighteenth Series Bonds will be issued or that any Target Bonds offered for purchase by a Bondowner will be purchased. See Section 14, “Conditions to Purchase” and Section 10, “Determination of Amounts to be Purchased; Acceptance of Offers; Final Notice of Acceptance,” for more information on the selection of tendered Target Bonds to be purchased, if any. The City reserves the right to amend or waive the terms of this Invitation as to any or all of the Target Bonds in any respect and at any time prior to the Expiration Date or from time to time, in its sole discretion. The City also has the right to terminate this Invitation at any time up to and including the Expiration Date. See Section 15, “Extension, Termination and Amendment of Tender Offer,” below.

Notwithstanding any other provision of this Invitation, the City has no obligation to accept for purchase any tendered Target Bonds. The City’s obligation to pay for Target Bonds validly tendered (and not validly withdrawn) and accepted pursuant to this Invitation is subject to the satisfaction of or waiver of the following conditions on or prior to the Settlement Date: (a) the successful completion by the City of the issuance of the Eighteenth Series Bonds, a portion of the proceeds of which will be sufficient to, (i) fund the Aggregate Purchase Price and Accrued Interest to but not including the Settlement Date of all Target Bonds validly tendered and accepted for purchase pursuant to this Invitation, and (ii) pay all fees and expenses associated with the issuance of the Eighteenth Series Bonds and the Tender Offer; (b) receipt of all certifications and opinions required by the Dealer Manager Agreement (the “**Dealer Manager Agreement**”) executed by the City and the Dealer Managers in connection with the Tender Offer, and (c) when taken together with the issuance of the Eighteenth Series Bonds, the City determines in its sole discretion that it will obtain satisfactory and sufficient economic or other benefits as a result of market conditions, the expected or actual level of participation by Bondowners of the Target Bonds, or any other factors not within the sole control of the City, all on terms and conditions that are in the City’s best interest (collectively, the “**Financing Conditions**”). The City reserves the right, in its sole discretion and subject to applicable law, to amend or waive any of the conditions to this Invitation, in whole or in part, at any time prior to the Expiration Date.

Any Target Bonds not tendered by Bondowners, or Target Bonds tendered by Bondowners pursuant to this Invitation but not accepted for purchase by the City for any reason (the “**Unpurchased Bonds**”) will continue to be payable by their terms and secured under the terms of the City’s General Gas Works Revenue Bond Ordinance of 1998 (Bill No. 980232, approved May 8, 1998) as amended and supplemented (the “**Ordinances**”) until maturity or prior redemption. If the Financing Conditions and all other conditions to the Tender Offer are not satisfied or waived by the City on or prior to the Settlement Date, any Target Bonds tendered by Bondowners pursuant to this Invitation will be returned to Bondowners

and will continue to be payable by their terms and secured under the terms of the Ordinances, and Bond Committee Authorization (as defined herein) until maturity or prior redemption. See Section 17, “Additional Considerations – *Potential Subsequent Transactions*” herein.

To make an informed decision as to whether, and how, to offer Target Bonds for purchase pursuant to this Invitation, a Bondowner must read this Invitation carefully, including the Eighteenth Series Bonds POS attached hereto as Appendix A and the Pricing Notice in the form attached hereto as Appendix B. This Invitation, including the Eighteenth Series Bonds POS, and the Pricing Notice, and all other notices, amendments, and supplements thereto, if any, collectively shall constitute an invitation to Bondowners to offer to tender their Target Bonds for purchase.

None of the City, the Philadelphia Gas Works (“PGW”), the Dealer Managers or the Information Agent and Tender Agent (as defined below) make any recommendation that any Bondowner offer to tender or refrain from offering to tender all or any portion of such Bondowner’s Target Bonds for purchase. Bondowners must make these decisions and should consult with their broker, account executive, financial advisor, attorney and/or other appropriate professionals.

The Dealer Managers for the Tender Offer are Jefferies LLC and Loop Capital Markets LLC and Globic Advisors Inc. is serving as Information Agent and Tender Agent (the “**Information Agent and Tender Agent**”). Bondowners with questions about the Tender Offer should contact the Dealer Managers or the Information Agent and Tender Agent utilizing the contact information set forth in Section 20 “Available Information, Contact Information” herein.

2. Information to Bondowners.

General. The City will provide additional information about the Tender Offer, if any, to the market and Bondowners, including, without limitation, any supplement to the Eighteenth Series Bonds POS, the Pricing Notice in the form attached hereto as Appendix B, expected to be delivered on or about August 18, 2026, and all other notices, supplements and amendments hereto, by delivery of such information in the following ways: (a) to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at <http://emma.msrb.org> (the “**EMMA Website**”), using the CUSIP numbers for the Target Bonds listed in the tables on page (i) of this Invitation; (b) to DTC (defined below) and through DTC to the DTC participants holding the Target Bonds; and (c) by posting electronically on the website of the Information Agent and Tender Agent at www.globic.com/pgw (collectively, the “**Information Services**”). Delivery of such additional information by the City to the Information Services will be deemed to constitute delivery of such information to each Bondowner. The City, PGW, the Dealer Managers, and the Information Agent and Tender Agent have no obligation to ensure that a Bondowner actually receives any information provided by the City in this manner. A Bondowner who would like to receive information furnished by or on behalf of the City as described above must make appropriate arrangements with its broker, account executive or other financial advisor or representative.

Pricing Notice. On or about August 18, 2026, the City expects to publish the Pricing Notice in the form attached hereto as Appendix B, which will set forth the Offer Purchase Price for each respective CUSIP of the Target Bonds (which may differ from the “Indicative Offer Purchase Prices” listed on page (i) herein). The Pricing Notice will be made available via the Information Services described above.

Tender Consideration—Determination of Offer Purchase Prices for Target Bonds. The Offer Purchase Prices for each respective maturity and corresponding CUSIP of Target Bonds tendered pursuant to this Invitation will be set forth in the Pricing Notice.

The Purchase Price to be received on the Settlement Date by a Bondowner whose Target Bonds were validly tendered and accepted for purchase by the City will equal the par amount of such Bondowners' purchased Target Bonds multiplied by the Offer Purchase Price of such Target Bonds divided by 100. In addition to the Purchase Price of any Target Bonds purchased by the City, Accrued Interest on such Target Bonds will be paid by the City on the Settlement Date.

Sinking Fund Amortization of Unpurchased Target Term Bonds. The City's Target Bonds maturing August 1, 2042 (CUSIP 71783MAY1) and August 1, 2047 (CUSIP 71783MAZ8) (the "**Target Term Bonds**") are subject to annual mandatory sinking fund redemptions in specified principal amounts prior to their respective maturity dates. If less than all of such Target Term Bonds are purchased by the City pursuant to this Invitation, each of the Target Term Bond's specified principal amounts to be redeemed on each mandatory sinking fund redemption date and paid upon its maturity date will be reduced, pro rata in Authorized Denominations, to a principal amount equal to such outstanding principal amount multiplied by a percentage equal to: (y) the aggregate par amount of such unpurchased Target Term Bond divided by (z) the currently outstanding principal amount of such Target Term Bond, so that the total of all scheduled mandatory sinking fund redemptions and the principal amount due at maturity will equal the aggregate par amount of the such unpurchased Target Term Bond. Thereafter, the unpurchased Target Term Bonds will continue to be outstanding and subject to the mandatory sinking fund redemptions in annual amounts that will be reflected on a revised mandatory sinking fund redemption schedule. Such schedule will be posted on EMMA when available.

3. Expiration Date; Offers Only Through Financial Institutions; Brokerage Commissions. The Tender Offer will expire at 5:00 p.m., New York City time, on August 24, 2026, the Expiration Date, unless earlier terminated or extended as described in this Invitation. Offers to tender Target Bonds received after 5:00 p.m., New York City time, on the Expiration Date (as it may be extended) will not be considered. See Section 15 for a discussion of the City's ability to extend the Expiration Date and to terminate or amend this Invitation. In the sole discretion of the City, the City may extend the Expiration Date, the Preliminary Acceptance Date (defined herein), the Final Acceptance Date, or the Settlement Date in accordance with the requirements of Section 15 hereof

All of the Target Bonds are held in book-entry-only form through the facilities of The Depository Trust Company of New York ("**DTC**"). The Information Agent and Tender Agent and DTC have confirmed that the Tender Offer is eligible for submission of tenders for purchase through DTC's Automated Tender Offer Program (known as the "**ATOP**" system). **Bondowners of Target Bonds who want to tender Target Bonds for purchase pursuant to this Invitation must do so through a DTC participant in accordance with the relevant DTC procedures for the ATOP system. The City will not accept any offers of Target Bonds for purchase that are not made through the ATOP system.** Bondowners who are not DTC participants can only offer Target Bonds for purchase pursuant to this Invitation by making arrangements with and instructing the bank or brokerage firm through which they hold their Target Bonds (sometimes referred to herein as a "custodial intermediary") to tender their Target Bonds on their behalf through the ATOP system. To ensure a Bondowner's Target Bonds are tendered through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date, Bondowners must provide instructions to its custodial intermediary with sufficient time for such custodial intermediary to tender the Target Bonds in accordance with DTC procedures through the ATOP system by this deadline. Bondowners wishing to tender Target Bonds should contact their custodial intermediary for information on when such custodial intermediary needs the Bondowner's instructions in order to tender the Bondowner's Target Bonds through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date. See also Sections 5 and 6 below.

The City, the Dealer Managers, and the Information Agent and Tender Agent are not responsible for making or transmitting any tender of Target Bonds or for the transfer of any tendered Target Bonds through the ATOP system or for any mistakes, errors or omissions in the making or transmission of any offer or transfer.

Bondowners will not be obligated to pay any brokerage commissions or solicitation fees to the City, the Dealer Managers or the Information Agent and Tender Agent in connection with the Tender Offer. However, Bondowners should check with their broker, account executive or other financial institution which maintains the account in which their Target Bonds are held to determine if it will charge any commission or fees.

4. Minimum Denominations and Consideration for Offers

Authorized Denominations for Offers. A Bondowner may make an offer to tender for purchase all or a portion of its Target Bonds of a particular CUSIP that it owns in a principal amount of its choosing, but only in principal amounts equal to the Minimum Authorized Denomination or any integral multiple of \$5,000 in excess thereof.

5. Provisions Applicable to all Offers. A Bondowner should ask its financial advisor, investment manager, broker or account executive for advice in determining whether to tender Target Bonds for purchase and the principal amount of Target Bonds to be tendered. A Bondowner should also inquire as to whether its financial institution will charge a fee for submitting tenders. The City, the Dealer Managers, and the Information Agent and Tender Agent will not charge fees to any Bondowner making an offer to tender or for completing the purchase of Target Bonds.

A tender of Target Bonds cannot exceed the par amount of Target Bonds owned by the Bondowner. Target Bonds may be tendered and accepted for payment only in principal amounts equal to the Minimum Authorized Denomination and integral multiples of \$5,000 in excess thereof.

No alternative, conditional or contingent tenders will be accepted. All tenders shall survive the death or incapacity of the tendering Bondowner.

By tendering Target Bonds pursuant to this Invitation, each Bondowner will be deemed to have represented and warranted to and agreed with the City and the Dealer Managers that:

(a) the Bondowner has received, and has had the opportunity to review, this Invitation (including the Eighteenth Series Bonds POS attached as Appendix A hereto) and the Pricing Notice prior to making the decision as to whether or not such Bondowner should tender its Target Bonds for purchase;

(b) the Bondowner has full authority to tender, sell, assign and transfer such Target Bonds, and that, on the Settlement Date, the City, as transferee, will acquire good title, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, subject to payment to the Bondowner of the applicable Purchase Price, plus payment of Accrued Interest on the Target Bonds;

(c) the Bondowner has made its own independent decision to tender, the appropriateness of the terms thereof, and whether the offer is appropriate for the Bondowner;

(d) such decisions are based upon the Bondowner's own judgment and upon advice from such advisors as the Bondowner has consulted;

(e) the Bondowner is not relying on any communication from the City, PGW, the Dealer Managers, or the Information Agent and Tender Agent as investment advice or as a recommendation to tender, it being understood that the information from the City, PGW, the Dealer Managers or the Information Agent and Tender Agent related to the terms and conditions of this Invitation shall not be considered investment advice or a recommendation to tender Target Bonds; and

(f) the Bondowner is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand and accept, the terms and conditions of this Invitation.

6. Transmission of Offers by Financial Institutions; DTC ATOP Procedures. Tenders of Target Bonds pursuant to this Invitation may only be made through DTC's ATOP system. Bondowners that are not DTC participants must make their offers through their custodial intermediary. A DTC participant must tender the Target Bonds offered by the Bondowner pursuant to this Invitation on behalf of the Bondowner for whom it is acting, by book-entry through the ATOP system. In so doing, such custodial intermediary and the Bondowner on whose behalf the custodial intermediary is acting, agree to be bound by DTC's rules for the ATOP system. In accordance with ATOP procedures, DTC will then verify receipt of the tender offer and send an Agent's Message (as described below) to the Information Agent and Tender Agent.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Information Agent and Tender Agent forming a part of the book-entry confirmation which states that DTC has received an express acknowledgement from the DTC participant tendering Target Bonds for purchase that are the subject of such book-entry confirmation, that includes: (i) the CUSIP number(s) and the par amount of the Target Bonds that have been validly tendered by such DTC participant on behalf of the Bondowner pursuant to this Invitation, and (ii) that the Bondowner agrees to be bound by the terms of this Invitation, including the representations, warranties, agreements and affirmations deemed made by it as set forth in Section 5 above. By causing DTC to transfer Target Bonds into the ATOP system, a financial institution warrants to the City that it has full authority, and has received from the Bondowner(s) of such Target Bonds all direction necessary, to tender and sell such Target Bonds as set forth in this Invitation.

Agent's Messages must be transmitted to and received by the Information Agent and Tender Agent by not later than 5:00 p.m., New York City time, on the Expiration Date (as such date may have been changed as provided in this Invitation). Target Bonds will not be deemed to have been tendered for cash purchase pursuant to this Invitation until an Agent's Message with respect thereto is received by the Information Agent and Tender Agent.

Each DTC participant is advised to submit each beneficial owner's instruction individually into DTC's ATOP system to ensure proper settlement.

The City, the Dealer Managers, and the Information Agent and Tender Agent are not responsible for making or transmitting any tender of Target Bonds or for the transfer of any tendered Target Bonds through the ATOP system or for any mistakes, errors, or omissions in the making or transmission of any offer or transfer.

7. Determinations as to Form and Validity of Offers; Right of Waiver and Rejection. All questions as to the validity (including the time of receipt of Agent's Messages by the Information Agent and Tender Agent), eligibility, and acceptance of any tenders of Target Bonds will be determined by the City in its sole discretion and will be final, conclusive and binding.

The City reserves the right to waive any irregularities or defects in any offer. The City, the Dealer Managers, and the Information Agent and Tender Agent are not obligated to give notice of any defects or irregularities in offers, and they will have no liability for failing to give such notice.

8. Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date. A Bondowner may withdraw its tender of Target Bonds pursuant to this Invitation by causing a withdrawal notice to be transmitted via DTC's ATOP system to, and received by, the Information Agent and Tender Agent at or before 5:00 p.m., New York City time, on the Expiration Date (as the date and time may have been changed as provided in this Invitation).

Bondowners who are not DTC participants can only withdraw their tenders by making arrangements with and instructing the custodial intermediary through which they hold their Target Bonds to submit the Bondowner's notice of withdrawal through the DTC ATOP system.

All tenders of Target Bonds will become irrevocable as of 5:00 p.m., New York City time, on the Expiration Date (as such date may have been changed from time to time as provided in this Invitation). See Section 11, "Acceptance of Offers Constitutes Irrevocable Agreement."

9. Preliminary Notice of Acceptance. On August 25, 2026, unless such time or date is extended by the City (the "**Preliminary Acceptance Date**"), the City will determine the preliminary principal amount, if any, of the Target Bonds for each CUSIP that it will purchase, based on satisfaction of the Financing Conditions. Notice of the preliminary principal amount of the Target Bonds, if any, for each CUSIP that the City initially agrees to purchase pursuant to this Invitation will be provided via the Information Services on the Preliminary Acceptance Date via the publication of a "**Preliminary Notice of Acceptance**."

10. Determination of Amounts to be Purchased; Acceptance of Offers; Final Notice of Acceptance. The Tender Offer is part of a financing plan of the City as described in the Eighteenth Series Bonds POS which includes the purchase of up to all of the Target Bonds as identified on page (i) herein. However, depending upon the results of the Tender Offer and the satisfaction or waiver by the City of the Financing Conditions, the City in its sole discretion may purchase a lesser principal amount of Target Bonds. The City, in its sole discretion will select which, if any, Target Bonds validly tendered of a particular maturity and corresponding CUSIP are purchased based on its determination of the economic benefit from such purchase. However, for each CUSIP of the Target Bonds, the City will accept for purchase either all or none of the offers received from Bondowners pursuant to this Invitation.

On the Final Acceptance Date (i.e., August 26, 2026 unless extended), upon the terms and subject to the conditions of this Invitation, the City will announce its acceptance for purchase of Target Bonds, if any, validly tendered by Bondowners pursuant to this Invitation via the publication of a "**Final Notice of Acceptance**" provided via the Information Services, with acceptance subject to the satisfaction or waiver by the City of the Financing Conditions or other conditions to the purchase of tendered Target Bonds. See Section 11, "Acceptance of Offers Constitutes Irrevocable Agreement" and Section 14, "Conditions to Purchase."

The Final Notice of Acceptance will state: (i) the principal amount of the Target Bonds of each maturity and corresponding CUSIP that the City has accepted for purchase in accordance with this Invitation, which may be zero for a particular maturity and corresponding CUSIP, or (ii) that the City has decided not to purchase any Target Bonds.

Following the publication of the Final Notice of Acceptance, all Target Bonds that were tendered but were not accepted for purchase will be released and promptly returned to the tendering institution in accordance with DTC's ATOP procedures. The City, the Dealer Managers, and the Information Agent and Tender Agent are not responsible or liable for the operation of the ATOP system by DTC to properly credit such released Target Bonds to the applicable account of the DTC participant or custodial intermediary or by such DTC participant or custodial intermediary for the account of the Bondowner.

Notwithstanding any other provision of this Invitation, the obligation of the City to accept for purchase and to pay for Target Bonds offered and validly tendered (and not validly withdrawn) by Bondowners pursuant to this Invitation is subject to the satisfaction or waiver of the conditions set forth under Section 14, "Conditions to Purchase" below. The City reserves the right to amend or waive any of the terms of or conditions to this Invitation, in whole or in part, at any time prior to the Expiration Date or from time to time subject to the Financing Conditions and other conditions described in this Invitation. The Tender Offer may be withdrawn by the City at any time prior to the Expiration Date.

11. Acceptance of Offers Constitutes Irrevocable Agreement. Acceptance by the City of validly tendered Target Bonds will constitute an irrevocable agreement between the tendering Bondowner and the City to sell and purchase such Target Bonds, subject to the conditions and terms of this Invitation, including the Conditions to Purchase set forth in Section 14.

12. Settlement Date; Purchase of Target Bonds. Subject to satisfaction of all conditions to the City's obligation to purchase validly tendered Target Bonds, as described herein, the Settlement Date is the day on which Target Bonds accepted for purchase will be purchased and paid for at the applicable Offer Purchase Price, and Accrued Interest on the Target Bonds to be purchased will also be paid on the Settlement Date. The Settlement Date has initially been set as September 3, 2026, unless extended by the City, assuming all conditions to this Invitation have been satisfied or waived by the City.

The City may, in its sole discretion, change the Settlement Date by giving notice thereof in the manner described in Section 15 of this Invitation prior to the change. However, the Settlement Date may not be later than October 13, 2026. If the City does not complete the purchase of the Target Bonds by 3:00 p.m., New York City time, on October 13, 2026, the right and obligation of the City to purchase any Target Bonds will automatically terminate, without any liability to any Bondowner, and all tendered Target Bonds will be released and returned to the tendering institution in accordance with DTC's ATOP procedures.

Subject to the satisfaction of all conditions to the City's obligation to purchase Target Bonds tendered for purchase pursuant to this Invitation, as described herein, payment by the City will be made through DTC on the Settlement Date. The City expects that, in accordance with DTC's standard procedures, DTC will transmit the Aggregate Purchase Price (plus Accrued Interest) to DTC participants holding the Target Bonds accepted for purchase on behalf of Bondowners for subsequent disbursement to the Bondowners. **The City, the Dealer Managers and the Information Agent and Tender Agent have no responsibility or liability for the distribution of the Aggregate Purchase Price and Accrued Interest by DTC to DTC participants or by DTC participants to tendering Bondowners.**

Promptly following such deliveries and payments, the City will instruct the Paying Agent for the purchased Target Bonds to cause such purchased Target Bonds to be cancelled and retired.

13. Source of Funds. The Aggregate Purchase Price, in addition to Accrued Interest on the Target Bonds to be purchased, is anticipated to be funded from a portion of the proceeds received by the City from the sale of its Eighteenth Series Bonds, expected to be issued on the Settlement Date. The City's

ability to settle the cash purchase of and to pay for Target Bonds (validly tendered for purchase and not validly withdrawn) pursuant to this Invitation is contingent upon the successful delivery of its Eighteenth Series Bonds and subject to the satisfaction or waiver of the other conditions set forth herein.

14. Conditions to Purchase. The consummation of the purchase of the Target Bonds pursuant to this Invitation is conditioned upon the satisfaction or waiver by the City of the Financing Conditions and other conditions described in this Invitation. The City will not be required to purchase any Target Bonds, and will incur no liability as a result, if, before payment for Target Bonds on the Settlement Date:

(a) The City does not, for any reason, have sufficient funds on the Settlement Date from the proceeds of the Eighteenth Series Bonds to pay the Aggregate Purchase Price of Target Bonds tendered and accepted for purchase pursuant to this Invitation, to fund the other purposes of the Eighteenth Series Bonds, and pay all fees and expenses associated with the Eighteenth Series Bonds and the Tender Offer, including the Accrued Interest on all Target Bonds accepted for purchase;

(b) Litigation or another proceeding is pending or threatened which the City believes may, directly or indirectly, have an adverse impact on the Tender Offer or the expected benefits of the Tender Offer to the City or the Bondowners;

(c) A war, other hostilities, or the escalation thereof, public health or other national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists and the City believes this fact makes it inadvisable to proceed with the purchase of Target Bonds;

(d) A material change in the business or affairs of the City or PGW has occurred which the City believes makes it inadvisable to proceed with the purchase of Target Bonds;

(e) A material change in the net benefits of the Tender Offer has occurred due to a material change in market conditions which the City reasonably believes makes it inadvisable to proceed with the purchase of Target Bonds; or

(f) There shall have occurred a material disruption in securities settlement, payment or clearance services.

These conditions are for the sole benefit of the City. They may be asserted by the City prior to the time of payment for the Target Bonds on the Settlement Date. The conditions may be waived by the City in whole or in part at any time and from time to time in its sole discretion and may be exercised independently for each maturity date and CUSIP number of the Target Bonds. The failure by the City at any time to exercise any of these rights will not be deemed a waiver of any of these rights, and the waiver of these rights with respect to particular facts and other circumstances will not be deemed a waiver of these rights with respect to any other facts and circumstances. Each of these rights will be deemed an ongoing right of the City which may be asserted at any time and from time to time. Any determination by the City concerning the events described in this Section 14 will be final and binding upon all parties. If, prior to the time of payment of any Target Bonds any such events described happens, the City will have the absolute right to cancel its obligations to purchase Target Bonds without any liability to any Bondowner or any other person.

15. Extension, Termination and Amendment. Through and including the Expiration Date, the City has the right to extend the Tender Offer, to any date in its sole discretion. Notice of an extension

of the Expiration Date will be given in the manner described in Section 2 of this Invitation, on or about 11:00 a.m., New York City time, on the first Business Day after the then current Expiration Date.

The City also has the right, prior to the Final Acceptance Date to terminate the Tender Offer at any time by giving notice of such termination in the manner described in Section 2 of this Invitation.

The City also has the right, prior to the Expiration Date, to amend or waive the terms of this Invitation in any respect and at any time by giving notice of the amendment or waiver in the manner described in Section 2 of this Invitation. The amendment or waiver will be effective at the time specified in such notice.

If the City amends the terms of this Invitation, including a waiver of any term, in any material respect, or any change in the Offer Purchase Price for any Target Bonds, notice of such amendment or waiver will be given in the manner described in Section 2 to provide reasonable time for dissemination of such amendment or waiver to Bondowners and for Bondowners to respond. **In the event of any such amendment or change, any offers submitted with respect to the affected Target Bonds prior to such amendment or change will remain in full force and effect, and any Bondowner of such affected Target Bonds wishing to revoke its offer to tender such Target Bonds must affirmatively withdraw such offer prior to the Expiration Date as described in Section 8 hereof.**

No extension or termination of the Tender Offer, or amendment of this Invitation (or waiver of any terms set forth in this Invitation) will: (i) change the City's right to decline to purchase any Target Bonds without liability; or (ii) give rise to any liability of the City, the Dealer Managers, or the Information Agent and Tender Agent to any Bondowner or nominee.

16. Certain Federal Income Tax Consequences.

General Matters. The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) that tender their Target Bonds for cash. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective tendering Bondowners should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address U.S. tax consequences applicable to any given Bondowner, nor does it address the U.S. tax considerations applicable to all categories of Bondowners, some of which may be subject to special taxing rules (regardless of whether or not such Bondowners constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, Bondowners that hold their Target Bonds as part of a hedge, straddle or an integrated or conversion transaction, or Bondowners whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address: (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Internal Revenue Code of 1986 (the "Code"), or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Target Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to Bondowners who will hold their Target Bonds as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any Bondowners in the Target Bonds other than Bondowners that are U.S. Holders. As used herein, "U.S. Holder" means a Bondowner of a Target Bond that for U.S. federal income

tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Target Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Target Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Target Bonds (including their status as U.S. Holders).

Any federal income tax discussions in this Invitation are included for general information only and should not be construed as a tax opinion nor tax advice by the City, the Dealer Managers, the Information Agent and Tender Agent or any of the City's advisors or agents to Bondowners. Such discussions also do not purport to address all aspects of federal income taxation that may be relevant to particular Bondowners (e.g., a foreign person, bank, thrift institution, personal holding company, tax exempt organization, regulated investment company, insurance company, or other broker or dealer in securities or currencies). Bondowners should not rely on such discussions and are urged to consult their own tax advisors to determine the particular federal, state, local and foreign tax consequences of sales made by them pursuant to purchase offers involving the Target Bonds, including the effect of possible changes in the tax laws. In addition to federal tax consequences, the sale of Target Bonds may be treated as a taxable event for state, local and foreign tax purposes. Bondowners are urged to consult their own tax advisors to determine the particular state, local and foreign tax consequences of sales made by them pursuant to purchase offers involving the Target Bonds, including the effect of possible changes in the tax laws.

Tendering U.S. Holders. The purchase by the City of a Target Bond for cash will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder will recognize gain or loss equal to the difference between (i) the amount of cash received (except to the extent attributable to Accrued Interest on the Target Bond, which will be taxed as ordinary interest income unless such interest is excludible from gross income under Section 103 of the Code) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Target Bond (generally, the purchase price paid by the U.S. Holder for the Target Bond, decreased by any amortized acquisition premium, and increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Target Bond or otherwise required to be added to the cost basis of the U.S. Holder in such Target Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Target Bonds holding the Target Bond for a period exceeding one year, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income. The deductibility of capital losses is subject to limitations.

Backup Withholding. Amounts paid to Bondowners may be subject to backup withholding by reason of the events specified by Section 3406 of the Code which include failure of a Bondowner to supply the broker, dealer, commercial bank or trust company acting on behalf of such Bondowner with such Bondowner's taxpayer identification number certified under penalty of perjury. Certification can be made by completing a substitute IRS Form W-9, a copy of which is available from the Information Agent and Tender Agent. Backup withholding may also apply to Bondowners who are otherwise exempt from such backup withholding if such Bondowners fail to properly document their status as exempt recipients.

17. Additional Considerations. In deciding whether to participate in the Tender Offer, each Bondowner should consider carefully, in addition to the other information contained in this Invitation, the following:

Market for Target Bonds. The Target Bonds are not listed on any national or regional securities exchange. To the extent that the Target Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Bondowners may be able to effect a sale of a Target Bond at a price higher than the Purchase Price corresponding thereto established pursuant to this Invitation.

Target Bonds Not Purchased. Bondowners who do not tender their Target Bonds or whose Target Bonds are tendered but not accepted for purchase will continue to hold their respective interests in such Target Bonds and such Unpurchased Bonds will remain outstanding. If Target Bonds are purchased pursuant to this Invitation, the principal amount of Target Bonds for a particular maturity and corresponding CUSIP that remains outstanding will be reduced, which could adversely affect the liquidity and market value of the Target Bonds of that maturity and CUSIP that remain outstanding.

Potential Subsequent Transactions. To the extent Target Bonds are not purchased pursuant to this Invitation, the City reserves the right to, and may in the future decide to, acquire some or all of the Unpurchased Bonds through open market purchases, privately negotiated transactions, subsequent tender offers, exchange offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the consideration offered pursuant to this Invitation, and which could be cash or other consideration. Any future acquisition of Unpurchased Bonds may be on the same terms or on terms that are more or less favorable to Bondowners than the terms described in this Invitation. The City also reserves the right in the future to refund (on an advance or current basis), defease or redeem any remaining portion of outstanding Unpurchased Bonds through the issuance of publicly offered or privately placed tax-exempt or taxable bonds or the use of other available funds of the City. The decision to undertake any such future transactions will depend on various factors existing at that time. There can be no assurance as to which of these alternatives, if any, the City may ultimately choose to pursue in the future.

The Target Bonds were issued by the City pursuant to respective bond committee authorizations (each a “Bond Committee Authorization”), supplemental ordinances (each a “Supplemental Ordinance”) and the Ordinances (collectively with the applicable Bond Committee Authorization and Supplemental Ordinance, the “Authorizing Documents”) for each Target Bond. The Unpurchased Bonds that remain outstanding after consummation of the transactions described herein will continue to be governed by the terms of their respective Authorizing Documents (including the optional redemption provisions). Each of the respective Target Bonds are subject to optional redemption at a redemption price equal to 100% of the principal amount of such Target Bonds or portions thereof to be redeemed plus accrued but unpaid interest to the date fixed for redemption on or after their respective call dates as indicated for each maturity and corresponding CUSIP of Target Bonds set forth on page (i) of this Invitation and in accordance with their respective Authorizing Documents.

Ratings. As of the date of this Invitation, the Target Bonds are rated "A3" (positive outlook) by Moody's Investors Service, Inc., "A+" (stable outlook) by S&P Global Ratings, and "A" (stable outlook) by Fitch Ratings, Inc. The ratings of the Target Bonds by each applicable rating agency reflect only the views of such organization and any desired explanation of the significance of such ratings and any outlooks or other statements given by such rating agency with respect thereto should be obtained from such rating agency. There is no assurance that the current ratings assigned to the Target Bonds will continue for any given period of time or that any of such ratings will not be revised upward or downward, suspended or

withdrawn entirely by any rating agency. Any such upward or downward revision, suspension or withdrawal of such ratings may have an effect on the availability of a market for or the market prices of the Target Bonds. Each Bondowner should review such ratings and consult with its financial representatives concerning them. The City has not applied for any rating confirmation or other action with respect to the Target Bonds in connection with the Tender Offer.

Market Conditions. The purpose of the Tender Offer is to provide the City with the opportunity to purchase a portion of the Target Bonds. The final decision to purchase Target Bonds, and which Target Bonds will be accepted for purchase by the City will, in part, be based upon market conditions and other factors outside of the control of the City.

The Dealer Managers are not acting as financial or municipal advisors to the City in connection with this Invitation or the Tender Offer.

18. The Dealer Managers. Jefferies LLC will serve as Lead Dealer Manager to the City in connection with the Tender Offer with Loop Capital Markets LLC serving as Co-Dealer Manager. References in this Invitation to the Dealer Managers are to Jefferies LLC and Loop Capital Markets LLC, only in their capacity as the Dealer Managers.

The Dealer Managers may contact Bondowners regarding the Tender Offer and may request brokers, dealers, custodian banks, depository trust companies and other nominees to forward this Invitation to beneficial owners of the Target Bonds.

The City will, subject to the terms of the Dealer Manager Agreement, pay the Dealer Managers customary fees for their services in connection with the Tender Offer. In addition, the City will reimburse the Dealer Managers their reasonable out-of-pocket costs and expenses relating to the Tender Offer.

The Dealer Managers, including their respective affiliates, are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Dealer Managers and their affiliates have, from time to time, performed, and may in the future perform, a variety of these services for the City, for which they received and or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealer Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and other instruments. Such investment and securities activities of the Dealer Managers and/or their affiliates may involve securities and other instruments of the City, including but not limited to Target Bonds whether or not tendered for purchase pursuant to this Invitation.

In addition to their role as Dealer Managers in connection with the Tender Offer, Jefferies LLC, is currently expected to serve as bookrunning senior managing underwriter and Loop Capital Markets LLC is expected to serve as co-senior manager for the Eighteenth Series Bonds anticipated to be issued by the City as described in the Eighteenth Series Bonds POS attached hereto as Appendix A and, as such, will receive compensation in connection with that transaction and for acting as Dealer Managers in connection with the Tender Offer.

19. Information Agent and Tender Agent. Globic Advisors Inc. has been retained as Information Agent and Tender Agent in connection with the Tender Offer and the City has authorized the

Dealer Managers to engage the Information Agent and Tender Agent to advise the City and the Dealer Managers on such matters relating to the Tender Offer. Subject to the terms of the Dealer Manager Agreement, the City has agreed to pay the Information Agent and Tender Agent customary fees for its services and to reimburse the Information Agent and Tender Agent for its reasonable out-of-pocket costs and expenses relating to the Tender Offer.

20. Available Information; Contact Information. Certain information relating to the Target Bonds and the City may be obtained by contacting the Dealer Managers or the Information Agent and Tender Agent at the contact information set forth below. Such information is limited to the Invitation, including the information set forth in the Eighteenth Series Bonds POS, which is attached hereto as Appendix A.

Bondowners with questions about this Invitation should contact the Dealer Managers or the Information Agent and Tender Agent utilizing the contact information below:

Globic Advisors Inc., *Information Agent and Tender Agent*

Attention: Robert Stevens

(212) 227-9622

E-mail: rstevens@globic.com

Document Website: www.globic.com/pgw

Jefferies LLC, *Lead Dealer Manager*

Contact your Jefferies LLC Representative or the Municipal Syndicate Desk

(212) 336-7151

E-mail: muni_underwriting@jefferies.com

Loop Capital Markets LLC, *Co-Dealer Manager*

Contact your Loop Capital Markets LLC Representative or

Attention: Rehan Ahmad

(212) 701-8731

E-mail: rehan.ahmad@loopcapital.com

21. Miscellaneous. This Tender Offer is not being made to and offers will not be accepted from or on behalf of, Bondowners in any jurisdiction in which the Tender Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require the Tender Offer to be made through a licensed or registered broker or dealer, the Tender Offer is being made on behalf of the City by the Dealer Managers.

No one has been authorized by the City, PGW, the Dealer Managers or the Information Agent and Tender Agent to recommend to any Bondowners whether to offer Target Bonds for purchase pursuant to this Invitation. No one has been authorized to give any information or to make any representation in connection with this Tender Offer other than those contained in this Invitation. Any such recommendation, information and representations given or made cannot be relied upon as having been authorized by the City, the Dealer Managers or the Information Agent and Tender Agent.

None of the City, PGW, the Dealer Managers or the Information Agent and Tender Agent makes any recommendation that any Bondowner offer and tender or refrain from offering and

tendering all or any portion of such Bondowner's Target Bonds for purchase. Bondowners must make these decisions and should consult with their broker, account executive, financial advisor, attorney and/or other appropriate professionals.

THE CITY OF PHILADELPHIA

APPENDIX A

EIGHTEENTH SERIES BONDS POS

NEW ISSUE BOOK-ENTRY ONLY

RATINGS: Moody's: "A3"

S&P: "A+"

Fitch: "A"

See "Ratings" herein

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended. Co-Bond Counsel are also of the opinion that, under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.



\$235,000,000*
CITY OF PHILADELPHIA, PENNSYLVANIA
GAS WORKS REVENUE REFUNDING BONDS
EIGHTEENTH SERIES
(1998 GENERAL ORDINANCE)

**Dated:** Date of Delivery**Due:** October 1, as shown on the inside cover page

Defined Terms	All capitalized terms that are not otherwise defined on this cover page have the meanings provided to such terms in this Official Statement.
The Bonds	The City of Philadelphia (the "City") is issuing the \$235,000,000* Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Ordinance) (the "Bonds"). The Bonds will be issued in denominations of \$5,000 and integral multiples thereof.
Purpose	The proceeds of the Bonds, together with certain other available funds, will be used to (i) refund certain bonds currently Outstanding under the General Gas Works Revenue Bond Ordinance of 1998 (the "1998 General Ordinance"), (ii) purchase and cancel the Purchased Bonds (as defined herein) as set forth on SCHEDULE 1 hereto pursuant to the Tender Offer (as defined herein), and (iii) pay the costs of issuing the Bonds and the costs of the Tender Offer. See "Plan of Finance and Estimated Sources and Uses of Funds" herein.
Payment and Security	The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS" and the documents referenced under such caption. The Bonds are being issued as Senior 1998 Ordinance Bonds on a parity with all other Senior 1998 Ordinance Bonds issued and Outstanding under the 1998 General Ordinance. The Bonds are secured by and payable by the City solely from the Gas Works Revenues and the Sinking Fund Reserve. The Bonds are special obligations of the City payable solely from the sources described herein and neither the taxing power nor the general revenues of the City are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, nor are the Bonds a general obligation of the City. The Bonds do not constitute debt of the City within the meaning of the Constitution of the Commonwealth of Pennsylvania.
Redemption	The Bonds are subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS" herein.
Additional Bonds	The City is authorized to issue additional bonds under the 1998 General Ordinance under the circumstances and upon satisfaction of certain conditions established in the 1998 General Ordinance, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Authorized Additional 1998 Ordinance Bonds" herein.
Interest Payment Dates	Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing on April 1, 2027.*
Tax Status	For information on certain tax matters relating to the Bonds, see the italicized language at the top of this cover page and "TAX MATTERS" herein.
Delivery Date	It is expected that the Bonds will be available for delivery to DTC on or about September 3, 2026*.

This cover page contains certain information for quick reference only. It is not a summary of the Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the prior sale, withdrawal, or modification of the offer without notice, and subject to the approval as to the legality of the issuance of the Bonds by Eckert Seamans Cherin & Mellott, LLC and Andre C. Dasent, P.C., Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, of Philadelphia, Pennsylvania, Counsel to the Underwriters. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department. Certain legal matters will be passed upon for Philadelphia Gas Works by the Office of General Counsel of the Philadelphia Gas Works and by Eckert Seamans Cherin & Mellott, LLC, of Harrisburg, Pennsylvania. Cozen O'Connor and Ahmad Zaffarese LLC, Co-Disclosure Counsel to the City for Philadelphia Gas Works ("PGW"), both of Philadelphia, Pennsylvania, will each deliver a letter to the City and the Underwriters regarding certain matters related to PGW. Hawkins Delafield & Wood LLP, of Washington, D.C., as Disclosure Counsel to the City, will deliver a letter to the City and the Underwriters regarding certain matters relating to the information contained in APPENDIX C and APPENDIX D.

Jefferies**Cabrera Capital Markets LLC****Loop Capital Markets****Huntington Capital Markets**

Dated: August __, 2026

* Preliminary, subject to change.

MATURITY SCHEDULE

\$235,000,000*

**CITY OF PHILADELPHIA, PENNSYLVANIA
GAS WORKS REVENUE REFUNDING BONDS
EIGHTEENTH SERIES
(1998 GENERAL ORDINANCE)**

<u>Due (October 1*)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP No.[†]</u>
2027	\$15,235,000	%		%	
2028	16,060,000				
2029	16,135,000				
2030	16,960,000				
2031	17,840,000				
2032	18,760,000				
2033	19,725,000				
2034	12,845,000				
2035	13,510,000				
2036	14,210,000				
2037	14,940,000				
2038	5,285,000				
2039	5,565,000				
2040	5,850,000				
2041	6,160,000				
2042	6,475,000				
2043	6,815,000				
2044	7,165,000				
2045	7,535,000				
2046	7,930,000				

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of American Bankers Association (the “ABA”). CUSIP data is provided by CUSIP Global Services (“CGS”), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders of the Bonds only at the time of original issuance of the Bonds, and the City, the Philadelphia Gas Works and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of such Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such maturity of the Bonds.

CITY OF PHILADELPHIA, PENNSYLVANIA

HONORABLE CHERELLE L. PARKER

MAYOR’S CHIEF OF STAFF

Tiffany W. Thurman

MAYOR’S CABINET

Vanessa Garrett Harley, Esq. Chief Deputy Mayor for Social Impact and Strategic Initiatives
Adam Thiel¹ Managing Director
Rob Dubow Director of Finance
Sabrina Maynard Budget Director
Renee Garcia, Esq.² City Solicitor
Karen Fegely Acting Director of Commerce
Kevin Bethel Police Commissioner
Jeffrey Thompson Fire Commissioner
Adam Geer Chief Public Safety Director
Carlton Williams Director of Clean and Green Initiatives
Danielle Gardner Wright Chief Integrity Officer
Kristin Bray, Esq. Chief Legal Counsel
Dr. Debora Borges-Carrera Chief Education Officer
Valerie Gay Director of Arts and Culture
Tracy S. Borda Interim Chief Executive Officer, Department of Aviation
Jazelle Jones City Representative

City Treasurer

Jacqueline Dunn

PHILADELPHIA GAS WORKS

800 W. Montgomery Avenue
Philadelphia, Pennsylvania 19122

Seth A. Shapiro President and Chief Executive Officer
Joseph F. Golden, Jr.³ Executive Vice President and Acting Chief Financial Officer
Raquel N. Guzmán, Esq. Senior Vice President, Administration and General Counsel
Melanie O. McCottry Chief of Staff and Senior Vice President, Corporate Affairs
Denise Adamucci Senior Vice President, Customer and Regulatory Affairs
Robert K. Smith Senior Vice President, Operations, Supply Chain and Gas Management
Frank Weigert Chief Information Officer, Information Services

CITY CONTROLLER

Christy Brady

CO-MUNICIPAL ADVISORS

PFM Financial Advisors LLC
Phoenix Capital Partners, LLP

¹ Effective August 17, 2026, Carlton Williams will begin serving as the next Managing Director for the City.

² Effective in early September 2026, Monique Galloway will begin serving as the next City Solicitor for the City.

³ Mr. Golden will retire from PGW on March 1, 2027. See “PHILADELPHIA GAS WORKS - Succession Planning; Personnel Matters; Training - *Upcoming PGW Senior Officer Change*” within.

FISCAL AGENT
U.S. Bank Trust Company, National Association

No dealer, broker, salesperson or other person has been authorized by the City, the Philadelphia Gas Works (“PGW”) or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City, PGW or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the City and PGW and includes information obtained from other sources, all of which are believed to be reliable. The paragraphs under the heading “UNDERWRITING” have been furnished by the Underwriters for inclusion in that section of this Official Statement. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of PGW or the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

This Official Statement is submitted in connection with the sale of the Bonds described herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the City, PGW, the Underwriters and the purchasers or owners of any Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form (“Original Bound Format”) or in electronic format on the following websites: www.munios.com and www.emma.msrb.org. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such websites.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover page, and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit, or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

The statements contained in this Official Statement, including in the Appendices, and in any other information provided by PGW and the City and other parties to the transactions described herein that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date thereof, and neither PGW nor the City assumes any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability of the City to fulfill some or all of the obligations under the Bonds.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act. Neither the 1998 General Ordinance nor any Supplemental Ordinance thereto has been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.

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OFFICIAL STATEMENT
\$235,000,000*
CITY OF PHILADELPHIA, PENNSYLVANIA
GAS WORKS REVENUE REFUNDING BONDS
EIGHTEENTH SERIES
(1998 GENERAL ORDINANCE)

INTRODUCTION

This introduction is intended to provide an overview of matters that are described in more detail in this Official Statement, and as such is qualified by reference to the entire Official Statement. The Official Statement includes the cover page, the inside cover page, the pages prior to and including the Table of Contents, this introduction, and all appendices to the Official Statement. The definitions of certain capitalized terms appear in APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.” Capitalized terms not otherwise defined shall have the meanings set forth in the 1998 General Ordinance (as defined below).

General

The City of Philadelphia, Pennsylvania (the “City”) is issuing the \$235,000,000* City of Philadelphia, Pennsylvania Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Ordinance) (the “Bonds”) which are special obligations of the City. This Official Statement describes the Bonds, the purposes for which they are being issued, the security and sources of payment of the Bonds, and other related matters.

Purpose; Use of Proceeds*

The proceeds of the Bonds, together with certain other available funds, will be used to (i) currently refund all of the City’s Gas Works Revenue Refunding Bonds, Fourteenth Series maturing on October 1 in the years 2027 through 2037, inclusive, totaling \$137,890,000 and currently Outstanding under the 1998 General Ordinance (the “Refunded Bonds”) on October 5, 2026, (ii) purchase and cancel certain of the City’s Gas Works Revenue Bonds, Fifteenth Series as set forth on Schedule 1 hereto (the “Purchased Bonds”), pursuant to the Tender Offer (as defined herein) and (iii) pay the costs of issuing the Bonds and the costs of the Tender Offer. See “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds

The Bonds will be issued in the aggregate principal amount, the principal amounts per maturity, and at the interest rates, yields and prices shown on the inside cover page. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2027.*

The Bonds are being issued pursuant to: (i) the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania (the “Act”); (ii) the General Gas Works Revenue Bond Ordinance of 1998, as amended and supplemented prior to March 26, 2015 (the “Original Ordinance”) adopted by Philadelphia City Council (“City Council”); (iii) the Thirteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 adopted by City Council, which also relates to the issuance of certain other Senior 1998 Ordinance Bonds (the “Thirteenth Supplemental Ordinance”), (iv) the Fourteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998, adopted by City Council (the “Fourteenth Supplemental Ordinance,” and together with the Thirteenth Supplemental Ordinance and the Original Ordinance, as further previously supplemented through and including a Sixteenth Supplemental Ordinance to the General Gas Works Revenue Bonds Ordinance of 1998, adopted by the City Council, the “1998 General Ordinance”); and (v) the Bond Authorization for the Bonds adopted on or about August 26, 2026 by the Bond Committee of the City (consisting of the Mayor, the City Controller and the City Solicitor and acting by at least a majority thereof) (the “Bond Committee”) (the “Eighteenth Series Bond Authorization”). The Bond Committee has

* Preliminary, subject to change.

authorized the Tender Offer pursuant to a Bond Authorization adopted by the Bond Committee on August 11, 2026.

The Bonds will be issued in book-entry form with no physical distribution of the Bonds being made to the public. The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. U.S. Bank Trust Company, National Association has been appointed as Fiscal Agent under the 1998 General Ordinance, and as such will also act as paying agent, registrar, and Sinking Fund Depository of the Sinking Fund (as defined below).

Security and Sources of Payment

The Bonds will be issued as senior bonds under the 1998 General Ordinance (“Senior 1998 Ordinance Bonds”), and will be secured by a pledge of, lien on, and security interest in all Gas Works Revenues (as defined herein) and the Sinking Fund Reserve. Gas Works Revenues are generally defined in the 1998 General Ordinance to include all operating and non-operating revenues of Philadelphia Gas Works (“PGW” or the “Gas Works”) derived from its activities and assets involved in the supply, manufacture, storage and distribution of gas. See “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS” and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.”

The Bonds will be secured on a parity basis with all other Senior 1998 Ordinance Bonds, and the obligations of the City to make payments (other than termination payments) due on Qualified Swap and Exchange Agreements, as described below under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS.” The City is authorized to issue additional 1998 Ordinance Bonds (as defined herein), which may be either on parity with or subordinate to the Senior 1998 Ordinance Bonds, subject to the satisfaction of certain conditions described below under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Authorized Additional 1998 Ordinance Bonds” and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.”

Rate Covenant

The City has covenanted in the 1998 General Ordinance that, for so long as any 1998 Ordinance Bonds are Outstanding, the City will, at a minimum, impose, charge and collect in each Fiscal Year of PGW such gas rates and charges as shall, together with all other Gas Works Revenues to be received in such Fiscal Year, equal not less than an amount needed to pay, among other costs, the sum of: (i) certain operating expenses of PGW (costs and expenses necessary and appropriate to operate and maintain the Gas Works in good operable condition), and (ii) 150% of debt service on Senior 1998 Ordinance Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Rate Covenant and Rate Requirements” and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.”

Sinking Fund; Sinking Fund Reserve

The Act requires that a bond ordinance authorizing the issuance of bonds must provide for “the establishment and maintenance of a sinking fund.” The 1998 General Ordinance establishes a Sinking Fund, which operates as a debt service payment fund. The Sinking Fund is held in the name of the City separate and apart from all other accounts of the City, and the City deposits in the Sinking Fund from Gas Works Revenues the amounts needed to pay when due debt service on Senior 1998 Ordinance Bonds. See the third paragraph under “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Gas Works Revenues – *Order of Application of Gas Works Revenues*” and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.”

The 1998 General Ordinance also establishes a Sinking Fund Reserve as part of the Sinking Fund. The City is required to deposit in the Sinking Fund Reserve an amount sufficient to cause the amount therein to be equal to the Sinking Fund Reserve Requirement. Such deposits can be made from either the proceeds of each Series of bonds secured by the Sinking Fund Reserve, available Gas Works Revenues, or some combination of both. The Sinking Fund Reserve Requirement is equal to the greatest amount of debt service requirements on bonds secured by the Sinking Fund Reserve in any Fiscal Year. The Sinking Fund Reserve Requirement may

also be met by the use of letters of credit or other credit facilities. The Bonds and the other Senior 1998 Ordinance Bonds currently Outstanding are secured by the Sinking Fund Reserve. See “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Sinking Fund Reserve” and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.”

Special Obligations

The Bonds are special obligations of the City payable solely from the sources described herein and neither the taxing power nor the general revenues of the City are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, nor are the Bonds a general obligation of the City. The Bonds do not constitute debt of the City within the meaning of the Constitution of the Commonwealth of Pennsylvania (the “Commonwealth”).

Philadelphia Gas Works

PGW is owned by the City and is accounted for in the City’s audited financial statements as a component unit of the City. PGW prepares a separate Annual Comprehensive Financial Report (“ACFR”) that includes annual financial statements audited by an independent auditor and an unaudited statistical section. See “THE PGW ACFR.”

PGW is the largest municipally-owned gas utility in the nation, is responsible for the acquisition and storage of natural gas and is the sole distributor of natural gas within the limits of the City. Such limits also define the service area of PGW which, being the corporate limits of the City, is a mostly dense urban area of 134 square miles located in southeast Pennsylvania along the Delaware River and within the second smallest county of the Commonwealth.

PGW is principally a gas distribution utility, with a distribution system of approximately 3,090 miles of gas mains and 470,432 service lines. In addition, PGW operates facilities for the liquefaction, storage, and vaporization of natural gas to supplement gas supply taken directly from interstate pipeline and storage companies. The principal PGW natural gas supply facilities include nine City gate stations, owned in large part by the interstate natural gas pipeline companies serving PGW: Texas Eastern Transmission (“Texas Eastern”), a division of Enbridge (formerly, Spectra Energy) and Transcontinental Gas Pipe Line Corporation (“Transco-Williams”), and two liquefied natural gas (“LNG”) plants owned by the City and operated by PGW.

PGW’s operations are managed by the Philadelphia Facilities Management Corporation (“PFMC”), a Pennsylvania not-for-profit corporation whose Board is appointed by the Mayor. PFMC’s responsibilities are set forth in a Management Agreement between the City and PFMC dated December 29, 1972, as subsequently amended (“Management Agreement”), which delegates responsibility for PGW’s operation to an executive management team provided by PFMC. Under the Management Agreement, those responsibilities that are not specifically granted to PFMC are the responsibilities of the Philadelphia Gas Commission (“PGC” or the “Gas Commission”), except to the extent preempted by the Pennsylvania Public Utility Commission (the “PUC”) pursuant to the Pennsylvania Natural Gas Choice and Competition Act (the “Gas Choice Act”). The Gas Choice Act made PGW subject to regulation by the PUC effective July 1, 2000, and provides that choice among natural gas suppliers will be provided to PGW’s customers.

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The following summary chart describes the management and governance of PGW:

Organization	Function
City	• Owns PGW property • City administration reviews certain transactions and processes (chiefly through the Director of Finance) • City Council enacts legislation for the functioning of PGW (<i>e.g.</i>, the capital budget, real estate transactions, pension modifications and gas supply contracts) herein.
PGC	• Consists of the City Controller, two members appointed by the City Council and two members appointed by the Mayor • Responsibilities include: • approval of certain executive personnel provided by PFMC • review of gas supply contracts for approval by City Council • approval of PGW's operating budget • review of PGW's capital budgets for approval by City Council • review and approval of real estate transactions for approval by City Council
PFMC	• Incorporated by the City in 1972 for the purpose of operating PGW • Governed by a seven-member board of directors appointed by the Mayor • Provides executive management for PGW • Directs operation of PGW facilities and operations
PGW	• Manages construction, operation, and maintenance of the gas system on a day-to-day basis • PGW executive management is responsible for hiring PGW staff
PUC	• Regulates rates, customer service and safety

Conflict in Ukraine and Middle East; Other Geopolitical Developments, and Impact on Energy Markets and PGW

Unrest and unstable geopolitical environments, such as conflicts occurring in Ukraine and Iran and disruptions to shipping such as those related to the Strait of Hormuz, Suez Canal, Red Sea, and Panama Canal, can disturb the global economy which can result in pricing impacts throughout the natural gas industry. PGW uses a portfolio approach when it comes to natural gas procurement. Purchasing from different geographical locations and utilizing off-site and on-site storage all help PGW minimize the impacts it may experience due to the risk of major events impacting natural gas infrastructure and the natural gas markets. PGW's firm pipeline contracts give PGW the flexibility of sourcing natural gas from multiple different locations. Consequently, PGW has experienced pricing impacts, but not availability issues, over the last several fiscal periods in response to international energy market disruptions. PGW's experience over the last several years with respect to weather events have had similar impacts on pricing, but no significant disruptions for natural gas supply. Certain disruptions may have negligible or even potentially favorable short-term impacts on PGW. To the extent that United States' exports of liquefied natural gas are impeded or slowed, PGW, like other domestic purchasers of natural gas, may benefit from increased amounts of natural gas supply that are not otherwise being exported. However, no assurances can be provided about larger energy market trends and disruptions which may affect PGW like other gas utilities.

Certain Terminology

As used in this Official Statement, the terms “gas” and “natural gas” are interchangeable.

The Fiscal Year of PGW begins on September 1 and ends on August 31 of the following calendar year. For example, “Fiscal Year 2026” or “FY 2026” when used in connection with PGW refers to the Fiscal Year ended August 31, 2026. The City’s Fiscal Year begins on July 1 and ends on June 30 of the following calendar year. For example, “Fiscal Year 2026” or “FY 2026” when used in connection with the City refers to the fiscal year ended June 30, 2026. As of the date of this Official Statement, PGW is in Fiscal Year 2026, while the City is in Fiscal Year 2027.

Unless otherwise defined within this Official Statement, when referred to individually, each Series of City of Philadelphia, Pennsylvania Gas Works Revenue Bonds (1998 General Ordinance) is referred to by its numerical designation, followed by the words “Series Bonds.”

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS*

Refunding Plan

The proceeds of the Bonds, together with certain other available funds, will be used to (i) currently refund all of the Refunded Bonds, (ii) purchase and cancel the Purchased Bonds, and (iii) pay the costs of issuing the Bonds and the costs of the Tender Offer.

Proceeds of the Bonds, together with certain other available funds, in an amount equal to the applicable redemption price of the respective Refunded Bonds plus accrued interest thereon to October 5, 2026,* the redemption date for the Refunded Bonds (the “Redemption Date”), will be applied to the payment of the redemption price of the Refunded Bonds and accrued interest on the Redemption Date.

See “Verification” herein.

Purchase of the Purchased Bonds

The City, with the assistance of Jefferies LLC (“Jefferies”), as lead dealer manager, and Loop Capital Markets LLC (“Loop Capital”), as co-dealer manager, released its Invitation to Tender Bonds dated August 11, 2026 (the “Invitation”) to the beneficial owners of certain of its outstanding Gas Works Revenue Bonds, Fifteenth Series (1998 General Ordinance) (the “Target Bonds”) as specified by the Invitation and on the terms set forth therein. Subject to the terms and conditions of the Invitation, upon the issuance and delivery of the Bonds, the City will purchase and cancel certain outstanding Target Bonds validly tendered and accepted for purchase (i.e., the Purchased Bonds set forth in Schedule 1). The process of the City inviting bondholders to tender their Target Bonds and determining which of the tendered Target Bonds to accept and purchase is collectively referred to herein as the “Tender Offer.”

The City expects to pay the purchase price for the Purchased Bonds, including accrued interest, on the Date of Delivery of the Bonds, together with the costs related to the Tender Offer, from a portion of the proceeds of the Bonds. The Purchased Bonds will be canceled on the Date of Delivery and will no longer be deemed Outstanding. See “Estimated Sources and Uses of Funds.” Target Bonds not so purchased pursuant to the Invitation will remain Outstanding and continue to be subject to the 1998 Ordinance.

This description is not intended to summarize the terms of the Tender Offer or the Invitation, or to solicit offers to tender. The City’s offer to purchase certain of its outstanding Gas Works Revenue Bonds is made only through the Invitation and beneficial holders thereof should refer solely to the Invitation, including all Appendices, notices, amendments, and supplements thereto, if any, for information regarding the Tender Offer.

* Preliminary, subject to change.

Estimated Sources and Uses of Funds

The sources and uses of proceeds of the Bonds are estimated to be as follows:

<u>Estimated Sources:</u>	<u>Total Amount</u>
Principal Amount of the Bonds	\$
[Net] Original Issue Premium	
Other Available Amounts	
<u>Total Sources</u>	<u>\$</u>
<u>Estimated Uses:</u>	
Refunding of Refunded Bonds	\$
Purchase and cancellation of Purchased Bonds	
Costs of Issuance ⁽¹⁾	
<u>Total Uses</u>	<u>\$</u>

(1) Includes the fees and expenses of various counsel, the Fiscal Agent, accountants, municipal advisors, verification agent, and rating agencies, printing and publication costs, Underwriters' discount, dealer-manager fees, information agent and tender agent fees, other expenses related to the issuance of the Bonds and the Tender Offer, and contingency.

Verification

Bingham Arbitrage Rebate Services, Inc. (the "Verification Agent") will deliver to the City and PGW, on or before the date of the delivery of the Bonds, its report (the "Verification Report") indicating that it has verified the mathematical sufficiency of the information provided by the City, PGW, and their representatives with respect to the amount of proceeds of the Bonds and certain other available funds necessary to redeem the Refunded Bonds on their Redemption Date.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent. The Verification Report will state that the Verification Agent has no obligation to update the Verification Report for events occurring, or data or information coming to their attention, subsequent to the date of the Verification Report.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in denominations of \$5,000 and integral multiples thereof and will mature on the dates and in the principal amounts, and will bear interest from their date of delivery at the interest rates, all as set forth on the inside cover pages of this Official Statement. Interest on the Bonds is payable on April 1 and October 1 (each an "Interest Payment Date"), commencing April 1, 2027,* and is calculated on the basis of a 360-day year of twelve 30-day months. The regular record date for the Bonds is the fifteenth (15th) day of the month preceding such Interest Payment Date.

The Bonds are available only in book-entry form as fully registered bonds without coupons. When issued, the Bonds will be registered in the name of Cede & Co., as nominee for DTC, to which payments of principal and interest will be made. Purchasers of the Bonds will not receive physical delivery of bond certificates representing their ownership interests during the period during which a nominee of DTC is owner of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds are payable directly to such nominee for redistribution to Participants and in turn to Beneficial Owners as described herein. For so long as any purchaser is the Beneficial Owner of Bonds, such purchaser must

* Preliminary, subject to change.

maintain an account with a broker or dealer who is, or acts through, a Participant to receive payment of the principal of and interest on such Bonds. See APPENDIX B – “BOOK-ENTRY ONLY SYSTEM” herein.

Optional Redemption*

The Bonds maturing on or after October 1, 20__ are subject to optional redemption, at the direction of the City, in whole at any time or in part from time to time on or after _____ 1, 20__, and in any order of maturity as may be designated by the City, at a redemption price equal to 100% of the principal amount of the Bonds so redeemed, plus accrued interest to the redemption date.

Mandatory Redemption*

The Bonds are not subject to mandatory redemption prior to maturity.

Selection of Bonds to be Called for Redemption

During the period when all of the Bonds are registered in the name of a nominee of DTC, if less than all of the Bonds of a maturity are being redeemed, DTC’s current practice is to determine by lot the amount of the interest of each Participant (as defined in APPENDIX B – “BOOK-ENTRY ONLY SYSTEM”) in such maturity to be redeemed. If the Bonds are not in book-entry form, then, if less than all of the Bonds of a maturity are to be redeemed, the particular Bonds to be called for redemption will be selected by lot or by such other method as the Fiscal Agent deems fair and appropriate.

Notice of Redemption of Bonds

Notice of redemption of Bonds shall be made not less than thirty (30) days nor more than sixty (60) days before the date fixed for redemption to the applicable Registered Owners appearing on the Bond Register of the Bonds to be redeemed. During the period when all of the Bonds are registered in the name of a nominee of DTC, the Fiscal Agent will send all redemption notices to such nominee, and DTC will be responsible for notifying Participants, and Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Fiscal Agent, the City, nor PGW is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the City or PGW as a result of the response or failure to respond by DTC or its nominee as Bond owner. (“Indirect Participants” and “Beneficial Owners” are defined in APPENDIX B – “BOOK-ENTRY ONLY SYSTEM.”)

If the Bonds are not in book-entry form, notice of any redemption will be mailed, first class postage prepaid, addressed to the registered owners of the Bonds called for redemption at the addresses appearing in the registration books kept by the bond registrar. Not more than sixty (60) days following the applicable redemption date, a further notice will be mailed as described above to the Bondholders of any Bonds called for redemption and not then presented for payment.

Any notice of redemption provided in accordance with the provisions described above shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholders. No defect in the notice with respect to any Bond (whether in the form of notice or the providing thereof) shall affect the validity of the redemption proceedings for any other Bonds.

A notice with respect to an optional redemption of the Bonds may state that it is conditioned upon the deposit of moneys with the Fiscal Agent on or before the date fixed for redemption and in such event, such notice shall be of no effect unless such moneys are deposited.

* Preliminary, subject to change.

SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS

Pledge of Revenues and Funds

The Bonds and each Series of bonds or notes previously issued or to be issued under the 1998 General Ordinance (collectively, “1998 Ordinance Bonds”) are special obligations of the City secured by and payable by the City solely from (i) the Gas Works Revenues, and (ii) unless otherwise set forth in the Supplemental Ordinance authorizing such 1998 Ordinance Bonds, the Sinking Fund Reserve. The Bonds and all Outstanding Senior 1998 Ordinance Bonds are secured by the Sinking Fund Reserve. Bonds and notes issued as subordinate bonds under the 1998 General Ordinance (“Subordinate 1998 Ordinance Bonds”) are payable from Gas Works Revenues, subordinate to payment of the Bonds and other Senior 1998 Ordinance Bonds. The Subordinate 1998 Ordinance Bonds are not secured by the Sinking Fund Reserve. See “– Gas Works Revenues” and “– Sinking Fund Reserve” below.

The Bonds are special obligations of the City payable solely from the sources described herein and neither the taxing power nor the general revenues of the City are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, nor are the Bonds a general obligation of the City. The Bonds do not constitute debt of the City within the meaning of the Constitution of the Commonwealth.

Outstanding 1998 Ordinance Bonds

Bonds and notes issued under the 1998 General Ordinance may be issued as Senior 1998 Ordinance Bonds or as Subordinate 1998 Ordinance Bonds. As of August 1, 2026, the City has issued Senior 1998 Ordinance Bonds in an aggregate principal amount of \$3,402,070,000, together with an aggregate principal amount of \$256,000,000 of Subordinate 1998 Ordinance Bonds in the form of CP Capital Project Notes (as defined below). As of such date, there was \$1,073,715,000 of Outstanding 1998 Ordinance Bonds, which consisted of \$1,073,715,000 of Senior 1998 Ordinance Bonds and no Subordinate 1998 Ordinance Bonds. Subordinate 1998 Ordinance Bonds may be issued in the form of CP Capital Project Notes, which the City is authorized to issue in a principal amount not to exceed \$120,000,000 Outstanding at any time. See “Authorized Additional 1998 Ordinance Bonds” and “Commercial Paper Programs – CP Capital Project Notes” below and “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” above. Also see “COMMERCIAL PAPER PROGRAMS – Note Purchase and Credit Agreement.”

Senior 1998 Ordinance Bonds

All Senior 1998 Ordinance Bonds (including the Bonds) are secured on a parity with all other Senior 1998 Ordinance Bonds and the obligations of the City to make, from Gas Works Revenues, payments (other than termination payments) due under any Qualified Swaps and Exchange Agreements related to Senior 1998 Ordinance Bonds. In accordance with the 1998 General Ordinance, Net Operating Expenses then payable are paid from Gas Works Revenues before debt service on Senior 1998 Ordinance Bonds and the other City obligations payable on a parity with Senior 1998 Ordinance Bonds. The Bonds and all other Senior 1998 Ordinance Bonds are senior in right of payment and security to any Subordinate 1998 Ordinance Bonds. See “– Gas Works Revenues – Order of Application of Gas Works Revenues” below.

Subordinate 1998 Ordinance Bonds

All Subordinate 1998 Ordinance Bonds are subject to the prior right of payment and security of the Senior 1998 Ordinance Bonds (including the Bonds), the other obligations of the City on a parity with Senior 1998 Ordinance Bonds and payments to issuers of Credit Facilities related to Senior 1998 Ordinance Bonds. See “– Senior 1998 Ordinance Bonds” above and “– Gas Works Revenues – Order of Application of Gas Works Revenues” below. Subordinate 1998 Ordinance Bonds (including CP Capital Project Notes, if any) are secured on a parity with all other Subordinate 1998 Ordinance Bonds and certain other obligations of the City. See APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues.”

Gas Works Revenues

General

The 1998 General Ordinance defines Gas Works Revenues as:

All operating and non-operating revenues of the Gas Works derived from its activities and assets involved in the supply, manufacture, storage and distribution of gas, including all rents, rates and charges imposed or charged by the City upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues derived therefrom and all other income derived by the City from the Gas Works.

Revenues derived from activities unrelated to the supply, manufacture, storage and distribution of gas or assets related thereto are not included in Gas Works Revenues. If PGW receives fair payment for the use of gas related assets and personnel of PGW used in such unrelated activities, such payments are included in Gas Works Revenues.

Gas Works Revenues may be divided into separate components in one or more Supplemental Ordinances and any Series of 1998 Ordinance Bonds issued thereafter may be limited as to source of payment to one or more of such components as provided in the Supplemental Ordinance authorizing the particular Series of 1998 Ordinance Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Authorized Additional 1998 Ordinance Bonds.” As of the date of this Official Statement, no portion of the Gas Works Revenues has been divided as described above and all Gas Works Revenues secure and provide payment for all 1998 Ordinance Bonds. Only new sources of Gas Works Revenues may be so divided while the Bonds and all previously issued Series of 1998 Ordinance Bonds remain Outstanding.

Gas Works Revenues do not include any portions of PGW’s rents, rates and charges derived from non-performing assets, if any, which are securitized and sold pursuant to the 1998 General Ordinance. PGW currently has no assets designated as “non-performing.” See “PERMITTED SECURITIZATION OF REVENUES RELATED TO NON-PERFORMING ASSETS” below.

Order of Application of Gas Works Revenues

Gas Works Revenues are not exclusively available for payment of debt service on Senior 1998 Ordinance Bonds and deposits to the Sinking Fund Reserve. Gas Works Revenues are also the source of payment for PGW’s operating costs, debt service on Subordinate 1998 Ordinance Bonds, payments required under Credit Facilities and Qualified Swaps and Exchange Agreements, and certain other obligations of the City related to PGW. For information concerning the City’s existing Qualified Swaps and Exchange Agreements and Credit Facilities, see “– Qualified Swaps and Exchange Agreements” and “– Credit Facilities with Respect to 1998 Ordinance Bonds” below. See APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues.”

The 1998 General Ordinance establishes an order of application of Gas Works Revenues as and when collected in each Fiscal Year as follows: FIRST to Net Operating Expenses then payable; SECOND to debt service on Senior 1998 Ordinance Bonds and payments (other than termination payments) due to the issuers of Qualified Swaps and Exchange Agreements related to Senior 1998 Ordinance Bonds, and THEREAFTER to the other obligations of the City (including, but not limited to, debt service on Subordinate 1998 Ordinance Bonds, the replenishment of the Sinking Fund Reserve and any termination payments to issuers of Qualified Swaps and Exchange Agreements) described and in the order set forth in APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues.”

The City transfers Gas Works Revenues available after the payment of Net Operating Expenses then payable from PGW’s operating funds to the Sinking Fund to make payments due on Senior 1998 Ordinance Bonds. The 1998 General Ordinance requires such transfers to be made on or before the day that payments on Senior 1998 Ordinance Bonds are due. The Sinking Fund (including the Sinking Fund Reserve) is held by the Sinking Fund Depository in the name of the City in an account or accounts separate and apart from all other

accounts of the City. U.S. Bank Trust Company, National Association, the Fiscal Agent with respect to the 1998 Ordinance Bonds, also serves as the Sinking Fund Depositary. If the City elects to invest moneys in the Sinking Fund, such investments may be invested and reinvested on a consolidated basis with investments held in the Sinking Fund Reserve. See “– Sinking Fund Reserve” and “– Covenant Against Commingling with Other City Funds” below and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Sinking Fund” and “– Fiscal Agent.”

Any deficiency in the Sinking Fund Reserve shall be replenished with the Gas Works Revenues available after the payment of Net Operating Expenses then payable, debt service on 1998 Ordinance Bonds and the other obligations on a parity with 1998 Ordinance Bonds, payments due to Credit Facility Issuers and any Rebate Amount required to be paid to the United States. See APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues.” The 1998 General Ordinance provides that any excess moneys (including investment earnings) in the Sinking Fund Reserve, to the extent not required to be retained in the fund or account to which such moneys related, shall be transferred to the operating accounts of PGW to be applied as Gas Works Revenues in accordance with the 1998 General Ordinance.

Net Operating Expenses

Net Operating Expenses are defined in the 1998 General Ordinance as Operating Expenses exclusive of City Charges.

Operating Expenses are defined in the 1998 General Ordinance as all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each Fiscal Year, and include, without limitation, the manager’s fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and workmen’s compensation requirements, provision for claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges. The 1998 General Ordinance, however, excludes expenses which are unrelated to the supply, manufacture, storage and distribution of gas or assets related thereto from the definition of Operating Expenses. Gas Works are defined in the 1998 General Ordinance as all property, real and personal, owned by the City and used in the acquisition or manufacture, storage and distribution of natural, liquefied, synthetic or manufactured gas or in the maintenance, management or administration thereof and all activities ancillary and related thereto, and also means, as the context may require, the business entity managed by PFMC.

City Charges

City Charges are defined in the 1998 General Ordinance as the proportionate charges, if any, for services performed for the Gas Works by all officers, departments, boards or commissions of the City which are contained in the computation of operating expenses of the Gas Works including, without limitation, the expenses of the Gas Commission, and also means the base payments to the City contained in the Management Agreement and all other payments made to the City from Gas Works Revenues.

City Charges are payable from Gas Works Revenues provided, however, that such payments are subordinate to all other City obligations payable from the Gas Works Revenues. See APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues.” The City has covenanted in the 1998 General Ordinance that it will not in any Fiscal Year pay from Gas Works Revenues any City Charges or debt service on any general obligation bonds of the City unless, among other things, there has been deposited in the Sinking Fund an amount sufficient to pay all sinking fund charges then payable with respect to all Outstanding 1998 Ordinance Bonds. See APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Covenants – *Additional Covenants.*” Assuming the satisfaction of the above referenced covenant, PGW’s annual \$18.0 million payment to the City under the Management Agreement is paid currently in equal installments on the first business day of February, March, April and May in each Fiscal

Year. See “PHILADELPHIA GAS WORKS – Management – *Management Agreement*” and “GAS SERVICE TARIFF AND RATES – Rates – *Ratemaking Methodology to Comply with Bond Covenants.*”

Supplemental Ordinances and Certain Required Findings

Prior to issuing any 1998 Ordinance Bonds, the Act and the 1998 General Ordinance require the City Council to adopt a Supplemental Ordinance that makes certain findings relating to the adequacy of Gas Works Revenues to pay debt service on all then-Outstanding 1998 Ordinance Bonds, the 1998 Ordinance Bonds to be issued thereunder and all other bonds or notes secured by the Gas Works Revenues. See “Authorized Additional 1998 Ordinance Bonds” below. Such findings with respect to the related Bonds have been made in the Thirteenth Supplemental Ordinance and the Fourteenth Supplemental Ordinance.

Rate Covenant

The 1998 General Ordinance requires the City to comply with a rate covenant (the “Rate Covenant”), which requires the City to impose, charge and collect, in each Fiscal Year, rates and charges which, together with all other Gas Works Revenues to be received in such Fiscal Year, shall be sufficient to meet, among other things, Net Operating Expenses then payable and the debt service coverage requirements (including those with respect to the 1998 Ordinance Bonds) specified in the 1998 General Ordinance. See “– Rate Covenant and Rate Requirements” below, “GAS SERVICE TARIFF AND RATES – Rates – *Ratemaking Methodology to Comply with Bond Covenants,*” and APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE” herein.

Sinking Fund Reserve

The 1998 General Ordinance establishes the Sinking Fund Reserve as a separate account in the Sinking Fund. Each Series of Senior 1998 Ordinance Bonds (unless otherwise set forth in the Supplemental Ordinance authorizing such Series) is entitled to the benefit of the Sinking Fund Reserve. The City is required to deposit to the credit of the Sinking Fund Reserve from Gas Works Revenues and/or the proceeds of sale of each Series of Senior 1998 Ordinance Bonds secured by the Sinking Fund Reserve an amount which, together with other amounts in the Sinking Fund Reserve, equals the greatest amount of debt service requirements required in any Fiscal Year to pay principal of and interest on the Senior 1998 Ordinance Bonds secured by the Sinking Fund Reserve coming due and payable in that Fiscal Year. In lieu of a deposit to the credit of the Sinking Fund Reserve or in substitution for amounts in the Sinking Fund Reserve, the City may provide one or more letters of credit or other Credit Facilities in the same aggregate amount, issued by a provider or providers whose Credit Facilities are such that bonds secured by such Credit Facilities are rated in one of the three (3) highest rating categories by Moody’s Investors Service, Inc. (“Moody’s”), Fitch Ratings, Inc. (“Fitch”) or Standard & Poor’s Ratings Service, a Division of The McGraw Hill Companies, Inc. (“S&P”), all in the manner described in APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Sinking Fund Reserve.”

If, at any time and for any reason, the moneys in the Sinking Fund (other than the Sinking Fund Reserve) are insufficient to pay, as and when due, debt service on any Senior 1998 Ordinance Bonds secured by the Sinking Fund Reserve, the Sinking Fund Depositary is required to pay over to the Fiscal Agent, from the Sinking Fund Reserve, the amount of the deficiency. If by reason of such withdrawal (including draws on any Credit Facilities held to satisfy the Sinking Fund Reserve Requirement) or for any other reason there shall be a deficiency in the Sinking Fund Reserve, the City has covenanted to restore such deficiency from Gas Works Revenues (either by a deposit of funds or the reinstatement of the cash limits of the Credit Facilities) within twelve (12) months.

The Sinking Fund Reserve is established solely for the benefit of the Bondholders of those Senior 1998 Ordinance Bonds secured by the Sinking Fund Reserve. The Bonds and all Outstanding Senior 1998 Ordinance Bonds are secured by the Sinking Fund Reserve. Providers of Qualified Swaps or Exchange Agreements, issuers of Credit Facilities (other than those that become Bondholders as a result of a draw under a Credit Facility), the holders of any bonds or notes which are Subordinate 1998 Ordinance Bonds or on a parity with Subordinate 1998 Ordinance Bonds and the providers of any credit facilities related thereto do not have a lien on or security interest in the Sinking Fund Reserve.

Upon issuance of the Bonds and the refunding of the Refunded Bonds and the purchase of the Purchased Bonds, the amount required to be on deposit in the Sinking Fund Reserve will be \$_____. The City will not be required to make a deposit to the Sinking Fund Reserve in connection with the issuance of the Bonds to meet the Sinking Fund Reserve Requirement. The amount on deposit in the Sinking Fund Reserve on the date of issuance of the Bonds will be the amount necessary to satisfy the Sinking Fund Reserve Requirement. See “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” above.

The Sinking Fund Reserve is managed by, and invested and reinvested under the direction of, the City. The Sinking Fund Reserve is valued by the Sinking Fund Depositary promptly after any withdrawal from the Sinking Fund Reserve or upon any other event indicating a possible deficiency in the Sinking Fund Reserve and on August 31 of each Fiscal Year of PGW. The 1998 General Ordinance establishes permitted investments and the terms of such investments for moneys held in the Sinking Fund, including the Sinking Fund Reserve.

For additional information concerning the Sinking Fund Reserve, see APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE –Sinking Fund Reserve.”

Rate Covenant and Rate Requirements

Pursuant to the Rate Covenant, the City has covenanted in the 1998 General Ordinance that, for so long as the 1998 Ordinance Bonds are Outstanding, the City will, at a minimum, impose, charge and collect in each Fiscal Year of the Gas Works such gas rates and charges as shall, together with all other Gas Works Revenues to be received in such Fiscal Year, equal not less than the greater of (a) and (b) below:

- (a) The sum of:
 - (i) all Net Operating Expenses payable during such Fiscal Year;
 - (ii) 150% of the amount required to pay Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Senior 1998 Ordinance Bonds;
 - (iii) the amount required to pay Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Subordinate 1998 Ordinance Bonds and other obligations of the Gas Works on a parity with Subordinate 1998 Ordinance Bonds payable during such Fiscal Year;
 - (iv) the amount, if any, required to be paid into the Sinking Fund Reserve during such Fiscal Year;
 - (v) the Rebate Amount required to be paid to the United States during such Fiscal Year;and
 - (vi) the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year;
- or

- (b) The sum of:
 - (i) all Net Operating Expenses payable during such Fiscal Year;
 - (ii) all Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding 1998 Ordinance Bonds and all amounts payable in respect of obligations of PGW which are on a parity with any of the 1998 Ordinance Bonds and in respect of general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the Sinking Fund Reserve;
 - (iii) the Rebate Amount required to be paid to the United States during such Fiscal Year;and
 - (iv) the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year.

In calculating the City’s compliance with the Rate Covenant set forth above, required Sinking Fund deposits are calculated without regard to the effect of any Qualified Swap and Exchange Agreements. For a

further discussion of the Rate Covenant and other rate requirements applicable to the City, including the PUC obligation to set rates, see “PGW BUDGETS AND FINANCES – Debt Service Coverage Ratio” and “GAS SERVICE TARIFF AND RATES – Rates – *Ratemaking Methodology to Comply with Bond Covenants.*”

Qualified Swaps and Exchange Agreements

The 1998 General Ordinance permits the City to enter into a Qualified Swap or Exchange Agreement with respect to a Series of Senior 1998 Ordinance Bonds or Subordinate 1998 Ordinance Bonds or a portion thereof upon the enactment of an ordinance by the City Council authorizing such Qualified Swap or Exchange Agreement. Payments, other than termination payments, due to the provider of a Qualified Swap or Exchange Agreement are payable from Gas Works Revenues on a parity with debt service on, as applicable, Senior 1998 Ordinance Bonds (if such Qualified Swap or Exchange Agreement relates to a Series of Senior 1998 Ordinance Bonds) or Subordinate 1998 Ordinance Bonds (if such Qualified Swap or Exchange Agreement relates to a Series of Subordinate 1998 Ordinance Bonds). See “– Gas Works Revenues – *Order of Application of Gas Works Revenues*” above. The 1998 General Ordinance prohibits the provider of any Qualified Swap or Exchange Agreement from having any right or claim at any time to amounts on deposit in the Sinking Fund Reserve. There are four Qualified Swaps and Exchange Agreements in effect, each of which is related to a Series of Senior 1998 Ordinance Bonds and detailed in the table below.

Table 1
QUALIFIED SWAPS AND EXCHANGE AGREEMENTS
RELATED TO SENIOR 1998 ORDINANCE BONDS
as of July 31, 2026

Related Senior 1998 Ordinance Bond Series	8B	8C	8D	8E
Initial Notional Amount	\$313,390,000 ⁽⁷⁾	\$50,000,000	\$50,000,000	\$50,000,000
Current Notional Amount ⁽¹⁾	\$17,565,000	\$17,470,000	\$26,210,000	\$17,565,000
Termination Date	8/1/2028	8/1/2028	8/1/2028	8/1/2028
Product	Fixed Rate Payer Swap	Fixed Rate Payer Swap	Fixed Rate Payer Swap	Fixed Rate Payer Swap
Rate Paid by Provider ^{(8) (9)}	70% SOFR + 0.080136%	70% SOFR + 0.080136%	70% SOFR + 0.080136%	70% SOFR + 0.080136%
Rate Paid by City ⁽²⁾	3.6745%	3.6745%	3.6745%	3.6745%
Provider	JPMorgan Chase Bank, N.A. ⁽⁶⁾	JPMorgan Chase Bank, N.A. ⁽⁶⁾	JPMorgan Chase Bank, N.A. ⁽⁶⁾	JPMorgan Chase Bank, N.A. ⁽⁶⁾
Net Present Value ⁽³⁾	(\$403,889)	(\$404,823)	(\$602,623)	(\$403,889)
Credit Related Termination Events	For Provider: ⁽⁴⁾ For City: ⁽⁵⁾	For Provider: ⁽⁴⁾ For City: ⁽⁵⁾	For Provider: ⁽⁴⁾ For City: ⁽⁵⁾	For Provider: ⁽⁴⁾ For City: ⁽⁵⁾

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- (1) As of July 31, 2026. As of such date, the notional amount of each swap is equal to, as applicable, the principal outstanding amount of the related Series.
- (2) The City's fixed rate payments under each swap are insured by Assured Guaranty Municipal Corporation ("Assured"). On August 1, 2024, Assured (AGM) and its sister-subsidiary Assured Guaranty Capital (AGC) merged into Assured Guaranty (AG). AG is currently rated "A1" by Moody's, "AA" by S&P, and "AA+" by Kroll. The "Investor Information" page of assuredguaranty.com, as of April 23, 2026, states, "AG has the responsibilities under AGM's outstanding insurance policies that AGM had before the merger." Such webpage is not incorporated herein by reference.
- (3) Net present values are as of July 31, 2026, include accrued interest, and are shown at mid-market from the City's perspective.
- (4) Each swap may be terminated by the provider if (a) Assured's claims paying ability is rated below "A" by S&P and its financial strength rating is rated below "A2" by Moody's or if either rating is withdrawn or suspended and not reinstated within 30 days (provided that Assured maintains a rating of at least "AA" from S&P or "Aa2" from Moody's during such 30 day period), and (b) the Eighth Series Bonds are rated below "Baa2" by Moody's or below "BBB" by S&P. As of July 31, 2026, Moody's website reflected a rating of "A1" for Assured and S&P's website reflected a rating of "AA" for Assured.
- (5) Each swap may be terminated by the City if the senior long-term debt or deposits of the provider are rated below "A3" by Moody's or "A-" by S&P, unless the provider has (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the provider of its obligations under the applicable swap.
- (6) As of July 31, 2026, Moody's website reflected a senior long-term debt rating of JPMorgan Chase Bank, N.A. ("JPMorgan") of "Aa2" and a counterparty risk assessment rating of "Aa2 (cr)." As of July 31, 2026, S&P's website reflected a long-term rating of JPMorgan of "A+."
- (7) Reflects the initial notional amount of the swap entered into in connection and concurrently with the issuance of the Sixth Series Bonds, which were the Senior 1998 Ordinance Bonds redeemed in whole with a portion of the proceeds of the Eighth Series Bonds. Upon such redemption, a portion of such swap was terminated, and the remainder of the swap was identified to and reallocated among the four Series of Senior 1998 Ordinance Bonds reflected in Table 1. See Note 8 in the "Annual Comprehensive Financial Report for Fiscal Years ended August 31, 2025 and 2024 of the Philadelphia Gas Works — Financial Section".
- (8) GASB Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of interbank offered rates (IBORs) in hedging derivative instruments and leases, including the London Interbank Offered Rate (LIBOR). GASB No. 99, Omnibus, offered an extension of the use of LIBOR until fiscal years beginning after June 15, 2023. PGW early adopted this GASB in FY 2023. The transition to the Secured Overnight Financing Rate (SOFR) + 0.080136% had no material impact on PGW's financial reporting.
- (9) The City adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol in April 2023.

On July 27, 2017, the Financial Conduct Authority (*i.e.*, the conduct regulator for financial services firms and financial markets and prudential supervisor in the United Kingdom) announced that it will no longer

persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021. The Financial Conduct Authority subsequently announced on March 5, 2021 that, among other things, the one-month tenor of LIBOR would be deemed “not representative” after June 30, 2023. PGW’s swaps, which relate to PGW’s Eighth Series Bonds, previously used one-month LIBOR as a reference rate for determining floating-leg payments by the provider thereunder. To manage the transition from LIBOR, the City adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol in April 2023.

The City does not have any outstanding PGW-related bonds or notes which have an interest rate determined by any tenor of LIBOR. The City also does not have any investment of proceeds or other funds related to PGW debt based upon any tenor of LIBOR in an amount which PGW’s management considers material to PGW’s finances.

See also “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” above.

For additional information regarding such Qualified Swap and Exchange Agreements as of August 31, 2025, see Note 8(d) in APPENDIX A – “ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section.”

Credit Facilities with Respect to 1998 Ordinance Bonds

The 1998 General Ordinance permits the City to enter into a Credit Facility with respect to any Series of Senior 1998 Ordinance Bonds and Subordinate 1998 Ordinance Bonds. As of the date of this Official Statement, there is a Credit Facility in effect in the form of a letter of credit with respect to each of the four subseries of variable rate Senior 1998 Ordinance Bonds (consisting of four subseries of the Eighth Series Bonds as further detailed in Table 2 below), which bonds (in the aggregate) have an Outstanding principal balance of \$54.85 million as of August 1, 2026. Such amount represents 5.1% of the Senior 1998 Ordinance Bonds Outstanding as of August 1, 2026. The coverage for principal payments under each letter of credit is equal to the Outstanding principal amount of the applicable subseries as of the date of this Official Statement. Each letter of credit expires prior to the final maturity date of the applicable Series of Senior 1998 Ordinance Bonds. In connection with any scheduled expiration, the City may extend the scheduled expiration, provide an alternate liquidity facility to replace the expiring letter of credit, or convert the interest rates on the applicable 1998 Ordinance Bonds to fixed interest rates or to an interest rate mode that does not require a liquidity facility. There can be no assurance that the City will be able to extend any expiration date or to obtain an alternate Credit Facility on terms substantially similar to the terms of any expiring letter of credit.

Following an unreimbursed draw on a letter of credit, the applicable 1998 Ordinance Bonds, so long as they are owned by such Credit Facility issuer, are “bank bonds” and will be subject to a more rapid term loan amortization (as discussed below under Table 2) and bear an interest rate determined in accordance with the applicable Bond Authorization and letter of credit reimbursement agreement (a “bank bond rate”). This interest rate may be higher or lower than the rate that 1998 Ordinance Bonds of the same Series that are not bank bonds would otherwise bear. In addition, each bank bond rate may increase upon the occurrence of certain defaults (such increased bank bond rate is the “default rate”) and outstanding term loans to the City under a facility related to liquidity draws and other obligations of the City may become due upon the occurrence of certain defaults.

Issuers of Credit Facilities (other than those that are Bondholders) do not have any lien on or security interest in the Sinking Fund Reserve. See APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues” for a discussion of the respective payment priorities of amount due under a Credit Facility.

Senior 1998 Ordinance Bonds

The table below describes the existing letters of credit, and the issuers thereof, related to Senior 1998 Ordinance Bonds as of the date of this Official Statement. In accordance with the 1998 General Ordinance, the

payment of interest on and principal of bank bonds that are Senior 1998 Ordinance Bonds is on a parity with debt service on all other Senior 1998 Ordinance Bonds.

Table 2
VARIABLE RATE SENIOR 1998 ORDINANCE BONDS
LETTERS OF CREDIT

Related Series	Bonds Outstanding (\$000s)⁽¹⁾	Issuer	Expiration Date	Counterparty Risk Assessment Term Ratings (Moody's)⁽³⁾	Issuer Long Term and Short Term Ratings (S&P)⁽³⁾	Issuer Long Term and Short Term Ratings (Fitch)⁽³⁾
8B	12,225	TD Bank ⁽²⁾	8/1/2028	Aa3(cr)/P-1(cr)	A+/A-1+	AA+/F1+
8C	12,160	TD Bank ⁽²⁾	8/1/2028	Aa3(cr)/P-1(cr)	A+/A-1+	AA+/F1+
8D	18,240	TD Bank ⁽²⁾	8/12/2028	Aa3(cr)/P-1(cr)	A+/A-1+	AA+/F1+
8E	12,225	TD Bank ⁽²⁾	8/1/2028	Aa3(cr)/P-1(cr)	A+/A-1+	AA+/F1+

⁽¹⁾ As of August 1, 2026.

⁽²⁾ TD Bank, N.A. ("TD Bank"). The City is required to repay the principal component of bank bonds in six semi-annual installments beginning on the letter of credit expiration date. The bank bond rate is a rate per annum equal to (a) during the period from the date of the related unreimbursed draw to and including the 180th day thereafter, the greater of (i) the "base rate" (as defined below) and (ii) 5.00%, and (b) during the period from the 181st day after the related unreimbursed draw, the greater of (x) the base rate plus 200 basis points (2.00%) and (y) 5.00%; provided, however, that from and after the occurrence and during the continuance of an event of default under the related reimbursement agreement, the bank bond rate shall equal the greater of (x) the base rate plus 300 basis points (3.00%) and (y) 7.00%. The "base rate" is a rate per annum equal to the higher of (a) the Wall Street Journal Prime Rate in effect on such day and (b) the sum of the federal funds open rate in effect on such day plus 100 basis points (1.00%). In no event will the bank rate exceed the lesser of (x) twenty-five percent (25%) per annum and (y) the maximum lawful rate. Notwithstanding the establishment of the bank bond rate, bank bonds shall bear interest at the greater of the applicable bank bond rate or the rate of interest borne by 1998 Ordinance Bonds of the applicable Series that are not bank bonds.

⁽³⁾ All ratings reflect information from the respective rating agency's website as of August 1, 2026.

Subordinate 1998 Ordinance Bonds

CP Capital Project Notes, if any, are Subordinate 1998 Ordinance Bonds and any letters of credit, solely as they relate to the CP Capital Project Notes, are Credit Facilities under the 1998 General Ordinance. Pursuant to the 1998 General Ordinance, CP Capital Project Notes, if any, are not secured by the Sinking Fund Reserve. The Gas Works Notes (as defined below) are not issued under the 1998 General Ordinance. However, under the 1998 General Ordinance, such Gas Works Notes are junior in priority of payment to the Senior 1998 Ordinance Bonds, and payments due in respect of Gas Works Notes are on a parity with Subordinate 1998 Ordinance Bonds. See "COMMERCIAL PAPER PROGRAMS." As of the date hereof, there are no CP Capital Project Notes outstanding. The City does not expect to issue any additional CP Capital Project Notes prior to PGW's Fiscal Year 2028. There are no Gas Works Notes currently outstanding. The City currently does not have any plans to issue Gas Works Notes, but expects to review such potential financing option periodically.

See "COMMERCIAL PAPER PROGRAMS" and "POSSIBLE FUTURE PGW RELATED FINANCINGS."

Authorized Additional 1998 Ordinance Bonds

The 1998 General Ordinance permits the issuance of additional 1998 Ordinance Bonds which, if and when issued, will be either Senior 1998 Ordinance Bonds or Subordinate 1998 Ordinance Bonds. The issuance of any additional 1998 Ordinance Bonds (other than the Bonds and any other additional 1998 Ordinance Bonds issued pursuant to the Sixteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 adopted by City Council (the "Sixteenth Supplemental Ordinance"), the Fifteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 adopted by City Council (the "Fifteenth Supplemental Ordinance"), the Fourteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 adopted by City Council, (the "Fourteenth Supplemental Ordinance"), or the Thirteenth Supplemental Ordinance) requires, among other things, the adoption by the City Council of a Supplemental

Ordinance that makes the findings described under “– Gas Works Revenues – *Supplemental Ordinances and Certain Required Findings*” above.

The 1998 General Ordinance authorizes the City to issue one or more Series of CP Capital Project Notes. The CP Capital Project Notes are issued as Subordinate 1998 Ordinance Bonds. See “– Pledge of Revenues and Funds – *Subordinate 1998 Ordinance Bonds*” above and “COMMERCIAL PAPER PROGRAMS” below.

The Bonds are being issued pursuant to the Thirteenth Supplemental Ordinance and the Fourteenth Supplemental Ordinance. See “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” above.

The Bonds will not finance any portion of PGW’s ongoing Capital Improvement Program. The Sixteenth Supplemental Ordinance, which authorizes the City to issue one or more series of Senior 1998 Ordinance Bonds in an aggregate principal amount not to exceed \$300 million to finance costs of PGW’s capital improvement program, has a remaining authorization for the City to issue Senior 1998 Ordinance Bonds in an aggregate principal amount of \$208.020 million. Neither the Fifteenth Supplemental Ordinance, the Fourteenth Supplemental Ordinance, nor any earlier enacted Supplemental Ordinance has any remaining authorization for the City to issue Senior 1998 Ordinance Bonds for new money purposes.

The Thirteenth Supplemental Ordinance authorizes the City to issue one or more Series of Senior 1998 Ordinance Bonds in an aggregate principal amount not to exceed \$1.026 billion for the purposes, *inter alia*, of refunding or redeeming of all or a portion of any Outstanding Senior 1998 Ordinance Bonds and all or a portion of Outstanding CP Capital Project Notes, and paying any termination payment that may become due and payable under a Qualified Swap Agreement in connection with the redemption or conversion of all or any portion of any refunded Senior 1998 Ordinance Bonds. Senior 1998 Ordinance Bonds issued to refund Senior 1998 Ordinance Bonds previously issued pursuant to the Thirteenth Supplemental Ordinance, the Fourteenth Supplemental Ordinance, the Fifteenth Supplemental Ordinance and the Sixteenth Supplemental Ordinance (collectively, the “Thirteenth Through Sixteenth Ordinances”) (including the Bonds) do not require any additional City Council authorization, provided that the City may only issue refunding bonds under the Thirteenth Through Sixteenth Ordinances if such refunding bonds (i) are issued solely to refund any 1998 Ordinance Bonds previously issued pursuant thereto, (ii) do not extend the final maturity of the 1998 Ordinance Bonds to be refunded and have debt service in each year lower than the debt service in each year on the bonds to be refunded, and (iii) are in a principal amount not to exceed the amount which accomplishes the foregoing, together with the amount necessary to pay the costs of issuance related to such refunding bonds (the “Refunding Criteria”). The Bonds satisfy the Refunding Criteria.

Any Series of Senior 1998 Ordinance Bonds issued pursuant to the Sixteenth Supplemental Ordinance, the Fifteenth Supplemental Ordinance, the Fourteenth Supplemental Ordinance, or the Thirteenth Supplemental Ordinance are entitled to the benefit of the Sinking Fund Reserve.

As noted above under “– Gas Works Revenues,” Gas Works Revenues, pursuant to a Supplemental Ordinance, may be divided into separate components and any Series of 1998 Ordinance Bonds issued thereafter may be limited as to source of payment to one or more such components. Since all current Gas Works Revenues are pledged for the security of and payment on all 1998 Ordinance Bonds, only new revenues that satisfy the definition of Gas Works Revenues could be so divided and pledged as security for and the only source of payment on one or more future Series of 1998 Ordinance Bonds.

The Act and the 1998 General Ordinance authorize the City to issue Senior 1998 Ordinance Bonds and Subordinate 1998 Ordinance Bonds in the form of revenue bond anticipation notes (“Anticipation Notes”). The principal of any Anticipation Notes is payable by exchange for, or out of the proceeds of the sale of, a designated Series of 1998 Ordinance Bonds referred to in the related Anticipation Notes. If such designated Series of 1998 Ordinance Bonds is offered for sale but cannot be sold, the sole remedy of the Holders of Anticipation Notes is to accept the 1998 Ordinance Bonds of the designated Series at their maximum interest rate (which must be set forth in the related Anticipation Notes), or to extend the maturity of the Anticipation Notes for one or more

specified additional periods of not less than six months during which additional offers of the designated Series of 1998 Ordinance Bonds may be made. The City has not issued Anticipation Notes.

See “POSSIBLE FUTURE PGW RELATED FINANCINGS” below for information concerning potential future issuances of 1998 Ordinance Bonds.

Covenant Against Commingling with Other City Funds

The City has covenanted that so long as any of the Bonds remain Outstanding, all Gas Works Revenues, as applicable, shall be deposited and held in and disbursed from, one or more unsegregated accounts of PGW which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for PGW purposes.

The effectiveness of the separation of proceeds of the Bonds and revenues from other City accounts may be limited under certain circumstances, including a bankruptcy filing by the City. See “REMEDIES OF BONDHOLDERS – Limitation on Remedies of Bondholders” below.

Senior 1998 Ordinance Bonds Debt Service Schedule

The table below reflects the debt service schedule for all Senior 1998 Ordinance Bonds Outstanding, (including the Refunded Bonds and the Purchased Bonds but excluding the Bonds).

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Table 3
SENIOR 1998 ORDINANCE BONDS DEBT SERVICE

Fiscal Year Ending August 31	Outstanding Senior 1998 Ordinance Bonds ⁽¹⁾	The Bonds			Total Senior 1998 Ordinance Bonds (Including the Bonds)
	Existing Debt Service	Principal	Interest	Total Debt Service on the Bonds	Combined Total Debt Service
2027	\$111,202,488	\$	\$	\$	\$111,202,488
2028	111,301,268				111,301,268
2029	91,897,650				91,897,650
2030	90,425,025				90,425,025
2031	90,421,275				90,421,275
2032	90,415,525				90,415,525
2033	82,007,150				82,007,150
2034	82,024,900				82,024,900
2035	74,239,650				74,239,650
2036	72,965,250				72,965,250
2037	72,974,700				72,974,700
2038	72,967,900				72,967,900
2039	62,313,550				62,313,550
2040	62,310,900				62,310,900
2041	52,372,150				52,372,150
2042	52,374,175				52,374,175
2043	52,375,425				52,375,425
2044	52,372,325				52,372,325
2045	52,374,325				52,374,325
2046	52,376,413				52,376,413
2047	52,375,175				52,375,175
2048	35,115,888				35,115,888
2049	35,111,188				35,111,188
2050	35,115,988				35,115,988
2051	21,861,175				21,861,175
2052	21,860,888				21,860,888
2053	21,861,513				21,861,513
2054	21,860,425				21,860,425
Total	\$1,726,874,281	\$	\$	\$	\$1,726,874,281

⁽¹⁾ Includes the Refunded Bonds and the Purchased Bonds. Interest on the Eighth Series B, C, D and E Bonds calculated at the swap rate of 3.6745%. This table assumes that there will be no draws on the letters of credit. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Credit Facilities with Respect to 1998 General Ordinance." See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" above.

COMMERCIAL PAPER PROGRAMS

The City is authorized to issue commercial paper to finance the costs of certain PGW capital projects, other project costs and working capital requirements. As of June 16, 2026, any commercial paper notes to be issued would be supported by the Note Purchase Agreement (as defined herein) and a security interest in PGW's revenues as further discussed below. Prior to that, all notes were supported by a note purchase agreement between the City and a different financial institution and secured by a security interest in PGW's revenues.

CP Capital Project Notes

Pursuant to the 1998 General Ordinance, as supplemented by the Fourteenth Supplemental Ordinance, the City may currently issue one or more Series of commercial paper notes in installments in a principal amount not to exceed \$120.0 million Outstanding at any time (the "CP Capital Project Notes") to finance capital projects included in PGW's approved capital program. CP Capital Project Notes are issued as Subordinate 1998 Ordinance Bonds. The Bonds and all other Senior 1998 Ordinance Bonds are senior in right of payment and security to the CP Capital Project Notes. As of the date of this Official Statement, PGW has no CP Capital Project Notes outstanding.

The City does not anticipate issuing any additional CP Capital Project Notes prior to Fiscal Year 2028. PGW may from time to time request the City for authorization to issue additional CP Capital Project Notes in future Fiscal Years. The City's present plans contemplate issuing future CP Capital Project Notes in Fiscal Year 2028 and Fiscal Year 2032 pursuant to the Fourteenth Supplemental Ordinance.

The holders of CP Capital Project Notes and the issuers of any credit facilities related thereto do not have a lien on or a security interest in the Sinking Fund Reserve. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Pledge of Revenues and Funds – *Subordinate 1998 Ordinance Bonds*" and "– Sinking Fund Reserve."

Gas Works Notes

PGW's working capital requirements may be financed by the issuance of notes (the "Gas Works Notes") pursuant to The City of Philadelphia Municipal Utility Inventory and Receivables Financing Act of the Commonwealth (the "Inventory and Receivables Financing Act") and the General Inventory and Receivables Gas Works Revenue Note Ordinance of 2021 (the "Note Ordinance"). Gas Works Notes may be issued in installments in a principal amount (together with interest) not to exceed, in the aggregate, \$150.0 million at any one time outstanding. As of the date of this Official Statement, no Gas Works Notes are outstanding, and the City does not currently anticipate issuing any Gas Works Notes. The proceeds of Gas Works Notes may be used to finance or refund the costs of acquiring or funding certain inventory, accounts, and other expenses of PGW or to refund Gas Works Notes.

Gas Works Notes are not 1998 Ordinance Bonds. Debt service on Gas Works Notes is payable from Gas Works Revenues on a parity with Subordinate 1998 Ordinance Bonds. The Bonds and all other Senior 1998 Ordinance Bonds are senior in right of payment and security to the Gas Works Notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Pledge of Revenues and Funds" and APPENDIX E – "SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues." The holders of any Gas Works Notes and the issuers of any credit facilities related thereto do not have a lien on or a security interest in the Sinking Fund Reserve. "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Sinking Fund Reserve."

Note Purchase and Credit Agreement

Any CP Capital Project Notes and any Gas Works Notes which may be issued would be supported by revolving credit pursuant to a Note Purchase and Credit Agreement, dated as of June 1, 2026, between the City and TD Public Finance LLC (the "Bank") (the "Note Purchase Agreement"). CP Capital Project Notes and Gas Works Notes would be secured by a security interest in PGW's Gas Works Revenues on a parity with Subordinate 1998 Ordinance Bonds (which the CP Capital Project Notes themselves constitute). The Note

Purchase Agreement supporting PGW's combined commercial paper programs sets the maximum level of outstanding CP Capital Project Notes and/or Gas Works Notes plus interest at \$120.0 million. The Note Purchase Agreement has a stated term ending June 14, 2030, subject to certain customary suspension and early termination events. CP Capital Project Notes and/or Gas Works Notes purchased by the Bank pursuant to the Note Purchase Agreement will bear interest payable monthly at a per annum rate equal to the product of (a) the product of (i) the sum of Term SOFR plus the Applicable Spread and (ii) the Applicable Factor, and (b) the Margin Rate Factor, for the maturity established for such Note (as such terms and provisions are more particularly specified in the Note Purchase Agreement) for the interest period of generally one month.

OTHER DEBT OBLIGATIONS PAYABLE FROM GAS WORKS REVENUES

Short-Term Borrowings

PGW is authorized to make interfund loans from various consolidated accounts of PGW that do not secure 1998 Ordinance Bonds for payment, as necessary, of PGW obligations, including debt service on bonds issued under the 1998 General Ordinance. PGW must reimburse such accounts as revenues are received by the end of each Fiscal Year during which such withdrawals were made. PGW did not make any interfund loans during any of its previous five Fiscal Years and does not currently anticipate making any such loans.

Also, see "COMMERCIAL PAPER PROGRAMS" above.

Additional Bond Ordinances

The Act permits the City to enact new general bond ordinances that pledge, for the security and payment of any bonds and notes issued thereunder, the Gas Works Revenues. Prior to enacting any such bond ordinance, the City Council must adopt a supplemental ordinance that makes certain findings relating to the adequacy of Gas Works Revenues to pay debt service on all then-Outstanding 1998 Ordinance Bonds, Gas Works Notes, and the new series of bonds to be issued thereunder. Such findings are to be based on a report of the chief fiscal officer of the City, which in turn may be based on a report of an independent engineer employed by the City to evaluate PGW. The 1998 General Ordinance requires any such bonds and notes to be payable from Gas Works Revenues on a parity with debt service on Subordinate 1998 Ordinance Bonds and the other obligations on a parity therewith. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Order of Application of Revenues" above and APPENDIX E – "SUMMARY OF THE 1998 GENERAL ORDINANCE – Order of Application of Gas Works Revenues."

As of the date of this Official Statement, the City does not expect to enact any bond ordinances that pledge all, or a portion of, the Gas Works Revenues for the security and payment of any bonds and notes other than the 1998 Ordinance Bonds and the Gas Works Notes.

POSSIBLE FUTURE PGW RELATED FINANCINGS

Financing of Capital Improvements

PGW anticipates issuing commercial paper as CP Capital Project Notes in Fiscal Year 2028 and Fiscal Year 2032 in the amounts of approximately \$112.5 million and approximately \$62.5 million, respectively, to fund a portion of PGW's ongoing Capital Improvement Program. PGW anticipates issuing approximately \$451.0 million of long-term debt in Fiscal Year 2029 to fund a portion of PGW's ongoing Capital Improvement Program, including the refinancing of any then outstanding CP Capital Project Notes. The financing plans for FY 2028 through FY 2032 may change based on market conditions and PGW may issue long-term debt earlier than noted and forego the use of the CP Capital Project Notes in connection with implementing these plans. PGW currently has a financial target of funding approximately 50% of its ongoing Capital Improvement Program from internally generated funds with the remaining portion funded through debt. Currently budgeted and planned PGW Capital Improvement Program expenditures for the six-year period ending August 31, 2032 total approximately \$1.421 billion, net of customer contributions and reimbursements, and inclusive of capital expenditures for pipeline replacement discussed below under "Infrastructure Replacement." Such prospective long-term debt issuance in Fiscal Year 2029 may be in the form of 1998 Ordinance Bonds or obligations as described above under "OTHER DEBT OBLIGATIONS PAYABLE FROM GAS WORKS REVENUES –

Additional Bond Ordinances.” If either 1998 Ordinance Bonds are issued and/or CP Capital Project Notes are issued and refinanced with Approved Bonds (as defined herein), then associated debt service would be included in the PUC rates under the 2010 PUC Policy Statement (as defined below). See “GAS SERVICE TARIFF AND RATES – Rates – Ratemaking Methodology to Comply with Bond Covenants.” See also “CAPITAL IMPROVEMENT PROGRAM – Customer Information System Replacement and Building Consolidation.” Additional bonds issued under other ordinances would constitute “Approved Bonds” unless the City Council determined otherwise in the authorizing ordinance.

Infrastructure Replacement

In its April 21, 2015 report relating to a PUC-initiated inquiry and analysis of PGW’s infrastructure replacement program, the PUC staff identified the issuance of additional debt as one possible means of financing PGW pipeline and other infrastructure replacements. Such debt, if any, may be issued as 1998 Ordinance Bonds (including any CP Capital Project Notes) or pursuant to one or more new City ordinances as described above under “OTHER DEBT OBLIGATIONS PAYABLE FROM GAS WORKS REVENUES – Additional Bond Ordinances.”

The PUC in January 2016 granted PGW’s request to increase its Distribution System Improvement Charge (“DSIC”) surcharge from 5.0% to 7.5% of non-gas revenues.¹ The increase has generated additional revenue to fund PGW’s accelerated pipeline replacement program, which PGW is allowed to recover on a pay-as-you-go-basis through the DSIC surcharge. In Fiscal Year 2023, \$30.6 million was billed through the DSIC surcharge. DSIC revenues billed in Fiscal Year 2024 and Fiscal Year 2025 were \$35.0 million and \$38.6 million, respectively. DSIC revenues are estimated at \$48.2 million in Fiscal Year 2026. This DSIC revenue has been in addition to approximately \$165.9 million (i.e., the total for Fiscal Year 2022 through Fiscal Year 2026) funded through base rates for cast iron replacement. (The base rate funded portion of the program for Fiscal Year 2027 is budgeted to be approximately \$46.7 million.) PGW has not issued any long-term debt to fund the accelerated replacement program.

PGW will consider the effectiveness of the accelerated pipeline replacement program funded by the DSIC surcharge, evaluate the effect of the DSIC on customers, and assess PGW’s ability to effectively implement the level of accelerated pipeline replacement associated with the 7.5% DSIC surcharge prior to requesting an increase in the DSIC, but no assurance can be given that such request will be made or if made, approved. See “THE CAPITAL IMPROVEMENT PROGRAM – Cast Iron Main Replacement” for a discussion of certain Pipeline and Hazardous Materials Safety Administration (PHMSA) grants to PGW to finance a portion of the pipeline replacement.

See also “GAS SERVICE TARIFF AND RATES – Rates – Surcharges – DSIC Surcharge” and “THE CAPITAL IMPROVEMENT PROGRAM – Cast Iron Main Replacement.”

PERMITTED SECURITIZATION OF REVENUES RELATED TO NON-PERFORMING ASSETS

The 1998 General Ordinance permits the City to securitize and sell that portion of the Gas Works rents, rates and charges that relate to assets which are designated as non-performing by the PUC and as to which the PUC has designated specific rents, rates or charges.

Prior to any such securitization and sale, the City must deliver to the Fiscal Agent (1) an engineer’s report including a statement that, for the three year period following such securitization and sale, the Gas Works rents, rates and charges (excluding those securitized and sold) are currently and will be sufficient to comply with the Rate Covenant described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Rate Covenant and Rate Requirements” above, applied as if the percentage in subsection (a)(iii) thereof were 175% rather than 150% and (2) an opinion of bond counsel that such securitization and sale will not adversely affect the exclusion from gross income for federal income tax purposes

¹ As part of the 2025 base rate settlement, PGW will be allowed to recover the level of uncollected DSIC revenues that existed at the end of calendar year 2025, totaling, approximately \$7.9 million, over 2 years from the date that PGW’s new rates go into effect notwithstanding the DSIC cap.

of interest on any outstanding 1998 Ordinance Bonds, the interest on which is intended to be so excluded. Proceeds received from any such securitization and sale shall be excluded from Gas Works Revenues in all calculations relating to the Rate Covenant and, notwithstanding any provision of the 1998 General Ordinance to the contrary, may be used to redeem or refund obligations issued to finance the related assets designated as non-performing.

Any and all Gas Works rates, rents and charges that are securitized and sold as described under this heading do not constitute Gas Works Revenues and would not serve as security for or a source of payment of the 1998 Ordinance Bonds (including the Bonds). As of the date of this Official Statement, no PGW assets have been designated as “non-performing.”

See also “THE CAPITAL IMPROVEMENT PROGRAM – Customer Information System Replacement and Building Consolidation” for information about PGW’s Building Consolidation initiative pursuant to which several facilities have recently been, or are expected to be, retired from service for PGW.

REMEDIES OF BONDHOLDERS

General

Remedies under the Act and the 1998 General Ordinance available to Holders of 1998 Ordinance Bonds, including Holders of the Bonds, and to any trustee for Bondholders appointed by the Holders of 25% in principal amount of any Series of 1998 Ordinance Bonds in default, are described in the summary contained in APPENDIX E hereto. In addition to the remedies described therein, Bondholders, the Fiscal Agent, as representative of the Bondholders, or a trustee for the Bondholders are entitled under the Pennsylvania Uniform Commercial Code to all remedies of secured parties in respect of (i) the Gas Works Revenues and the funds on deposit in the Sinking Fund and (ii) the Sinking Fund Reserve if such bonds are secured by the Sinking Fund Reserve. So long as DTC or its nominee is the Registered Owner, the remedies of Beneficial Owners are exercisable through the procedures established by DTC.

Limitation on Remedies of Bondholders

The ultimate enforcement of Bondholders’ rights upon any default by the City in the performance of its obligations under the 1998 General Ordinance will depend upon the application of remedies provided in the Act, the 1998 General Ordinance and other applicable laws. Litigation may be necessary to obtain relief in accordance with these remedies. Such litigation may be protracted and costly. Remedies such as mandamus, specific performance or injunctive relief are equitable remedies that are subject to the discretion of the courts.

The rights and remedies of Bondholders with respect to the City’s obligations under the Bonds could be significantly limited by the provisions of Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a “municipality” of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines “municipality” as a “political subdivision or public agency or instrumentality of a State.” Thus, for purposes of Chapter 9, except as may be limited by state law, the City would be considered a “municipality.” As a result of the commencement of a federal bankruptcy case by the City, Bondholders could experience delays in receiving Bond payments, as well as partial or total losses of their investments in the Bonds.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Pa. P. L. 9, No. 6 (1991), as amended by the Act of July 7, 2022, P. L. 440, No. 36) (the “PICA Act”), prohibits the City from filing a petition for relief under Chapter 9 of the United States Bankruptcy Code so long as PICA has any power or duty under the PICA Act (which provides that PICA will remain in existence until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA Bonds (as defined in APPENDIX C), one year after provision for such payment shall have been made or provided for in the applicable bond indenture). Currently, no PICA Bonds are outstanding. Furthermore, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City, and the City’s proposed plan, after the

Governor holds a hearing as required by the PICA Act. If the Governor were to grant an approval for the City to file a petition under Chapter 9, and the City were to file, provisions of the United States Bankruptcy Code could limit the enforcement of bondholders' rights and remedies. For more information on PICA and legislation which amended the PICA Act and extended the term of existence of PICA, among other things, see "THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION – Local Government Agencies – Non-Mayoral-Appointed or Nominated Agencies – PICA" in APPENDIX C hereto.

The filing of a bankruptcy petition under Chapter 9 operates as an automatic stay of the commencement or continuation of any judicial or other proceeding against the debtor or its property. However, a petition filed under Chapter 9 does not operate as a stay of application of pledged "special revenues" (as defined in the United States Bankruptcy Code) to the payment of indebtedness secured by such revenues. Special revenues include receipts derived from the ownership or operation of systems that are used to provide utility services and the proceeds of borrowings to finance such systems. The Bankruptcy Code further provides that special revenues acquired by the debtor after commencement of a Chapter 9 case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement.

The lien on special revenues derived from a system, however, will be subject to the payment of the necessary operating expenses of that system. Therefore, if Gas Works Revenues are determined by a bankruptcy court to constitute "special revenues" within the meaning of Chapter 9, then Gas Works Revenues acquired by the City before and after the filing of a Chapter 9 petition will remain subject to the lien and security interest of the 1998 General Ordinance in favor of Holders of the 1998 Ordinance Bonds, but would be subject to the payment of PGW's necessary operating expenses as determined by the City.

If the pledged Gas Works Revenues could not support both the debt service requirements and operating expenses of PGW, it is possible that payments to Holders of the Bonds could be reduced. ***No representation is made that a bankruptcy court will determine that the Gas Works Revenues constitute "special revenues" within the meaning of Chapter 9.***

Unless a debtor consents or the plan proposed under Chapter 9 provides, the bankruptcy court may not interfere with any of the property or revenues of a Chapter 9 debtor or with such debtor's use or enjoyment of any income producing property. Accordingly, if the City were permitted by State law to use the proceeds of the Bonds and the Gas Works Revenues pledged for the benefit of the Bondholders other than to benefit the Gas Works, and decided to do so, it is unclear whether a bankruptcy court would have the power to interfere with that decision. Even if a bankruptcy court had such power, the court, in the exercise of its equitable powers, could refuse to require the City to use the proceeds of the Bonds or the Gas Works Revenues to pay Holders of the Bonds, could permit a subordination of the liens to new bonds if the former were found more than "adequately protected" or could avail itself of a broad range of equitable remedies.

The debtor under Chapter 9 may file a plan for the adjustment of its debts that may include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by the court, binds all creditors that have had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Thus, under the above described "cram-down" provisions of the Federal Bankruptcy Code, a plan of adjustment could be imposed on the Bondholders that would give them less than their anticipated rate of interest on the Bonds or possibly even less than a full return of their principal under certain circumstances, and/or extend the time for payment of principal of or interest on the Bonds.

PGW is a component unit of the City and any filing by the City under Chapter 9 could occur under circumstances where the City's general financial condition has deteriorated without regard to the results of operations or the financial position of PGW. No assurances can be provided that any Chapter 9 filing by the City due to circumstances unrelated to PGW would still not adversely affect PGW.

Regardless of any specific adverse determinations in a City bankruptcy proceeding, the existence of such a proceeding could have a materially adverse effect on the liquidity and value of the Bonds.

PHILADELPHIA GAS WORKS

General

PGW, formed in 1836, is principally a gas distribution facility. It is a component unit of the City and is the largest municipally owned gas utility in the nation. PGW sells natural gas within the City, its service territory, and is the exclusive distributor of natural gas within the limits of the City. PGW maintains a distribution system with approximately 3,090 miles of gas mains and approximately 470,432 service lines serving approximately 511,200 customers in Fiscal Year 2026.

PGW consists of real and personal property owned by the City and used for the acquisition, manufacture, storage, processing and distribution of natural gas in the City, and all property, books and records employed and maintained in connection with the operation, maintenance and administration of PGW. In addition to an extensive distribution system, PGW operates facilities for the liquefaction, storage, and vaporization of natural gas to supplement gas supply taken directly from interstate pipeline and storage companies. Such storage facilities include two LNG plants.

History

The City, in March 1835, authorized private ownership and operation of a public gas utility with trustee management. The authorizing ordinance provided for an option clause which allowed the City to become the owner of the utility properties in connection with issuing City bonds to the stockholders. In March 1841, the City exercised this option to obtain ownership of the utility property and has continuously owned the gas system since that time. The City began manufacturing gas in 1836, and service began that winter with 46 gas lamps provided along Second Street.

The management and operation of PGW has changed over time through a variety of arrangements. After initial private ownership, in 1841, a Board of Trustees assumed management of PGW which structure was maintained until the spring of 1887. At that time, the City took over the operation of PGW and managed it directly. In the midst of significant operating and financial challenges, the City changed this structure in fall of 1897. The City, without a viable option to sell PGW, arranged for the United Gas Improvement Company, (subsequently UGI Corporation), to manage and operate PGW, which arrangement continued through the end of 1972.

The City, in December of 1972, incorporated PFMC as a Pennsylvania non-profit corporation to manage the operations of PGW. PFMC presently provides executive management for PGW and directs operations of its facilities pursuant to the Management Agreement.

Additional Information

In addition to the information under this heading, additional information about PGW is found in other sections of this Official Statement:

For a discussion of PGW's facilities, see "The Gas Works Facilities" and "The Capital Improvement Program."

For a discussion of PGW's revenues and expenses, see "PGW Budgets And Finances," "Gas Service Tariff And Rates," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE NINE MONTHS ENDED MAY 31, 2026 AND MAY 31, 2025 (UNAUDITED)" and APPENDIX A – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section."

For information about the City, see APPENDIX C – "THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION." APPENDIX D – "THE CITY OF PHILADELPHIA

SOCIOECONOMIC INFORMATION” includes information about the City and its residents such as the City’s population, demographics, employment and unemployment conditions, median family and household incomes and cost-of-living index.

Business Continuity Plans

PGW currently uses Castellan software Riskconnect as the software platform in which its Business Continuity Planning (“BCP”) plans reside. PGW specifically uses the Riskconnect Business Continuity and Resilience module. PGW’s BCP plans are based on the Disaster Recovery Institute International (“DRII”) 10 areas of concentrations. PGW has organized the BCP plans around three broad scenarios. In each of these scenarios, PGW’s departments look at impacts and recovery strategies for their respective areas to ensure that they will be able to meet all critical and essential functions to ensure not only the safe and reliable delivery of natural gas, but also the safety of PGW’s employees and the Gas Works. The first scenario looks at the loss of gas supply (*i.e.*, a circumstance in which PGW were to lose gas supply coming into the City). The second scenario involves a corporate campus interruption. These plans look at the response and recovery of operations due to a loss of physical facilities and or computer systems, such as due to one or more cyber-attacks. The third scenario contemplates a pandemic, such as the COVID-19 outbreak, or the loss of a significant number of employees.

See also “CYBERSECURITY RISK MANAGEMENT” within.

COVID-19 Response and Impacts

In reaction to the COVID-19 pandemic, PGW instituted certain response measures to continue PGW’s service goals, all in accordance with PGW’s Business Continuity Plan. PGW customers did not experience any significant service disruption due to COVID-19.

PGW suspended non-payment customer service terminations, and new late payment charges on arrearages from Monday, March 13, 2020 to April 1, 2021 due to COVID-19 related concerns. Regular billing continued for all customers. See also “GAS SERVICE TARIFF AND RATES – Collections.”

PGW’s management has not observed any long-term adverse effects on PGW’s operations and financial position due to the impacts of COVID-19. There are no remaining or anticipated permanent financial impacts on PGW related to COVID other than the recovery of the COVID expenses through rates including through the amortization of the pandemic-related regulatory asset through April 2028 as discussed within. However, no assurances can be provided that PGW may not suffer material adverse impacts in the future in the event of any other future public health emergencies. See “PHILADELPHIA GAS WORKS – Business Continuity Plans” regarding a general discussion of PGW’s emergency response plans, including with respect to pandemics.

Management

Governance of the Gas Works

The Philadelphia Home Rule Charter (as defined in APPENDIX E) and the Management Agreement, which was adopted by an ordinance passed on December 29, 1972 (Bill No. 455, as subsequently amended), establishes the governance structure through legislation regarding the (i) ownership of PGW property and functioning of PGW by the City; (ii) approval by the City Council of capital budgets and certain gas supply contracts for PGW; (iii) the powers and duties granted to the Gas Commission; and (iv) provisions of executive management functions and directions for operation of PGW facilities by PFMC.

PGW personnel are responsible for the day-to-day management of the construction, operation, and maintenance of the gas system. PGW’s management organization is set forth in the table under “*Philadelphia Gas Works Organizational Structure*” below. Any changes in governance of PGW must be made pursuant to ordinances adopted by the City Council.

In addition, PGW's rates are regulated by the PUC under the Gas Choice Act (*i.e.*, Pennsylvania Natural Gas Choice and Competition Act No. 1999 21, P. L. 122, 66 Pa. C.S. Section 2201 *et seq.*) See “- Governmental Oversight –*The PUC.*”

Management Agreement

PFMC has operated PGW pursuant to the Management Agreement since January 1, 1973. The Management Agreement authorizes PFMC to manage and operate all the property, real and personal, collectively known as the Gas Works, for the sole and exclusive benefit of the City and establishes PFMC's primary obligation as applying the highest standards of management practice and diligence to the operation of the Gas Works.

The Management Agreement and any amendments thereto are authorized by ordinances of the City Council. The Management Agreement has a two-year term, which, upon execution, is automatically extended for another two-year term, provided the City has not exercised its right of cancellation. The City can cancel the Management Agreement at any time by providing PFMC a 90-day notice of cancellation. Any such cancellation, however, must be approved by resolution or ordinance of the City Council.

The Management Agreement grants the Gas Commission certain specified powers and duties and all other powers not specifically granted to PFMC. The powers and duties granted to the Gas Commission include: (i) approval of personnel provided by PFMC, (ii) review of gas supply contracts for approval by City Council, (iii) approval of changes in tests and standards of gas quality and pressure, (iv) approval of PGW's operating budget, (v) review of PGW's capital budgets and recommendations thereon to City Council, (vi) approval of certain short-term loans (but not the issuance of bonds), (vii) access to and review of all books, records and accounts of PGW, (viii) prescription of certain insurance requirements, (ix) promulgation of standards for procurement and disposal of material, and procurement of supplies and services, and (x) approval of all real property acquisitions for further approval of City Council.

Pursuant to the Management Agreement, PFMC provides the executive management of PGW. The Management Agreement specifies in particular that such management includes a Chief Executive Officer (CEO), a Chief Operating Officer (COO), and a Chief Financial Officer (CFO). PFMC is also required to provide other personnel for such management, which it considers to be appropriate.

Various aspects of PFMC's management of PGW are subject to review and approval by the Gas Commission, including approval of the PGW CEO, COO and the CFO, and, where authorization by the City Council is required, recommendation of the City's Director of Finance and/or the Gas Commission. The Management Agreement sets forth various responsibilities for the Gas Commission's oversight of the operations of PGW. The City's Director of Finance oversees certain financial practices of PGW. The Management Agreement designates the City's Law Department as the designated legal advisor to the Gas Commission and PGW. The Law Department has assigned the representation of PGW to the Office of General Counsel of PGW. See “— Governmental Oversight — *Gas Commission*” and “PGW BUDGETS AND FINANCES — Budget Approval” for additional discussions of the Gas Commission.

PFMC Board

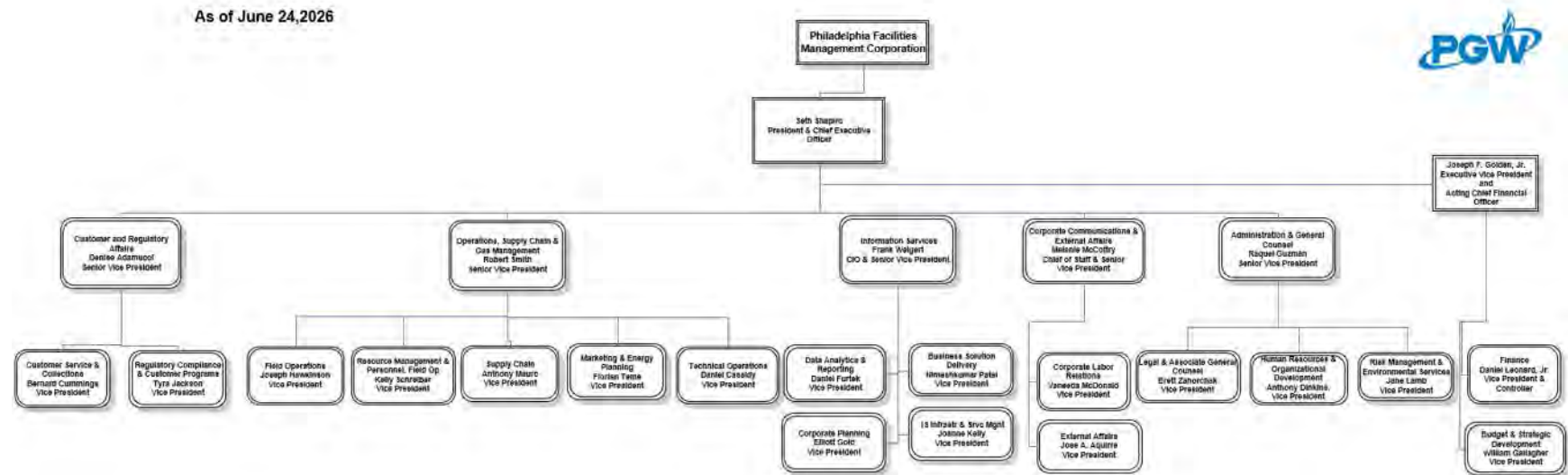
The PFMC Board of Directors (the “PFMC Board”) consists of seven members appointed by the Mayor of the City. Each member is appointed to a two-year term and serves until the member's successor is duly qualified and seated. The following are the current members of the PFMC Board.

<u>Current Members</u>	<u>Title</u>	<u>Term Began</u>
Leigh Whitaker, Vice President, Government & Community Affairs University of Pennsylvania	Chair	4/05/2016
Gregory Segall Chairman and CEO, Versa Capital Management, LLC Chair, Governance Committee Member, Audit/Finance Committee	Treasurer	2/19/2024
Natalia Dominguez Buckley Finance Director, Esperanza Member, Audit/Finance Committee Member, Strategic Planning Committee	Secretary	6/01/2022
Albert Mezzaroba, Of Counsel, Genova Burns, Chair, Audit/Finance Committee Member, Governance Committee	Member	4/05/2016
Craig Pinkham National Vice President, Utility Workers Union of America, AFLCIO Member, Strategic Planning Committee	Member	8/29/2025
Patrick Oates Senior Vice President of Strategic Planning & Business Development, EMSCO Scientific Enterprise, Inc. Chair, Strategic Planning Committee	Member	9/30/2025

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Philadelphia Gas Works Organizational Structure

PGW's organizational chart is shown below:



PGW Senior Officers

The following are brief biographical descriptions of PGW's current senior officers:

Seth A. Shapiro, President and Chief Executive Officer. Mr. Shapiro joined PGW in January of 2021 after serving for over 15 years on the PFMC Board. He served under Mayors James F. Kenney, Michael Nutter, and John F. Street, and spent five years as Chair of the Finance and Audit Committee, five years as Vice Chairman, and five years as Chairman.

Before joining PGW's management team, Mr. Shapiro had over 20 years of experience managing all phases of real estate development and construction. He served in leadership positions with publicly and privately held development companies. During his career, he managed projects with a combined value of well over \$1.0 billion, including in excess of 10,000 residential units and over 2 million square feet of retail and commercial space. He has worked on projects in Pennsylvania, New Jersey, Maryland, Virginia, West Virginia, and Florida.

He has served in leadership positions on a variety of community-based non-profits, including the Chestnut Hill Business District, Mt. Airy USA and Operation Understanding. Mr. Shapiro has guest lectured at the University of Pennsylvania, Temple University and Drexel University and presents at a variety of industry conferences. He serves on the board of directors for the American Gas Association and on the Philadelphia Chamber of Commerce's CEO Council for Growth.

Mr. Shapiro graduated from Cornell University with a B.A. in Government.

Joseph F. Golden, Jr., Executive Vice President and Acting Chief Financial Officer. Mr. Golden started his career with PGW in August of 1986. He has prior work experience in public accounting, treasury accounting and cash management, and manufacturing.

Mr. Golden was appointed Executive Vice President & Acting Chief Financial Officer in March 2012. In this capacity he is responsible for the treasury, accounting, budgeting, and finance functions. Prior titles held by Mr. Golden at PGW include Controller, Treasurer, Manager-Treasury Department, Senior Staff Accountant, and Staff Accountant.

Mr. Golden holds a Bachelor of Science degree in Accounting from Villanova University, a Master of Business Administration degree from Drexel University, and a Juris Doctor degree (*cum laude*) from Temple University School of Law.

See also "Succession Planning; Personnel Matters; Training - Upcoming PGW Senior Officer Change" regarding Mr. Golden's announcement that he will retire from PGW on March 1, 2027.

Raquel N. Guzmán, Esq., Senior Vice President - Administration and General Counsel. Ms. Guzmán has held various positions within PGW since joining PGW in 1998. She joined PGW's Legal Department as a Senior Attorney in 1998, and was promoted to General Counsel overseeing PGW's Legal Department in 2016. Ms. Guzmán also oversees the operations of PGW's Human Resources, Risk Management, Environmental Services, and Corporate Safety, Security and Business Continuity areas. Prior to joining PGW, Ms. Guzmán was a member of the Law Department of the City of Philadelphia, serving clients such as Philadelphia International Airport, and the City's Water Department. Previously, she practiced in the Real Estate department of a major Philadelphia law firm.

Ms. Guzmán graduated with honors from Harvard University with an A.B. in History and a certificate in Latin American and Iberian Studies. She received her J.D. from the University of Pennsylvania Law School. She is a Member of the Board of the World Affairs Council of Philadelphia, a non-partisan, international affairs nonprofit, and is a member of the 2011 Philadelphia Leadership class.

Melanie McCottry, Chief of Staff and Senior Vice President, Corporate Affairs. Ms. McCottry began her energy career with PGW in 2009. Her seventeen years of service have seen her steadily advance through

the ranks of PGW, and in January of 2024 she was promoted to her present position. In her role, she contributes to issues related to PGW's daily operations along with leading on community and legislative priorities that communicate PGW's core objectives of safety, reliability, affordability, and sustainability to its more than 500,000 customers.

Ms. McCottry is a graduate of Temple University with a bachelor's degree in Political Science and a Master of Education in Sports Administration. She also holds an Executive Master of Business Administration (MBA) from Saint Joseph's University, Philadelphia.

Ms. McCottry resides in the Fairmount neighborhood of Philadelphia. She is a member of the Leadership Council of the American Gas Association, a 2016 Leadership Philadelphia Fellow and a 2011 graduate of the Urban League of Philadelphia Leadership Forum.

Denise Adamucci, Senior Vice President, Customer and Regulatory Affairs. Ms. Adamucci joined PGW in 2004 as a Senior Attorney. Before joining PGW, she worked in private practice law firms, mainly working in corporate and bankruptcy law.

Ms. Adamucci has served on the boards of a variety of community-based non-profits. Also, she currently serves as the Board Treasurer for Philadelphia Corporation for Aging ("PCA") and in the fall of 2026 she will begin serving as the Vice Chairman of the PCA Board.

Ms. Adamucci graduated from Elizabethtown College with a B.A. in English Literature; from Arizona State University with an M.A. in English Literature; and from Boston University School of Law with a J.D.

Robert K. Smith, Senior Vice President, Operations, Supply Chain & Gas Management. In his role, Mr. Smith oversees several departments, including Distribution, Field Services, Resource Management, Supply Chain, Fleet Services and Gas Management.

Mr. Smith is also responsible for the safety and reliability of the distribution system for employees, customers, and the public. He is responsible for gas supply and liquefied natural gas (LNG) production and storage at two plant facilities, as well as the operation and maintenance of all physical property facilities for PGW. He is integral in labor negotiations and vendor contracts as well as industry and regulatory compliance matters. He leads a highly skilled workforce comprised of engineers, construction workers, system & distribution maintenance experts, field service technicians, and measurement and control professionals.

Mr. Smith began his career at PGW in 1989 and has held numerous positions across the organization beginning in the Field Services department facilitating critical infrastructure work across the City of Philadelphia.

He is an active board member of the Northeast Gas Association. Mr. Smith is also a member of several natural gas industry-related organizations. He holds a bachelor's degree in business administration from Peirce College and a master's degree in business administration (MBA) from Gwynedd Mercy University.

Frank Weigert, Chief Information Officer, Information Services. Mr. Weigert oversees the Information Services and Corporate Planning Departments. He joined PGW in 1998 and has held various roles such as CIO & VP Information Services, Director of Technical Services, and Manager of Network Services in the Information Service department. In these roles, he has counseled PGW stakeholders in key decisions for advancing PGW's goals, priorities, strategic direction, and mission. Mr. Weigert has been instrumental in guiding PGW through numerous major and transformational technology projects during his tenure. He has a deep passion for technology, people, and customer service.

Prior to joining PGW, he worked as a Network Administrator and IT consultant in Mannheim, Germany. Mr. Weigert has dedicated over 30 years of his professional career to the IT field. He studied English and business at the University of Mannheim and electrical engineering at University of Applied Sciences, Darmstadt in Germany.

Succession Planning; Personnel Matters; Training

The number of PGW employees who are eligible, or approaching eligibility, to retire has slowly decreased over recent years. Nonetheless PGW continues to take certain measures in response to anticipated retirements. PGW is developing a succession scorecard for key positions. PGW has developed a Knowledge Transfer pilot process to retain key information and facilitate the transmission of knowledge and expertise within its organization.

PGW conducts meetings with the majority of its departments to address anticipated retirements and training and development programs to further the professional development of identified candidates. PGW both evaluates potential leaders and actively takes steps so that identified employees might be developed as candidates for executive positions, including those at a senior level within PGW.

The probability, risk, and impact of turnover and loss are examined in PGW meetings, as well as the consideration of possible successors and the time considerations relevant for implementing new placements. PGW has maintained more managerial roles at the Vice President level to provide a broader number of management level employees with the requisite experience needed to succeed in an executive role and ensure business continuity. Since the beginning of Fiscal Year 2025, PGW has either hired or promoted 8 new Directors or Vice Presidents.

PGW provides extensive leadership training opportunities, including coaching, Supervisory Bootcamps, and the Leadership Academy. Designed for newly promoted supervisors, Supervisory Bootcamp combines practical supervisory skills, informative departmental presentations, and collaborative activities to equip participants with the tools and confidence to effectively lead their teams. The Leadership Academy provides managers and directors with an understanding of the many different facets of PGW's business, teaches important soft skills, and enables better decision making through critical thinking exercises. Since 2024, PGW has had 117 participants complete these programs.

PGW recognizes the importance of fostering an inclusive and equitable environment where every individual feels valued and empowered to contribute. Through affinity groups, employees can coordinate activities focused on professional and personal growth. Harassment prevention training is presented to all new employees as well as Field Services, Distribution and Supply Chain employees during their annual training programs.

PGW has created job ladders to reward performance and encourage development in an accelerated manner for engineers and professionals in the information services area. This has served as an effective retention tool for these groups of specialized talent.

PGW utilizes a number of affinity groups in which identified several senior employees with institutional knowledge and respect within PGW offer mentoring to more junior professionals to promote the transfer of such institutional knowledge. By participating in various affinity groups, these individuals actively serve as mentors to more junior staff members to facilitate the knowledge transfer process. From Fiscal Years 2021 through 2026, PGW had approximately 1,300 external hires and/or internal promotions. Some of these employees had more than one promotion within this period.

Upcoming PGW Senior Officer Change

Joseph F. Golden, Jr., Executive Vice President & Acting Chief Financial Officer, has announced that he will complete over 40 years of service with PGW and retire from PGW on March 1, 2027. PFMC has implemented a transition plan for the continued management of the functions that Mr. Golden oversees in that role. Mr. Golden's successor has been selected by the PFMC Board. PGW, through the PFMC Board, formally filed a request with the Gas Commission to approve Mr. Golden's successor, Brian Dingerdissen.

At the August 11, 2026 meeting of the Gas Commission, Mr. Dingerdissen's appointment as Executive Vice President and Chief Financial Officer of PGW was approved. Mr. Dingerdissen brings more than 20 years

of leadership experience in regulated utility operations, finance, planning and strategy. Most recently, he served as the Vice President, Financial Planning & Analysis, Investor Relations, and Treasurer for Essential Utilities, the parent company of Aqua and Peoples Natural Gas. During his tenure, he has held several senior leadership positions with increasing responsibility, partnering closely with executive leadership and the board of directors on financial stewardship, long-term planning, strategic initiatives, and stakeholder engagement.

Strategic Planning and Performance Management

PGW's current annual strategic planning process has been in place since Fiscal Year 2018. The process begins with a re-examination and confirmation of PGW's mission statement, core values, and corporate goals. Next, PGW's senior management team develops a set of "SMART" (specific, measurable, achievable, relevant, and time-bound) annual objectives for approval by the PGW cabinet of senior management (the "PGW Cabinet") and PFMC Board of Directors. PGW then builds an annual plan that identifies impactful, strategic initiatives that will accomplish the approved set of goals and objectives. The process is collaborative and iterative. PGW officers and employees who are effectively "internal objective owners" provide quarterly status updates, including a year-end report on whether SMART objectives are complete or incomplete, to the PGW Cabinet and PFMC Board.

Following the approval of SMART objectives, PGW Vice Presidents develop their own departmental objectives to align with PGW's annual strategic plan. Departmental objectives also address the specific functions, responsibilities, and strategies within their respective department(s). These departmental objectives are then also used to inform the development of management employee annual performance measures. This structure and approach is intended to align all efforts throughout PGW within the overall corporate strategy.

PGW's senior officers monitor certain key performance indicators (KPIs) compiled in monthly reports to gauge the overall health of the utility and the effectiveness of the organization in fulfilling its mission of providing safe, affordable, reliable, and sustainable natural gas service, including the ongoing upgrade of its underground infrastructure. These monthly reports are then shared with the Board of Directors of the PFMC. The Monthly KPI Board Report is organized under the following categories of metrics: a) Corporate Citizenship – including Philadelphia LBE Participation Rate, Pennsylvania LBE Participation Rate, and Brand Impact; b) Customer – including Customer Satisfaction and Self-Service Interaction core; c) Financial – including Rolling 24-Month Collection (i.e., calculated as a percentage and measured against PGW's benchmark target of 96%), Cash flow Quick Ratio (i.e., the ratio is calculated using current assets such as cash, short-term investments, and net accounts receivable divided by current liabilities such as notes payable, current portion of long-term debt, and accounts payable), Days Sales Outstanding (calculated as gross accounts receivable balance divided by the rolling 12-month total billed revenue and then multiplied by 365 days in a year), and Capital Budget and Operating Expense Variance; d) Internal – including Retention Rate; and e) Operational including Operational Risk Score (composite based on PMVA rate, OSHA rate, and non-pipeline safety training hours, and Cast Iron Main Abandonment. Annually, PGW management provides a Detail Metrics Annual Report to the PGC, with monthly and yearly actual-to-goal metrics, covering a comprehensive list of individual performance metrics.

Governmental Oversight

Gas Commission

The Gas Commission was created by the Philadelphia Home Rule Charter. By Ordinance of City Council, the Gas Commission is a five-member body consisting of the City Controller, two members appointed by City Council and two members appointed by the Mayor. The Management Agreement vests in the Gas Commission the responsibility for overseeing the operation by PFMC of PGW. The City Controller serves during her incumbency as City Controller. The members appointed by the City Council and the Mayor each serve for terms of four years and hold office until their successors are appointed and qualified.

The Ordinance authorizing the Management Agreement grants the Gas Commission certain specified powers and duties and other powers not specifically granted to PFMC including: approval of certain personnel provided by PFMC; review of gas supply contracts and contracts for the distribution or transmission of gas for approval by City Council; approval of changes in tests and standards of gas quality; approval of PGW-established

gas pressure; initial approval of PGW's operating budget; review of PGW's capital budgets and recommendations thereon to City Council; approval of short-term loans (but not issuance of bonds); access to and review of all books, records and accounts of PGW; prescription of insurance requirements; promulgation of standards for procurement and disposal of material, supplies and services and initial approval of all real property acquisitions, sales and leases for further approval by the City Council.

The PUC

The PUC was created by Pennsylvania statute and consists of five members appointed by the Governor of the Commonwealth, with the consent of the Pennsylvania Senate. Each member serves a five-year term and until his or her successor is appointed and qualified. The PUC conducts reviews of various aspects of PGW and the other utilities for which it establishes rates. The PUC has implemented various substantive and procedural regulations regarding the supervision of those utilities. PGW's rates are established by the PUC under the Commonwealth's Public Utility Code (the "Code" or "Public Utility Code") by virtue of the Gas Choice Act, subject to certain limits on the PUC's authority as described under "GAS SERVICE TARIFF AND RATES – Rates – *Ratemaking Methodology to Comply with Bond Covenants.*"

The PUC is Pennsylvania's regulator for services and rates for public utilities within the Commonwealth, including natural gas, among other utility services. The PUC holds all regulatory authority for PGW's rates, pursuant to the Gas Choice Act. The Gas Choice Act contains provisions which are designed to accomplish certain goals including prohibiting the PUC from requiring action (or refraining from action) by PGW or the City under the Public Utility Code that would adversely affect the tax-exempt status of Approved Bonds, (i.e., defined in the Gas Choice Act as bonds or other obligations issued by the City for PGW). All bonds issued by the City on behalf of PGW under the Act, including the Bonds, are Approved Bonds. Another such goal is the preservation of the City's ability to comply with its bond covenants to the holders of Approved Bonds (including those covenants concerning the imposition, charging and collection of rates and charges). The Gas Choice Act also requires rates to be set for PGW utilizing the ratemaking methodology and requirements that were applicable to PGW's natural gas distribution operation prior to PUC's assumption of jurisdiction over PGW. This ratemaking methodology is required to be used until all outstanding Approved Bonds are paid in full or are refunded or defeased.

Pursuant to the Gas Choice Act, among other things, PGW became subject to PUC regulation on July 1, 2000, and, except as otherwise provided in the Gas Choice Act, the provisions of the Public Utility Code apply to PGW as if it were a public utility. The Gas Choice Act provides that the PUC, instead of the PGC, sets rates for PGW's customers but that despite customer choice in gas suppliers, PGW remains a monopoly for its gas distribution business.

The Gas Choice Act addresses various matters and provides that the provisions of the Home Rule Charter with respect to the powers and duties of the PGC, to the extent inconsistent with the Gas Choice Act, were abrogated effective July 1, 2020. However, the City cannot be required to take any action under the Public Utility Code if such action would cause a variation in the City's financial plan approved by the Pennsylvania Intergovernmental Cooperation Authority. Moreover, the City's executive or legislative powers to "legislate or otherwise determine the powers, functions, budgets, activities and mission of PGW" are not abrogated or limited.

Following a management audit of PGW provided by PUC and restructuring proceedings, on March 31, 2003, the PUC approved PGW's restructuring plan (Docket No. M-00021612), which implements customer choice and permits licensed natural gas suppliers to deliver gas to customers in Philadelphia using PGW's distribution system. On September 1, 2003, PGW began operating under its Restructuring Compliance Tariff.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2022-3033834. On December 19, 2019, an explosion occurred on the 1400 Block of South Eighth Street in Philadelphia that resulted in two fatalities. The Commission's Bureau of Investigation and Enforcement ("BI&E") conducted an investigation, leading to a formal complaint being filed on July 15, 2022. Following partial litigation of the matter, a settlement was reached with BI&E that resulted in no civil

penalty, but included the creation of Residential Methane Detector Pilot Program where PGW agreed to commit \$800,000 towards the implementation. The settlement also included various other actions by PGW, such as coordination and training with the excavator community that will create some additional but unquantified expenses. The settlement was approved by the Commission on January 8, 2025.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2024-3052277. On November 30, 2021, an explosion occurred at 815 Jackson Street in Philadelphia which resulted in no fatalities or reported injuries. It is estimated that approximately \$100,000 in property damage occurred, but there were no civil claims associated with the event. On November 25, 2024, The Commission's BI&E filed a formal complaint alleging violations of the Public Utility Code, Pennsylvania Code, and Code of Federal Regulations and seeking relief including a \$300,000 civil penalty, creation of email distribution of safety materials to excavators, trainings to be offered to excavators by PGW, expansion of the Methane Detector Pilot Program, and other relief. BI&E granted PGW an extension to file an Answer to the Complaint.

PGW filed its answer responding to the formal complaint on January 29, 2025, denying the allegations of the formal complaint. An evidentiary hearing was held as scheduled on October 17, 2025. On November 18, 2025, the Administrative Law Judge (the "ALJ") issued a Briefing Order, setting forth a briefing schedule in January and February 2026. Main briefs were filed on January 14, 2026. Reply briefs were filed on February 13, 2026. The Administrative Law Judge issued an Initial Decision on May 8, 2026 that denied BI&E's Complaint in its entirety. BI&E filed Exceptions expressing disagreement with the ALJ's decision. PGW filed Reply Exceptions supporting the ALJ's decision and disagreeing with BI&E's Exceptions. The Commission is the ultimate fact finder and determines the weight and credibility of the evidence. The Commission will review the record as well as the ALJ's Initial Decision and issue an Opinion and Order. It is not clear when the Commission will decide this proceeding.

PGW can provide no assurances that the consequences of the BI&E formal complaint and related matters will not be material to PGW until a Final Order is entered by the PUC.

PUC 2023 Report

The PUC conducted a management audit of PGW's operations in Fiscal Year 2022 (the "2023 PUC Audit"). A final report regarding audit findings was issued on February 2, 2023 (Docket No. D-2022-3030321) pursuant to a 5-0 vote of the PUC. The audit's functional evaluation summary found all areas were generally functioning adequately and the audit produced 32 recommendations for minor to moderate improvement of varying priority and identified one area in need for significant improvement. The PUC indicates that the evaluative categories it uses to rate each functional area's operating, or performance level (in descending order) are: i) "Meets Expected Performance Level," (ii) "Minor Improvement Necessary," (iii) "Moderate Improvement Necessary," (iv) "Significant Improvement Necessary," and (v) "Major Improvement Necessary." Ten functional areas for PGW were assessed with none graded in the highest or lowest categories. "Minor Improvement Necessary" was found for six areas (i.e., executive management and organization structure, financial management, materials management, information technology, fleet management, and human resources and diversity). "Moderate Improvement Necessary" was found for three areas (i.e., corporate governance, gas operations, and customer service). Emergency Preparedness was the one area where the "Significant Improvement Necessary" rating was given.

PGW accepted 26 recommendations completely, accepted three in-part, and rejected three. The PUC characterized the three audit recommendations that were rejected by PGW as, "all related to corporate governance – including streamlining PGW's corporate governance processes." PGW submitted its Implementation Plan Progress Report to the PUC in March 2024 and subsequent reports in March 2025 and March 2026, which detailed the progress on the actions being taken, the expected completion dates and the individuals responsible for implementing each recommendation. With respect to the three rejected recommendations, PGW's implementation plan indicates that it is willing to continue to raise these issues with

PFMC and the Gas Commission. The Management and Operations Audit and the related PGW implementation plan are publicly available on the PUC website at <http://www.puc.pa.gov>, and are not incorporated by reference herein.

The PUC previously conducted a management audit of PGW's operations in Fiscal Year 2015 (Docket No. D-2015-2468141, August 2015) (the "2015 PUC Audit") and issued in August 2018 a Management Efficiency Investigation (Docket: D-2017-2627521). The 2023 PUC Audit and the 2015 PUC Audit constitute periodic audits of PGW, which PGW's management expects to continue in the future.

Other Federal, Commonwealth and City Oversight

In addition to the Gas Service Tariff (the "Gas Service Tariff") and other rate related regulations promulgated by the PUC (see "– Gas Service Tariff" herein), PGW's operations and facilities are subject to laws and regulations, including permitting and approval requirements, promulgated by federal agencies such as the United States Department of Transportation ("USDOT"), the United States Environmental Protection Agency ("USEPA") and the Federal Emergency Management Agency ("FEMA"), state entities such as the Pennsylvania Department of Labor and Industry ("PADLI") and the Pennsylvania Department of Environmental Protection ("PADEP"), the Pennsylvania Emergency Management Agency and local entities such as the Philadelphia Water Department ("PWD"), the Philadelphia Department of Public Health, the Philadelphia Air Management Services ("AMS") and the Philadelphia Office of Emergency Management ("OEM"). In addition, the prices of gas transportation and storage are subject to regulation by the Federal Energy Regulatory Commission ("FERC"), although PGW, its operations and its facilities, are not.

Labor Relations

As of June 30, 2026, 1,079 of the 1,621 employees of PGW were represented by the Gas Works Employees' Union of Philadelphia, Local 686, Utility Workers' Union of America, AFL-CIO ("Local 686" or the "Union"). On October 9, 2024, PGW and Local 686 reached an agreement to extend the then current collective bargaining agreement effective May 16, 2022, and expiring May 15, 2026 (the "2022 to 2026 Collective Bargaining Agreement"), for a three (3) year period such that the 2022 to 2026 Collective Bargaining Agreement shall expire on May 15, 2029 (the 2022 to 2026 Collective Bargaining Agreement, as extended, the "2026 CBA Extension"). All terms and conditions in the 2022 to 2026 Collective Bargaining Agreement shall remain in full force and effect under the 2026 CBA Extension, except as modified therein.

The terms of the 2026 CBA Extension include general wage increases of 4.0% effective May 16, 2026; 2% effective May 15, 2027; 2% effective November 13, 2027; 2% effective May 13, 2028; and 2% effective November 11, 2028.

PGW continues to subcontract when PGW's workload exceeds the capacity of the established workforce, following notification to local Union representatives.

The early resolution of CBA issues by the entry into the 2026 CBA Extension saved PGW approximately \$1.1 million in strike preparation expenses.

Insurance, Loss Reserves and Cost Recovery

PGW is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. While self-insured for many risks, PGW purchases insurance coverage when appropriate. PGW is a qualified self-insurer with the Commonwealth of Pennsylvania for auto insurance. PGW's real and personal property is insured against the risk of loss or damage in the amount of \$250.0 million, subject to a \$0.25 million per accident deductible. PGW's property insurance includes coverage for damages incurred from a terrorist attack. PGW does not carry first party environmental coverage through which it could access direct payment of claims for environmental remediation costs. In addition, PGW maintains Boiler and Machinery, Blanket Crime, Directors and Officers, Fiduciary Liability, and other forms of insurance.

PGW maintains \$210.0 million in liability (including terrorism) coverage against the risk of damage to property or injury to the public with a per occurrence self-insured retention of \$1.0 million. PGW is a qualified self-insured employer in the Commonwealth for workers' compensation insurance. In addition, PGW maintains statutory limits of Excess Workers' Compensation Liability coverage with a \$0.5 million per occurrence retention.

PGW maintains \$11.0 million in Privacy and Security (Cyber) insurance with a \$0.3 million retention with sublimits for various coverages along with a \$10.0 million Blanket Crime policy with a \$0.1 million deductible.

PGW maintains a \$30.0 million Public Officials Liability (Directors and Officers Liability) policy with a \$0.5 million retention, as well as a \$60.0 million Fiduciary Liability policy with a \$0.2 million retention.

The above coverage descriptions are subject to the terms, conditions, and exclusions of the individual policies.

Although PGW is principally insured through insurance carriers, it is required to cover any settlements of claims that are excluded from coverage under the applicable insurance policies. In each Fiscal Year, PGW establishes an estimated liability for any such excluded settlements to be paid in such Fiscal Year.

See Notes 1(q) and 14 to PGW's audited financial statements included in APPENDIX A – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section – Notes to Financial Statements."

PGW has been deemed a "local agency" for purposes of the Pennsylvania Political Subdivision Tort Claims Act ("Tort Claims Act"), 42 Pa.C.S. § 8541 *et seq.* As such, it is entitled to all protections and immunities from liability provided under the Tort Claims Act. See "LITIGATION" in APPENDIX C – THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION" for further information about the Tort Claims Act.

Costs that exceed the applicable insurance coverage and liability reserves set aside for the applicable events and any retainage that is in excess of such reserve are eligible for inclusion in the Base Rate (see "GAS SERVICE TARIFF AND RATES – Rates – *Base Rate*") although any increase in the Base Rate must be approved by the PUC. PGW has created a regulatory asset to recover through April 2028 certain increased costs related to COVID-19 through future base rates. See also "GAS SERVICE TARIFF AND RATES – Collections."

Pension Plans and Other Post-Employment Benefits

Pension Plans

PGW maintains pension plans covering all eligible employees of PGW, PFMC, and the Philadelphia Gas Commission which provide certain retirement, death and disability benefits. Retirement payments for vested employees under PGW's defined benefit plan commence (i) at age 65 and five years of credited service, (ii) age 55 and at least 15 years of credited service, or (iii) without regard to age, after 30 years of credited service. Union employees hired after May 21, 2011 and non-union employees hired after December 21, 2011 must make an irrevocable choice within 30 days of hire to participate in either the defined benefit pension plan or the defined contribution plan. As of May 31, 2026, there were 1,605 full-time employees. Of these 1,605 employees, approximately 1,134 were hired after the respective dates noted above. There are 801 union employees and 333 non-union employees in this group. The defined contribution plan was chosen by 300 union employees and 172 non-union employees for a total of 472 employees. The defined benefit plan was chosen by 501 union employees and 161 non-union employees for a total of 662 employees. However, this allocation may not be representative of the choices made by future employees.

There are two actuarial valuations prepared for the PGW defined benefit pension plan each year. The first is a funding valuation ("funding valuation") that sets forth the contribution range for the plan year July 1 to

June 30. The second is a valuation for financial reporting purposes (“accounting valuation”) that is used to determine the net pension liability and related disclosures to be reported in PGW’s annual financial statements. The funding valuation and accounting valuation are for different purposes, use different methodologies and assumptions, and have different results. The funding valuation reported that the funded ratio on July 1, 2025 was 79.61%. The similar ratio (net position of the pension plan as a percentage of the pension liability) reported in the accounting valuation and PGW’s financial statements as of August 31, 2025 was 81.42%.

PGW Pension Plan – Funding Valuation

In the eight-year period covering actuarial valuation dates spanning from September 1, 2017 to July 1, 2025, PGW’s pension plan funded ratio (market value of assets basis) ranged from a low of 70.17% as of the July 1, 2022 actuarial funding valuation date to a high of 85.01% as of the July 1, 2021 actuarial funding valuation date. Over the same eight-year period, the unfunded actuarial accrued liability (market value of asset basis) as a percentage of covered payroll ranged from a low of 151.96% as of July 1, 2025 to a high of 219.60% as of July 1, 2018. PGW’s actuarial funding valuation prepared for its July 1, 2025 through June 30, 2026 plan year projects a funded ratio (actuarial value of assets basis) increasing from 79.61% as of July 1, 2025 to 92.72% as of July 1, 2034 based on: (i) a funding policy of PGW making employer contributions in accordance with the greater of a 20-year open or 30-year closed amortization period, (ii) assumed investment returns of 7.0% per annum, and (iii) assumed increases in covered payroll based on valuation assumptions. Such schedule of prospective funded status is subject to the foregoing assumptions and other assumptions which may not be realized. No assurances can be provided that PGW’s pension plan funded status will not differ materially from such projections which are expected to be revised annually in connection with future actuarial funding valuations of PGW’s pension plan.

The assumed rate of return for PGW’s pension plan has been adjusted to 6.9% effective with the start of the current PGW pension plan fiscal year on July 1, 2026. This assumption was not incorporated into the previously described actuarial analyses.

PGW Pension Plan – Accounting Valuation

Under Governmental Accounting Standards Board Statement No. 27, Accounting for Pensions by State and Local Governmental Employers (GASB 27), a net pension obligation was recorded for a defined benefit plan on a governmental employer’s balance sheet, only to the extent the employer did not contribute at least the actuarially determined annual required contribution (ARC) each year. GASB 27 defines the ARC as the amount sufficient to pay (i) the normal cost and (ii) the amortization of the unfunded actuarial liability over a period not to exceed 30 years. Under GASB 27, PGW had no net pension obligation.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB 27 (GASB 68), and its companion standard GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB 71), were effective for PGW’s Fiscal Year beginning September 1, 2014 with retrospective application, to the extent practical, of all periods presented. Under GASB 68, the balance sheet includes PGW’s net pension asset or liability related to its defined benefit plan, which is measured as the total pension liability less the amount of the defined benefit plan’s fiduciary net position. The total pension liability is actuarially determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the measurement date. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that pension assets are available to pay benefits.

Certain components of the change in the net pension liability are recognized immediately as pension expense in the statement of revenues, expenses and changes in net position each year. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately. The portion of the change in the net pension liability attributable to differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and contributions made after the measurement date are recognized as deferred inflows or outflows of resources.

GASB 68 requires changes in expected versus actual investment returns to be amortized into pension expense over five years, and actuarial assumption changes and experience differences to be amortized over the average remaining years of active employment for the average working lifetime of all PGW pension plan participants. The impact of this amortization over time may increase volatility in annual amounts recognized as pension expense compared to amounts recognized under GASB 27 due to shorter permitted amortization periods over which the impact of changes can be smoothed.

PGW's net pension liability was \$160.3 million on August 31, 2025 and \$186.7 million on August 31, 2024. Also see APPENDIX A – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section – Notes to Financial Statements – (10(e)) – Defined Benefit Pension Plan – Net Pension Liability", for calculations showing the sensitivity of PGW's net pension liability to changes in the current discount rate used to measure PGW's total pension liability. Pension expense recognized for the years ended August 31, 2025 and August 31, 2024 were \$9.4 million and \$25.3 million, respectively, and inflows and outflows related to the pension that will be amortized into expense in future years were \$34.8 million and \$20.0 million, respectively, on August 31, 2025. Inflows and outflows related to the pension that will be amortized into expense in future years were \$20.2 million and \$11.1 million, respectively, on August 31, 2024.

Financial information presented in the "PGW BUDGETS, RATES AND FINANCES" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE NINE MONTHS ENDED MAY 31, 2026 AND MAY 31, 2025 (UNAUDITED)" sections below reflects the impact of GASB 68 and 71 for Fiscal Years 2026 and 2025, and for the nine-month periods ended May 31, 2026 and May 31, 2025.

PGW Employer Pension Contributions for FY 2025 and FY 2026

For the Fiscal Year ended August 31, 2025, the actuarially determined employer contribution for PGW was \$24.9 million. On November 24, 2020, the City's Director of Finance directed PGW to contribute \$30.0 million annually, beginning in the plan year 2021, to PGW's pension fund. This contribution amount exceeds the suggested level of funding in the most recent actuarial report for PGW's pension plan. PGW made an employer contribution to the PGW pension fund of \$30.0 million in Fiscal Year 2025 and also made an employer contribution to the PGW pension fund in the amount of \$30.0 million in Fiscal Year 2026. PGW has budgeted an employer contribution to the PGW pension fund of \$30.0 million for Fiscal Year 2027.

Additional Pension Information

See APPENDIX A – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section – Notes to Financial Statements – (10) Defined Benefit Pension Plan" and APPENDIX C – "THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION – PGW Pension Plan" for further information including, among other matters, certain historical normal cost, amortization payment, annual required contribution and payment to beneficiaries information, certain historical schedule of pension funding progress information, and schedules of projected funding status (calculated on both 20-year open amortization and 30-year closed amortization bases).

Post-Employment Benefits

PGW pays the full cost of medical, basic dental, and prescription coverage for employees and their beneficiaries who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at PGW's expense and can elect to pay toward a more expensive plan until Medicare eligible. PGW pays 100% of the cost of the prescription drug plan after drug co-pays. Union employees hired on or after May 21, 2011 and non-union employees hired on or after December 21, 2011 who retire are entitled to receive post-retirement medical, prescription, and dental benefits for five years only. Retirees hired prior to those dates receive benefits until either their death or the death of their survivor if such election is made. Retirees may also contribute toward enhanced dental plan and life insurance coverage.

Post-Employment – Funding Valuation

There are two actuarial valuations prepared for the PGW other post-employment benefit (“OPEB”) plan (“OPEB Plan”) each year. The first is a valuation of PGW’s health and life insurance plan for retired employees for the plan year January 1 to December 31. The second is a valuation for financial reporting purposes (“accounting valuation”) that is used to determine the net OPEB liability and related disclosures to be reported in PGW’s annual financial statements. The actuarial value of PGW’s health and life insurance plan for retired employees’ assets and accounting valuation are for different purposes, may use different methodologies and assumptions, and may have different results. The funding valuation reported that the funded ratio on December 31, 2025 was 95.62%. The similar ratio (fiduciary net position of the OPEB Plan as a percentage of the total OPEB liability) reported in the accounting valuation and PGW’s financial statements as of August 31, 2025 was 84.63%.

Post-Employment Benefits – Treatment in Financial Statements

Under Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 45), a net OPEB obligation is recorded for a defined benefit plan on a governmental employer’s balance sheet, only to the extent the employer does not contribute at least the actuarially determined annual OPEB cost (AOC) each year. GASB 45 defines the AOC as the amount sufficient to pay (i) the normal cost and (ii) the amortization of the unfunded actuarial liability over a period not to exceed 30 years.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an amendment of GASB 45 (GASB 75), was effective for PGW’s Fiscal Year beginning September 1, 2017 with retrospective application, to the extent practical, of all periods presented. GASB 75 revised standards for measuring and reporting OPEB liabilities for OPEB plans. Under GASB 75, the balance sheet now includes PGW’s net liability related to its OPEB Plan, which is measured as the total OPEB liability, less the amount of the OPEB Plan’s fiduciary net position. The total OPEB liability is actuarially determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the measurement date. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that OPEB Plan assets are available to pay benefits.

The OPEB Plan’s fiscal year-end and measurement date for the net OPEB liability is December 31. PGW’s net OPEB liability in its fiscal year-end audited financial statements reflects the net OPEB liability measured as of the December 31 occurring within the fiscal year of PGW ending on the August 31 following such measurement date.

Certain components of the change in the net OPEB liability are recognized immediately as OPEB expense in the statement of revenues, expenses and changes in net position each year. For example, changes in the total OPEB liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in OPEB expense immediately. The portion of the change in the net OPEB liability attributable to differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on OPEB trust investments, and contributions made after the measurement date are recognized as deferred inflows or outflows of resources. GASB 75 requires changes in expected versus actual investment returns to be amortized into OPEB expense over five years, and actuarial assumption changes and experience differences to be amortized over the average remaining years of active employment for the average working lifetime of all OPEB Plan participants. The impact of this amortization over time may increase volatility in annual amounts recognized as OPEB expense compared to amounts recognized under GASB 45 due to shorter permitted amortization periods over which the impact of changes can be smoothed.

PGW’s net OPEB liability was \$83.5 million on August 31, 2025 and \$113.7 million on August 31, 2024. The funded status of PGW’s OPEB trust for the period ending December 31, 2025 (i.e., the time period covered in the most recent actuarial report for PGW’s OPEB trust), was 95.62% (net position/total OPEB liabilities) (on a fair value of assets basis).

Also see APPENDIX A – “ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section – Notes to Financial Statements – (11(e)) – Other Postemployment Benefits – Net OPEB Liability”, for calculations showing the sensitivity of PGW’s net OPEB liability to changes in the current discount rate used to measure PGW’s total OPEB liability. OPEB expense recognized for the year ended August 31, 2025 was \$8.7 million, and deferred outflows related to the OPEB that will be amortized into expense in future years were \$30.8 million and \$32.1 million as of August 31, 2025 and 2024, respectively.

Financial information presented in the “PGW BUDGETS, RATES AND FINANCES” and “MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE NINE MONTHS ENDED MAY 31, 2026 AND MAY 31, 2025 (UNAUDITED)” sections below reflects the impact of GASB 75 for Fiscal Years 2025 and 2024, and for the nine-month periods ended May 31, 2026 and May 31, 2025.

PGW has taken steps to mitigate the impact of GASB 75. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay as you go basis. Also, PGW continues to fund the OPEB Trust with an annual deposit of \$18.5 million.

In Fiscal Year 2018, PGW retrospectively adopted a new required OPEB standard, GASB 75, as of September 1, 2016. The adoption of this standard resulted in the following:

Recognition of a net OPEB liability for the single employer Philadelphia Gas Works OPEB Plan (OPEB Plan) of \$350.4 million at August 31, 2017, which increased to \$378.9 million at August 31, 2018, decreased to \$336.1 million at August 31, 2019, decreased to \$248.2 million at August 31, 2020, decreased to \$201.6 million at August 31, 2021, decreased to \$149.2 million at August 31, 2022, increased to \$208.7 million at August 31, 2023, decreased to \$113.7 million at August 31, 2024 and decreased to \$83.5 million at August 31, 2025.

Recognition of deferred inflows and outflows related to OPEB resulted in balances of \$62.2 million and \$80.5 million on August 31, 2025. Deferred inflows and outflows related to OPEB resulted in balances of \$82.2 million and \$91.6 million on August 31, 2024. These deferred inflows and outflows of resources are related to differences between actual and expected investment returns, assumption changes, demographic factors, differences between expected and actual experience, and contributions made after the measurement date. GASB 75 requires changes in expected versus actual investment returns to be amortized as OPEB expense over five years and actuarial assumption changes and experience differences to be amortized as OPEB expense over the average working lifetime of all OPEB Plan participants. The impact of this amortization over time will be increased volatility in annual amounts recognized as OPEB expense compared to amounts recognized under prior accounting standards.

OPEB expense was \$8.3 million and \$19.1 million for the nine months ended May 31, 2026 and May 31, 2025, respectively.

Actual PGW Employer OPEB Contributions for Plan Years 2025 and 2024 and Budgeted Contributions for Plan Years 2026 and 2027

For the OPEB Plan year ended December 31, 2025, PGW contributed \$27.2 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million from PGW’s other resources. For the OPEB Plan year ended December 31, 2024, PGW contributed \$28.8 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million from PGW’s other resources.

For the OPEB Plan year ending December 31, 2026, PGW budgeted \$26.1 million for contributions on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million from PGW’s other resources. For the OPEB Plan year ending December 31, 2027, PGW expects to budget \$29.3 million for contributions on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million from PGW’s other resources.

Additional OPEB Information

See APPENDIX A – “ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section – Notes to Financial Statements – (11) Other Postemployment Benefits” and APPENDIX C – “THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION – PGW Other Post-Employment Benefits” for further information. See also, “GAS SERVICE TARIFF AND RATES – Rates - Surcharges OPEB Surcharge.”

Litigation

In the ordinary course of its business operations, PGW and PFMC are from time to time sued or threatened with litigation. Most frequently such litigation alleges property damage or personal injury to third parties. However, other forms of litigation also arise from time to time. Such litigation, among other possible subjects, may include environmental-related actions and proceedings in which it may be alleged that the PGW is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property. Other than as described in the next paragraphs, (1) PGW is aware of no litigation pending or threatened in which a final adverse determination, singly or in the aggregate, would have a material adverse effect on PGW’s operations or financial condition and (2) PGW believes it has set aside sufficient reserves to meet anticipated liabilities arising out of litigation to the extent not covered by insurance.

See also “LITIGATION - PGW” in APPENDIX C – “THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION.”

Philadelphia Gas Works, Petitioner v. Pennsylvania Public Utility Commission and SBG Management Services, et al.

This concerns subsequent appeals from Orders of the Commission issued: (a) December 8, 2016, and the related Opinions and Orders denying reconsideration that were issued on May 18, 2018, and on August 23, 2018; (b) September 20, 2018; and (c) October 4, 2018.

Eight complaints were filed by landlords and by SBG Management Services, Inc. (collectively, “SBG”), the property management company that manages the day-to-day operations of certain residential properties owned by the landlords. The complaints - which challenged amounts owned by SBG to PGW that, *inter alia*, were subject to late payment charges by PGW - were divided into three groups by the Commission. The Commission’s Regulations and PGW’s Commission approved tariff authorizes PGW to charge interest (in the form of a late payment charge) at the rate of 1.5% per month on the overdue balance of a utility bill. In addition, if a customer does not pay for natural gas services provided by PGW, a municipal lien (which is created by operation of the Pennsylvania Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, *et seq.* (“MCTLL”)) may be docketed with the appropriate local court. The Commission held that it lacks jurisdiction over unpaid amounts for natural gas service provided by PGW when a municipal lien is docketed under the MCTLL. Based upon that conclusion, the Commission determined that once a lien is docketed, PGW may not apply rules set forth in its Commission-approved tariff to the arrearage amount giving rise to the lien and may not show that arrearage amount on its monthly bills to non-paying customers. The PUC assessed civil penalties in the total amount of \$54,000 against PGW, ordered PGW to refund sums totaling approximately \$1,038,000 to the complainants, correct its practices in the assessment of late payment charges on unpaid balances, and modify the payment application sequence associated with partial payments. This would require PGW to make changes to PGW’s billing system.

In response to the PUC’s determination, PGW filed timely appeals with the Pennsylvania Commonwealth Court from the PUC’s decision in each group of complaints. Oral argument took place on November 12, 2019.

On December 9, 2019, the Pennsylvania Commonwealth Court reversed the orders of the PUC related to amounts owed by SBG Management Services, Inc. to PGW that, inter alia, were subject to late payment charges by PGW.¹ The Commonwealth Court found that (i) the PUC committed an error of law in holding that it lacked jurisdiction over gas charges subject to docketed liens, (ii) the PUC committed an error of law in holding that PGW could not continue to impose late fees of 1.5% per month on delinquent accounts once the City docketed a lien, and (iii) the PUC erred in imposing penalties, ordering refunds of previously imposed late fees, and directing billing changes relating to charges subject to docketed liens.

On January 8, 2020 SBG petitioned the Pennsylvania Supreme Court (“PA Supreme Court”) to reverse the decision of the Commonwealth Court. On June 23, 2020, the PA Supreme Court granted SBG’s petition for appeal. On December 1, 2020, the parties presented oral arguments before the PA Supreme Court. On April 29, 2021, the PA Supreme Court reversed the order of the Commonwealth Court, and held that liens filed of record under Section 7106(b) of the Municipal Claims and Tax Lien Law (53 P.S. § 7106(b)) have the effect of judgments, and accordingly accrue interest at the “lawful rate” of post-judgment interest of 6% per annum. (See 42 Pa.C.S. §8101; 41 P.S. § 202) (see <https://casetext.com/case/phila-gas-works-v-pa-pub-util-commn-3>).

On May 13, 2021 PGW filed an “Application for Reargument” with the PA Supreme Court. In its Application, PGW requested that the PA Supreme Court grant reargument on a number of grounds, including due to PGW’s assertion that the determination of the interest rate on liens was not properly the subject of the appeal before the PA Supreme Court.

On June 15, 2021, Philadelphia Gas Works’ Application for Reargument was granted in part by the PA Supreme Court. The case was remanded to the Commonwealth Court for consideration of any outstanding issues. (PGW’s Application for Relief (including the request for reargument) was denied in all other respects.) On August 3, 2021, the Commonwealth Court issued an order establishing a Supplemental Briefing Schedule for the matter on remand and also fixed the questions on remand.² The parties’ briefs were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022 the Commonwealth Court held that *Phila. Gas Works v. Pa. Pub. Utility Comm’n*, 249 A.3d 963, 974 (Pa. 2021) (“PGW II”) applies retroactively only to the parties of PGW II as well as other proceeding pending at the time PGW II was decided on April 28, 2021. The Commonwealth Court remanded the proceeding to the Commission for a determination of the correct amounts owed to the two property owners who filed the appeals to the PA Supreme Court.

Upon remand to the Commission, PGW filed a motion to dismiss the issue related to the amounts due on docketed liens. PGW argued that the amount due on docketed liens (which are judgments according to *PGW II*) are outside of the Commission’s jurisdiction. In response, SBG argued that it is proper for the Commission to determine how much SBG was overcharged. The motion was argued before the Administrative Law Judge (the “ALJ”) on November 8, 2022. An evidentiary hearing was held on March 23, 2024. The ALJ issued an initial decision on July 26, 2024. Exceptions to the initial decision were separately filed by PGW and SBG on August 16, 2024. Replies to the Exceptions were filed on August 26, 2024.

¹ PGW did not appeal the decision of the PUC regarding partial payment application. This matter was independently resolved per a settlement agreement reached with the Office of Consumer Advocate, and approved by the PUC on June 13, 2019, as part of a prior PGW’s base rate case. Per the settlement, PGW agreed to modify its partial payment allocation practices so that no priority is given to the satisfaction of late payment charges.

² Questions on remand: 1. Whether the PA Supreme Court’s opinion and order in Appeal of: SBG Management Services, 249 A.3d 963 (Pa. No. 14 EAP 2020, filed April 29, 2021), applies retroactively to the case at bar; 2. Whether the [Commission’s] orders violate [PGW’s] constitutional rights to due process by, without prior notice, announcing, applying and enforcing a new legal interpretation against [PGW] in the context of individual consumer complaints; 3. Whether substantial evidence of record supports the Commission’s imposition of a civil penalty and whether the Commission abused its discretion and acted arbitrarily and capriciously in imposing penalties; 4. Whether the Commission’s mandate for system-wide modifications is arbitrary and capricious and an abuse of the Commission’s discretion; and 5. Whether a remand is appropriate to the Commission for a determination of [PGW]’s compliance with the mandate for system-wide modifications or for imposition of a new period in which [PGW] must comply.

The initial decision (along with the Exceptions and Replies) were reviewed by the full Commission. The Commission entered its Opinion and Order on January 23, 2025. The January 2025 Order directed PGW to provide credits (a) of \$59,679.29, plus interest, to SBG's accounts based on recalculations of how partial payments impacted SBG's debts; and (b) \$333,462.59 to remove all late payment charges (1.5% per month) from amounts that were secured by docketed liens (judgments). On March 6, 2025, PGW credited SBG's accounts (totaling \$408,861.15) as directed by the Commission.

SBG filed an appeal with the Commonwealth Court (215 CD 2025) arguing that the Commission should have provided a different and greater recovery of damages to them. PGW filed a cross-appeal with the Commonwealth Court (282 CD 2025) arguing that the Commission exceeded its statutory jurisdiction by providing damages to SBG for overcharged interest on judgments (obtained by docketing liens). The Commonwealth Court consolidated the appeals. The appeals have been briefed. The Commonwealth Court indicated that the appeals will be decided on the filed briefs; Oral argument will not be scheduled. It is not clear when the Commonwealth Court will decide the appeals.

At this time, PGW cannot predict the outcome of this pending litigation or its impact on PGW's collection practices. As such, PGW can provide no assurances that the impact would not be material to PGW.

SBG Management Services, Inc. Et Al. v. City of Philadelphia c/o Philadelphia Gas Works, Philadelphia Court of Common Pleas Docket No. 210402801.

In a separate, but related matter to the SBG matter described above, various and several new SBG entities filed a Praecipe for Writ of Summons against "the City of Philadelphia c/o PGW" in the Philadelphia Court of Common Pleas on April 29, 2021, and docketed a complaint on August 24, 2021. The complaint sets forth a cause of action for "recoupment" (Count I), a claim for unjust enrichment (Count II), a cause of action for fraud (Count III), and a claim for violation of the UTPCPL (Count IV). Under SBG's view of the decision of the Pennsylvania Supreme Court (*PGW v. PUC*, 249 A.3d 963 (Pa. 2021)) in the above-described litigation, SBG is entitled to damages based on the amounts paid by them to satisfy the judgments (docketed municipal liens) against them for unpaid gas service. In their complaint, Plaintiffs allege they have incurred hundreds of millions of dollars in damages from PGW's billing practices since at least 2004 and are seeking a refund of late payment charges paid to PGW in excess of \$10,245,000, as well as other substantial (including punitive and treble) damages, interest, costs, fees and penalties based upon allegations of unjust enrichment, fraud, and unfair trade practices arising from PGW's late payment charges. PGW filed its response to the complaint in September 2021, wherein it raised objections and defenses to all of the causes of action raised in the complaint. Additionally, on September 13, 2021 PGW filed Preliminary Objections with the Court. On January 20, 2022, the Court issued an order in response to PGW's Preliminary Objections, dismissing two of SBG's claims with prejudice (fraud and unfair trade practices), and dismissing a third claim (breach of contract) without prejudice, and leave to SBG to amend its complaint. SBG has subsequently filed multiple amended complaints including a Third Amended Complaint ("TAC"). The TAC asserts claims of breach of contract (Count 1) and unjust enrichment (Count II). PGW responded by filing preliminary objections to the TAC. On August 10, 2022, the Court sustained one of PGW's preliminary objections and dismissed the nine other property owners. PGW's other preliminary objections were overruled. PGW filed an answer with new matter on August 30, 2022. SBG's reply was filed on September 23, 2022. PGW also filed a motion for summary judgment on the grounds that all or most of SBG's claims are barred by the applicable statutes of limitations. That motion was denied by the Court on September 3, 2024. Under the Court's Order entered March 20, 2026, the judge granted an unopposed motion to postpone the jury trial that was scheduled to start on March 30, 2026. The judge will issue new scheduling or/and case management orders as appropriate.

Prior to that postponement, PGW filed numerous motions seeking to limit the damages evidence that can be presented by the Plaintiffs. The motions were granted, in whole or in part, by the judge. Only certain damage claims remain. The remaining claims are based on damages allegedly incurred in eight real estate refinancings by six property owners, reducing the maximum potential damages by about 75%. The judge has yet to fully decide if the damage claims for five of the property owners will be presented to the jury. That issue remains pending with the judge. Those five property owners are defendants in a separate mortgage foreclosure

action brought by Fannie Mae in the U.S. District Court, Eastern District of Pennsylvania (Philadelphia; Docket No. 2:24-CV-04722). On June 30, 2026, the Eastern District Court approved a settlement agreement between the Court-appointed receiver, Fannie Mae, and PGW with respect to claims arising out of PGW's provision of natural gas services to the receivership estate of those five property owners. The settlement agreement, among other things, releases PGW from any surviving claims on behalf of the five property owners in receivership.

On April 8, 2026, PGW filed a motion seeking leave to file a motion for summary judgment. That motion was granted by the judge. PGW filed a motion for summary judgment on June 4, 2026. On July 1, 2026, PGW filed a supplement to its motion for summary judgment requesting that all claims by the entities in federal receivership and subject to the above-referenced settlement be dismissed with prejudice. SBG's response to that summary judgment motion was due on July 6, 2026, but was not submitted. It is not clear when the judge will decide the summary judgment motion.

At this time, PGW cannot predict the outcome of this pending litigation or its impact on PGW's collection practices. As such, PGW can provide no assurances that the impact would not be material to PGW.

SBG Management Services, et. al., Plaintiffs v. City of Philadelphia c/o Philadelphia Gas Works, et al., Defendant, Philadelphia Court of Common Pleas Docket No. 231101740; Commonwealth Court Docket No. 380 CD 2024.

SBG Management Services, Inc., the five landlords with active gas accounts who are involved in the previously described litigation (Pennsylvania Supreme Court Docket No. 14 EAP 2020, *et al.*) (collectively "SBG") instituted this new litigation in the Philadelphia Court of Common Pleas via a Complaint in Equity on November 15, 2023 ("Injunction Action"). The Complaint alleges that PGW wrongfully terminated gas service to the landlords based upon disputed outstanding balances. At the same time, SBG filed a Petition for Temporary Injunctive Relief. That Petition seeks to enjoin PGW from enforcing shut-off notices for allegedly unpaid outstanding balances.

On November 17, 2023, the Court held a hearing on the Petition for Temporary Injunctive Relief. PGW restored gas to all five properties as of 10:00 p.m. on November 17, 2023. The Court entered an order on November 17, 2023 directing, among other things, that the parties engage in mediation. On February 25, 2024, the Court entered another Order prohibiting PGW from terminating gas service at the Landlord properties that were Plaintiffs in the Injunction Action until further order of the Court.

PGW subsequently exercised its right to appeal the Common Pleas Court's February 25th Order to the Commonwealth Court (Docket No. 380 CD 2024) alleging that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. PGW's main brief was filed on July 23, 2024. SBG's main brief was dated August 23, 2024. PGW's reply brief was filed on September 5, 2024. Argument has not been scheduled by the Commonwealth Court. By motion of PGW, which was not opposed by the Plaintiffs, the Court stayed all further proceedings in the Injunction Action pending the outcome of the Commonwealth Court appeal.

The pleadings remain open. PGW filed preliminary objections to the Complaint in the Injunction Action on December 6, 2023. The preliminary objections allege, among other things, that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. SBG's response to the preliminary objections was filed on March 18, 2024. The Court's decision on the preliminary objections is stayed pending the outcome of the Commonwealth Court appeal, as noted.

As part of the Injunction Action, SBG has alleged it is owed an unquantified amount of damages for alleged constitutional violations and violations of the Public Utility Code. Additionally, the relief requested by SBG is that PGW be enjoined from terminating service to SBG for non-payment in the future, and as such PGW would be forced to forgo terminating service to the subject properties in an effort to collect unpaid gas bills. PGW has not filed an Answer to the Injunction Action, since PGW's preliminary objections are pending, as noted.

At this time, PGW cannot predict the outcome of this pending litigation or its impact on PGW's collection practices. As such, PGW can provide no assurances that the impact would not be material to PGW.

Competition

Under the Gas Choice Act, all of PGW's customers may choose among natural gas suppliers. PGW offers a Purchase of Receivables and Consolidated Billing Program to other natural gas suppliers. PGW developed the Purchase of Receivables and Consolidated Billing Program to better enable other natural gas suppliers to offer gas to PGW residential and small business and industrial customers. PGW also offers a dual-billing program to natural gas suppliers wherein suppliers bill for their own charges to customers of various classes. If a customer selects a gas provider other than PGW, such customer will be required to use PGW's distribution (also referred to as "transportation") system and pay the distribution charge for such use. Such distribution charge for transportation service does not vary significantly from what the charge (less gas cost) would be for such customer were it a sales service customer. As a consequence of this charge structure, PGW does not anticipate that customers moving from sales service to transportation service to cause a material reduction in margin (gross revenues less cost of gas) for PGW.

PGW's competitors are primarily PECO and Vicinity.

PECO is the electric utility and PGW competes with PECO in every aspect of its business; however, customers generally prefer and choose natural gas as their energy choice when it comes to market rate housing and many commercial end uses. Multifamily rentals tend to choose electric due to initial lower capital costs. PGW offers incentives and advantageous tariff rates for new technologies such as combined heat and power ("CHP") and natural gas heat pumps in order to compete in the multifamily segment. No assurances can be provided that such market segment patterns will remain stable.

Vicinity owns and operates a steam loop in Center City Philadelphia. PGW believes it has been competitive in capturing a significant amount of new construction that would otherwise connect to steam as well as competing to convert a number of existing steam loop customers to natural gas. PGW's in-house team provides feasibility studies to potential customers and works with a prospective customer's team to facilitate converting customers over to natural gas.

Table 4 shows a breakdown of the components of the average annual bill for residential customers. Customers who select a provider other than PGW will pay the Distribution Rate and Universal Service and Energy Conservation Surcharge components. Note, however, Table 4 does not reflect the costs of natural gas to a customer that selects a different provider.

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Table 4
AVERAGE ANNUAL COSTS FOR RESIDENTIAL
CUSTOMERS IN A FISCAL YEAR⁽¹⁾

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Distribution Rate ⁽²⁾	\$830	\$808	\$800	\$849	\$773	\$725	\$807	\$804	\$722	\$726
Universal Service and Energy Conservation Surcharge	123	95	108	125	125	74	106	123	98	89
Gas Cost Rate	280	241	447	431	261	295	353	345	306	264
Total	<u>\$1,233</u>	<u>\$1,144</u>	<u>\$1,355</u>	<u>\$1,405</u>	<u>\$1,159</u>	<u>\$1,094</u>	<u>\$1,266</u>	<u>\$1,272</u>	<u>\$1,126</u>	<u>\$1,079</u>

⁽¹⁾ Source: PGW's records.

⁽²⁾ Includes Efficiency Cost Recovery, Other Postemployment Benefits ("OPEB"), Weather Normalization Adjustment ("WNA"), and Distribution System Improvement Charge ("DSIC") surcharges.

PGW customers are classified as residential, commercial, or industrial, with residential and commercial customers accounting for approximately 99.4% of PGW's non-heating customer base and approximately 99.5% of PGW's heating customer base for Fiscal Year 2025. PGW holds in excess of 87% of the home heating market in the City, with fuel oil and electricity constituting most of the remaining heating market share. PGW's top ten customers comprised less than 4% of its total gas revenues for Fiscal Year 2025. PGW's residential and small to medium-sized commercial market shares are expected to remain stable due to the costs to customers of changing energy sources absent monetary incentives in the form of rebates and related financing mechanisms. Costs of new or replacement residential gas equipment can be affected by many factors such as the U.S. Department of Energy's proposed regulations that could require newly manufactured gas furnaces have a higher efficiency rating than is currently required. The costs of acquiring such gas furnaces as well as any necessary duct work could affect the willingness of customers to convert to or maintain natural gas. Growth in PGW's market share is expected to be limited absent an expansion in PGW's service territory beyond the City and an investment in marketing or incentive programs.

The average number of firm residential non-heating customers is projected to decline from 13,936 in Fiscal Year 2026 to 12,571 in Fiscal Year 2031. The average number of firm residential non-heating customers on August 31, 2025 was 14,634. The average number of firm heating customers (including Customer Responsibility Program ("CRP") customers) is projected to increase from 460,823 in Fiscal Year 2026 to 462,348 in Fiscal Year 2031. As of August 31, 2025, the average number of firm heating customers (including CRP customers) was 461,937.

The historical total average number of customers served monthly (for Fiscal Years 2021 through 2025) has been approximately 514,090. PGW's customer base is largest at the end of the peak heating season and decreases afterwards as customers terminate their service until the next heating season begins. The total average number of customers served is projected to increase from approximately 510,926 in Fiscal Year 2026 to approximately 511,116 in Fiscal Year 2031, a total increase of about 0.04% over five years. The estimated changes in the total average number of customers are forward-looking statements. Actual results may vary from such estimates due to a number of circumstances, certain of which are beyond the control of PGW to influence.

PGW experiences greater competition in the larger commercial and industrial markets, with interruptible customers (load balancing service and interruptible transportation sale customers) having the ability to utilize alternate energies (such as oil, electric or steam) if the equivalent price of natural gas is higher than the price of alternative energy. See "GAS SERVICE RATES AND TARIFFS – Gas Service Tariff" herein. Growth in PGW's commercial and industrial customer base may also be affected by regulations of the Clean Air Act as use of natural gas (instead of fuel oil) may help such customers meet air emission operating permits. In addition, the lower cost of natural gas relative to alternative energy sources has resulted in large commercial and industrial customers switching to natural gas.

PGW's ability to increase its customer base is limited principally due to its already high market saturation and its fixed geographic territory in which it is permitted to provide its services. The most significant opportunities for PGW to grow are resulting from the redevelopment of the former Philadelphia Energy Solution refinery site and the continued expansion and redevelopment of the Philadelphia Navy Yard. PGW is actively working with both development teams to provide gas service to their customers as they are attracting large scale investments in life sciences applications, industrial/manufacturing customers and logistics. PGW has collaborated with local officials and these developers on numerous pitches to confidential customers that are looking to expand operations to these sites. The availability of natural gas is a key part of their decision-making process. The residential and small to mid-size commercial customer segments are fairly stable for PGW. However, opportunities for PGW to increase market share are generally limited in the absence of subsidies or other incentives (e.g., rebates) for potential customers. Recent years' growth in residential new construction in the City suggests certain growth opportunity for PGW's customer base. However, no assurances can be provided as to what the longer-term impact of economic, demographic, lifestyle, and social patterns (e.g., use of remote and hybrid work arrangements) may be on City residential patterns and growth.

In contrast, there typically is more competition in the larger commercial and industrial markets. PGW customers utilizing the interruptible transportation rate (known as "IT") can switch from other sources of fuel (i.e., oil, electric or steam). Factors that could impact whether such customers switch to natural gas include the equivalent price of natural gas in relation to the alternative fuel choices and the costs of complying with Clean Air Act regulations (i.e., where use of natural gas can aid commercial and industrial consumers in meeting air emission standards).

PGW promotes the use of CHP to its commercial customers both to enhance reliability and reduce operating costs. On-site CHP can reduce electric demand from the grid and use waste heat from the CHP unit for a customer's cooling and heating or process requirements. A challenge for CHP projects is high initial capital expenditures for the customer. PGW has also pursued growing the number of customers that utilize micro-CHP, a small-scale version of CHP which is designed for small commercial customers. Given that this technology is relatively unfamiliar for small commercial customers, incentives from PGW, and governmental sources may be required for this product to gain further traction. CHP projects may become increasingly desirable for customers to the extent natural gas prices are relatively lower and stable (and anticipated to remain at such levels) in relation to alternative energy sources. PGW is also fielding inquiries from customers to utilize natural gas for onsite generation due to electric grid capacity issues. In addition to CHP and micro-CHP, PGW is promoting natural gas heat pumps due to their high efficiency and their ability to heat and cool simultaneously. Natural gas heat pumps can operate at very low temperatures providing a significant advantage over standard electric heat pumps.

PGW is continuing to promote the utilization of Natural Gas Vehicles. The City of Philadelphia has received grants with the guidance of PGW, to purchase a fleet of refuse trucks. The City Streets and Sanitation Department replaced 30 diesel trucks with compressed natural gas ("CNG") and is on its path to replacing the remaining 40 diesel trucks with CNG through an annual process when the diesel trucks reach scrapping age. In addition, PGW successfully worked with AAA (i.e., the American Automobile Association) in converting AAA's medium and heavy-duty diesel fleets within the City to CNG. AAA is gradually adding more CNG trucks to their fleet.

Certain factors are expected by PGW's management to continue to put downward pressure on load levels and revenues for PGW. These factors include customer conservation efforts, energy efficiency improvements in buildings and gas equipment, customer migration to interruptible transportation service and customers leaving the PGW system. See also "CLIMATE CHANGE."

THE GAS WORKS FACILITIES

PGW maintains and operates a large number of facilities, including a distribution system of gas mains and service lines, and meters, gas supply facilities (including City gate stations where natural gas is received from pipeline transmission companies), centers to monitor and control gas flow and pressure, and liquid natural gas liquefaction, vaporization and gas storage facilities. For additional information see "NATURAL GAS SALES, COSTS AND SUPPLIES – Gas Supply, Storage and Transportation." Also, the PGW facilities are

described further below. See also, “THE CAPITAL IMPROVEMENT PROGRAM” for a discussion of historical and planned capital expenditures to maintain and improve PGW facilities.

Gate Stations and Gas Control Center

Natural gas is received through nine City gate stations, eight of which are owned by the two interstate pipeline companies serving PGW, Enbridge (Texas Eastern) and Transco-Williams. In addition, there are gas heaters at eight of the City gate stations. These supply facilities are remotely controlled via a supervisory control and data acquisition (“SCADA”) system from a gas control center located at PGW’s Montgomery Avenue headquarters facility with contingent control capacity at the Richmond Plant. At the gas control center, personnel monitor and control gas flow and pressure from the nine City gate stations to the distribution system, as well as provide direction to the LNG production plant operators concerning startup, shutdown, and gas flow output from the LNG facilities. The SCADA system includes servers, back-up equipment, cooling and power to support its operations.

LNG Storage and Vaporization Facilities

The Gas Works includes two LNG facilities – one at the Richmond Plant and one at the Passyunk Plant. The Richmond LNG plant is one of the largest peak shaving facilities in the United States. It includes liquefaction, storage, and vaporization facilities. The liquefaction facility was placed into service in 2005 and replaced the original modified cascade liquefaction facility. Its liquefaction facility has a liquefaction capacity of 16,000 thousand cubic feet (“Mcf”) per day and utilizes open expander technology. This technology utilizes energy from the high-pressure interstate pipeline system to run the expander/compressors, significantly reducing fuel requirements. Further, this technology utilizes significantly fewer components than the previous modified cascade facility and has resulted in lower operation and maintenance costs. The expander liquefaction facility is not available during the summer months because the demand on the PGW system is not sufficient to create the throughput necessary to operate at this capacity.

The two storage tanks at the Richmond Plant have a combined gross capacity of 48,970,000 gallons of LNG (4,045,800 Mcf). Regasification of the liquid natural gas is accomplished with six vaporizers having a total capacity of 500,000 Mcf per day plus 100,000 Mcf per day in reserve. The Richmond Plant also has facilities to receive LNG from and deliver LNG to cryogenic trailer trucks.

The smaller satellite facility at the Passyunk Plant includes LNG storage and vaporization. It receives liquefied gas supply from the Richmond Plant via cryogenic trailer trucks. The Passyunk LNG facility consists of one LNG storage tank of 3,066,000 gallons gross capacity (*i.e.*, the equivalent of 253,300 Mcf) and two LNG vaporizers, each having a capacity of 45,000 Mcf per day, resulting in 45,000 Mcf per day planned capacity and 45,000 Mcf per day reserve.

The highest daily vaporization rate from the LNG facilities was approximately 360,000 Mcf. This occurred when PGW recorded a maximum send out from its system in winter of 1994.

Both the Richmond and the Passyunk plant facilities (the “Richmond Plant” and the “Passyunk Plant,” respectively) have 24-hour a day staffing with security personnel monitoring the facilities. In addition to on-site personnel, each Facility has fire suppression systems, including emergency shutdown mechanisms and high expansion foam and sprinkler systems, as well as other sensors to monitor the areas surrounding each Facility.

The LNG facilities are primarily used to ensure availability of supply needed to serve peak day demand. The LNG facilities provide capacity that would otherwise be needed from flowing gas and off-system storage (*i.e.*, pipeline and storage capacity) to meet peak day demands. The LNG facilities also allow for a nominal reduction in purchases during the higher cost winter period. Based upon current pipeline and storage charges, which have remained relatively constant over the past five years, PGW estimates that utilizing the existing LNG facilities in lieu of additional pipeline and storage capacity saves approximately \$50-75 million per year.

PGW also stores LNG for other parties as a source of additional fees. PGW is offering expanded LNG services at the existing Richmond Plant under PUC-approved (*i.e.*, in relation to gas service tariffs) rate LNG-N effective December 2019.

PGW is currently in the negotiation phase of an LNG Asset Utilization Request for Proposals that could result in a third-party partnership. This partnership project would include LNG production to meet PGW's winter needs each year and would also include an LNG bunkering opportunity to be led by the third party. The anticipated benefits for PGW include guaranteed LNG for its customers each year and the avoidance of a large capital investment (currently estimated at \$182 million) to replace the existing aging liquefier at the Richmond Plant. No assurances can be provided that this transaction, or other ventures, will be completed in a timely manner, or at all, or will achieve anticipated benefits.

Distribution Facilities

The principal gas distribution facilities consist of approximately 3,090 miles of main, 470,432 service lines, 198 district regulator stations, 520,929 active gas meters and miscellaneous distribution valves, instruments, and other appurtenances, including more than 2,400 emergency main valves. PGW operates nine different operating pressure systems; each system is connected to the other by pressure control regulators. The following table sets forth information concerning the minimum and maximum operating pressures for these systems.

Pressure System	Pressure (Pounds per Square Inch Gauge (PSIG))	
	Minimum	Maximum
Richmond High Pressure Lateral	100	800
Transmission Main TP-1	200	500
Passyunk High Pressure Lateral	200	500
Ivy Hill Gate Station Inlet	100	420
150 PSIG System	60	150
60 PSIG System	30	60
High Pressure Distribution System	10	35
Intermediate Pressure Distribution System	1.5	5
Low Pressure Distribution System (Inches Water Column (W.C.))	4.5"	14"

Approximately 75% (by length) of the gas mains in PGW distribution system operate at low pressure (inches W.C.). The majority of PGW customers are served from the low-pressure system (approximately 90% of customers).

Approximately 34.9% (by length) of the gas mains are cast iron, 33.7% are steel, 3.6% are ductile iron, and 27.8% are plastic. Of the steel mains, approximately 51.1% are wrapped, coated, and cathodically protected. Approximately 20% of the service lines are steel (of which 23% are cathodically protected) and 80% are plastic. See "THE CAPITAL IMPROVEMENT PROGRAM" for information regarding PGW's gas main replacement program.

Data Center

PGW has a state-of-the-art energy efficient data center that includes a dedicated backup generator and two independent power feeds supplying separate redundant uninterruptible power supplies. The modular data center design allows for information technology equipment load growth and provides increased redundancy of cooling systems to N+3 or essentially four systems.

This data center features a highly efficient hot aisle containment system and is hosting state of the art information technology equipment providing a 90+% virtualized compute environment with over 600 servers and one Petabyte (*i.e.*, one million gigabytes) of storage.

PGW also operates an 800 square foot, Tier 3 energy efficient data center at 5000 Summerdale Avenue in Philadelphia. This facility currently serves as PGW's primary disaster recovery site and will soon support an active/active configuration for several critical applications. It features the same redundant power and cooling infrastructure as the primary data center and maintains connectivity with all PGW locations. The site also hosts a dedicated security network that monitors cameras and access points across the organization. Designed not only to complement the primary data center, this new facility is fully capable of operating independently.

Combined Heat and Power

A 200-kW natural gas-fired micro-turbine CHP system produces electricity, heat and cooling for the 800 West Montgomery Avenue headquarters building. PGW estimates that approximately half of the building's electricity is produced by the CHP system at half the cost of electricity purchased from the local distribution grid. Waste heat from the turbine is used to heat the building and a project is in construction to install a replacement absorption chiller (the original unit is no longer operable) so that the waste heat can again be used to supply chilled water to the building in the warmer months.

A system of two 65-kW natural gas-fired micro-turbines CHP produces electricity at the 5000 Summerdale Avenue North Operations Center. Waste heat from the turbines is used to heat domestic water for building operations.

These CHP systems are also used by PGW Marketing to demonstrate the advantages of CHP to customers in the growing CHP service segment.

Other Facilities

PGW's central building complex is located near Temple University in the north central section of Philadelphia. This includes a 180,000 square foot executive and administrative office building located at 800 West Montgomery Avenue which includes PGW's data center, gas control information technology and telecommunications offices.

The North Operations Center, which PGW sub-leases from Philadelphia Municipal Authority (as described further within under "THE CAPITAL IMPROVEMENT PROGRAM – Customer Information System Replacement and Building Consolidation"), located at 5000 Summerdale Avenue, houses operations including: administrative, distribution and field service dispatch centers, dispatching, duplicating center, radio repair shop, training facilities, warehousing, as well as a metal fabrication shop. This location also includes a meter repair shop and the main automotive maintenance and repair facility. The automotive maintenance and repair facility is used for the upkeep of PGW's fleet vehicles, portable compressors, and trailers. PGW also maintains a satellite automobile repair facility at its Porter Station. PGW also maintains the Tioga Station satellite facility for distribution crews and as a warehousing facility.

The South Operations Center, as described further under "THE CAPITAL IMPROVEMENT PROGRAM – Customer Information System Replacement and Building Consolidation"), will be located on the joint properties of the Porter Station and Passyunk LNG facility, 2430 S. 28th Street. This 30,000 square foot building is in the pre-construction phase and will house operations including: distribution and field services, warehousing and automotive maintenance and repair.

See also, "THE CAPITAL IMPROVEMENT PROGRAM -- Customer Information System Replacement and Building Consolidation" for a further discussion of PGW's building consolidation efforts.

PGW Regulatory Compliance

PGW's Federal regulators include the Department of Transportation, Environmental Protection Agency, Federal Emergency Management Agency, and PHMSA. Commonwealth regulators include the Pennsylvania Department of Labor and Industry, Pennsylvania Department of Environmental Protection, and the PUC. Municipal regulators include the Philadelphia Department of Public Health, Philadelphia Air Management Services, and Philadelphia Office of Emergency Management. Set forth below is a description of four operating units of PGW which address certain regulatory matters: Chemical Services, Environmental Compliance, Gas Safety Regulatory Services, and Corporate Preparedness.

Chemical Services provides chemical and physical analyses focused on compliance with environmental, health, and safety regulations. Chemical Services provides analytical services, including among other things, analyses relating to natural gas composition and BTU (British Thermal Unit) analysis, odorant analysis, LNG analysis, glycol analysis, wastewater, and stormwater analysis, and other analyses as needed. Chemical Services also provides services pertaining to regulated waste management and spill response. The scope of this unit's services also touch upon permit and regulatory compliance (e.g., with respect to 12 regulated storage tank systems as well as storm water and wastewater permits), industrial hygiene and chemical safety and cleaning services, (i.e., including assessments and remediation related to asbestos, lead, and mold as well as indoor air quality and exposure assessments), and safety data for chemical products and related training. This unit also provides natural gas odorization services, including investigation of atypical conditions.

The Environmental Compliance unit manages environmental regulatory compliance with governmental regulations for all activities conducted at PGW facilities as well as environmental remediation and monitoring efforts among five former manufactured gas plant sites.

The Gas Safety Regulatory Services unit supports PGW operations and provides documentation related to Federal PHMSA advisories, and PUC safety inspections and data requests. This unit also handles official correspondences for PGW's Gas Processing, Field Services, and Distribution departments and Operator Qualification management and support.

The Corporate Preparedness unit focuses on the ongoing process of identifying and planning for risks of disruption to operations and services. The principal objectives for this unit relate to the protection of human life, the minimization of disruptions of service to PGW and its customers, the minimization of financial loss, and the provision of the timely resumption of service after a disrupting event.

Homeland Security

PGW has several Tier 1 facilities as defined by the United States Department of Homeland Security ("Homeland Security"). As a result, PGW was mandated to prepare a plan document which was completed and submitted to Homeland Security with the coordinated efforts of several PGW departments that included Security, Operations, and Information Technology. This plan is reviewed on a yearly basis by the associated departments for accuracy, relevance, and consistency. This plan is also audited yearly by Homeland Security and a yearly field audit is conducted by Homeland Security to ensure compliance. To date, PGW has met all such compliance requirements.

Management's Opinion of Condition of PGW Facilities and System

The following discussion of PGW management's current views of the condition of PGW facilities and system and related matters are based on PGW's internal records and observations, and the judgment of PGW's management (based on management's experience and knowledge of PGW's facilities and system and the gas industry in general, and not on the analyses or views of any independent consultant).

PGW's management believes that all of its facilities, vehicles, equipment and warehouse stock are reasonably maintained and in good operating condition, subject to only minor items not in good operating condition as would be expected during the normal course of operation of a utility such as PGW. The items which are not in good operating condition are either essentially retired in place or in the process of being repaired.

PGW maintains maps and other records of the distribution system which it believes are in good order and utilizes what it considers to be comprehensive written construction, operating and maintenance standards and procedures. PGW in its routine operations enters its facility records (corrosion, service, and leak records) into computer databases, in order to improve the accuracy of, and accessibility of, information. PGW also enters data for the ongoing maintenance of its fleet, plant, and facility operations.

PGW continually monitors its security measures at its major facilities, including the City gate stations, the two LNG facilities, the North Operations Center and the headquarters building complex. PGW has established concrete barriers around critical facilities at the Richmond Plant and perimeter fencing around both the Passyunk and Richmond Plants.

Based on PGW's physical observations and other internally generated data, and the level of maintenance expense and capital improvements reflected in PGW's budgets, PGW's management believes that PGW operates and maintains its system in accordance with current Federal, Commonwealth and City regulatory standards and generally accepted industry practices. Based on PGW management's assessment of existing facilities, and under normal operating conditions, PGW's management believes that PGW's currently planned capital expenditures should be sufficient to maintain PGW's facilities and system in good condition through at least the duration of PGW's current Capital Improvement Program.

NATURAL GAS SALES, COSTS AND SUPPLIES

PGW Gas Sales and Natural Gas Costs

PGW serves residential, commercial, and industrial customers with residential and commercial customers accounting for approximately 99.4% of PGW's non-heating customer base and approximately 99.5% of PGW's heating customer base for Fiscal Year 2025. Historical average number of customers (for Fiscal Years 2021 through 2025) has been approximately 514,090. References to gas "sales," "revenues" and "receipts" in this Official Statement generally refer to respectively, volume of gas, billings for gas delivered and payments received from billed customers. See "PHILADELPHIA GAS WORKS – Competition."

PGW provides three categories of heating or non-heating services: (1) firm service to residential, commercial or industrial customers who are given an applicable general service rate, municipal service rate or Philadelphia Housing Authority service rate, (2) interruptible service³ to customers who must have an alternate energy source because their service may be interrupted and (3) transportation service to customers (including residential customers) who do not use PGW as its gas provider.

For Fiscal Year 2025, firm customers constituted approximately 99.9% of PGW's customer base and accounted for 65% of its sales volume (representing gas delivered to customers). The following table sets forth certain historical information with respect to certain categories of PGW's total average customers for Fiscal Years 2021 through 2025, inclusive.

³ Currently, interruptible sales consist of LNG sales, which are priced at the LNG weighed average cost of gas plus the Sales Service Charge plus a negotiated margin, and cogeneration sales service which is priced at the average commodity cost plus \$0.75/MCF.

**PGW HISTORICAL AVERAGE NUMBER OF CUSTOMERS BY CATEGORY
FISCAL YEARS 2021-2025⁽¹⁾**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Average Non-Heating	14,636	14,929	16,244	17,323	18,113
Total Average Heating	<u>461,937</u>	<u>458,963</u>	<u>464,984</u>	<u>473,794</u>	<u>474,689</u>
Total Average Non-Heating and Heating	476,573	473,892	481,228	491,117	492,802
Total Average Transportation	<u>35,047</u>	<u>35,580</u>	<u>33,413</u>	<u>25,896</u>	<u>24,905</u>
Total Average Customers Billed	<u>511,620</u>	<u>509,472</u>	<u>514,641</u>	<u>517,013</u>	<u>517,707</u>

⁽¹⁾ Source: PGW's records.

For the twelve-month period ended August 31, 2025, approximately 77.2% of gas revenues were derived from residential customers, approximately 21.5% were derived from commercial and industrial customers and approximately 1.3% were derived from municipal and housing authority customers. Gas revenues represent gas for which PGW has billed customers.

PGW's gas sales and gas costs reflect a variety of factors, including natural gas utilization, natural gas prices, pipeline demand charges and refunds, and exercise by customers (including residential customers) of their rights under the Gas Choice Act to purchase natural gas from providers other than PGW, though such customers will be required to use PGW's distribution (also referred to as "transportation") system and pay a fee for such use. See "PHILADELPHIA GAS WORKS – Competition". Such choice has been available to residential, commercial, industrial, and municipal customers. See "PHILADELPHIA GAS WORKS – Competition." The temperature and other weather conditions greatly affect the gas usage of PGW's heating customers. Colder than normal weather conditions result in a greater demand for natural gas and warmer than normal weather conditions result in a lower demand for natural gas.

Total percent of gas sales by PGW's customer type, net of transportation sales, during each of the five Fiscal Years ended August 31, 2021 through August 31, 2025, are shown in the following Table 5:

**Table 5
PERCENTAGE OF GAS SALES BY CUSTOMER TYPE
FISCAL YEARS ENDED AUGUST 31⁽¹⁾⁽²⁾**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Residential	77.2	77.2	75.9	75.9	78.8
Commercial and Industrial	21.5	19.9	21.3	21.2	18.7
Municipal and Housing Authority	<u>1.3</u>	<u>2.9</u>	<u>2.8</u>	<u>2.9</u>	<u>2.5</u>
TOTAL	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ Source: PGW's records.

⁽²⁾ Sales represent gas delivered to customers, net of transportation sales.

Total gas sales for PGW are comprised of sales to firm and interruptible customers. Firm customers receive gas service under various schedules which anticipate no interruptions in the delivery of natural gas. Firm sales represented 65% of total gas sales by volume in Fiscal Year 2025. Interruptible sales service is offered to customers under schedules or contracts which anticipate and permit interruptions on short notice, generally in peak load periods. Interruptible gas service, which is sold to high volume commercial and industrial customers, represented 35% of total gas sales in Fiscal Year 2025. For information regarding PGW's gas sales by customer and service type, see "PGW BUDGETS AND FINANCES – Selected Operating Data Regarding Customers and Gas Sales – Table 12 – Selected Operating Data Regarding Customers and Gas Sales." The following table sets

forth certain historical information regarding gas revenues received by customer type for Fiscal Years 2021 through 2025, inclusive.

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PGW Historical Revenues by Customer Type
(in 000s)

	FISCAL YEAR ENDED AUGUST 31⁽¹⁾				
	2025	2024	2023	2022	2021
Total Adjusted Non-Heating ⁽²⁾	\$21,788	\$20,224	\$24,932	\$30,966	\$22,061
Total Adjusted Heating ⁽³⁾	<u>570,331</u>	<u>523,665</u>	<u>573,104</u>	<u>651,778</u>	<u>519,707</u>
Total Sales	592,119	543,889	598,036	682,744	541,768
Total Adjusted Transportation ⁽⁴⁾	<u>83,740</u>	<u>78,181</u>	<u>73,496</u>	<u>68,027</u>	<u>64,454</u>
Total Revenues	675,859	622,071	671,532	750,771	606,222
DSIC Surcharge	<u>38,617</u>	<u>35,003</u>	<u>34,627</u>	<u>36,816</u>	<u>34,608</u>
Adjusted Total Gas Revenues ⁽⁵⁾	<u>\$714,476</u>	<u>\$657,074</u>	<u>\$706,159</u>	<u>\$787,587</u>	<u>\$640,830</u>

(1) Source: PGW's records.

(2) Reflects Prior Year's Gas Cost Recovery adjustments of: \$813, \$401, (\$1,761), \$1,191 and (\$230) (in \$000s) for Fiscal Years 2025 through 2021, respectively.

(3) Reflects total heating revenues net of Weather Normalization Adjustment ("WNA"). Reflects Prior Year's Gas Cost Recovery adjustments of \$20,564, \$12,760, (\$49,080), \$30,918, and (\$5,392) (in \$000s) for Fiscal Years 2025 through 2021, respectively.

(4) Reflects total transportation revenues net of WNA adjustment.

(5) Excludes unbilled gas adjustment.

During the five-year period from Fiscal Year 2021 through Fiscal Year 2025, natural gas sales revenues were affected by the commodity price of natural gas and heating demand caused by weather. The price of natural gas affects sales revenue because a substantial portion of PGW's revenue is the recovery of natural gas costs. The commodity price of natural gas during this period followed a rise-peak-decline-rebound pattern. Some main drivers of price increases include the economic recovery after COVID-19, stronger demand, tighter supplies, and winter pipeline constraints. Also, prices were impacted by the global energy crisis following Russia's invasion of Ukraine, inflation, LNG demand, and limited pipeline capacity. Subsequently, increased U.S. production, improved storage, and easing global market pressures contributed to a lowering of prices. Still the recent colder winter weather caused higher gas prices in January and February of 2026. It should be noted that total operating revenues are budgeted based on a 20-year heating degree day weather normalization. Heating degree days experienced during Fiscal Year 2021 – Fiscal Year 2025 varied from a low of 3,735 (Fiscal Year 2023) to a high of 4,107 (Fiscal Year 2021). The 20-year average degree days for the period ending in Fiscal Year 2025 was 4,030. Fiscal Years with higher degree days would indicate more demand for heat and higher sales volumes. Sales volumes for the period range from a low of 66.86 billion cubic feet ("Bcf") in Fiscal Year 2024 to a high of 72.17 Bcf in Fiscal Year 2022.

Historically, the cost of natural gas has been PGW's single largest expense. During the five-year period Fiscal Year 2021 through Fiscal Year 2025, natural gas expenses averaged \$209.9 million, with a low of \$163.9 million in Fiscal Year 2021 and a high of \$272.4 million in Fiscal Year 2022. Information regarding PGW's natural gas costs and operating revenues during each of Fiscal Years 2021 through 2025 is shown in the following Tables. For information regarding PGW's natural gas sales volume, see the table entitled "Sales Volume" in APPENDIX A – "ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Statistical Section."

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Table 6
NATURAL GAS COSTS FOR THE
FISCAL YEARS ENDED AUGUST 31⁽¹⁾

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Natural Gas Costs (\$ thousands)	\$214,415	\$174,540	\$223,978	\$272,438	\$163,873
% Natural Gas Costs (Decrease) Increase from Prior Fiscal Year	22.8	(22.1)	(17.8)	66.2	11.7
% Natural Gas Utilization (Decrease) Increase from Prior Fiscal Year Bcf ⁽²⁾	9.7	(0.8)	(13.1)	3.5	0.7
% Natural Gas Price (Decrease) Increase	21.0	(43.7)	(3.6)	95.3	11.7
Pipeline Demand Charges (\$ thousands)	\$90,689	\$81,342	\$69,783	\$73,533	\$65,319
Pipeline Refunds (\$ thousands)	\$15	\$12	\$12,675	\$248	\$9

⁽¹⁾ Source: PGW's records.

⁽²⁾ Billion cubic feet.

Certain Factors that May Lower the Volume of PGW's Gas Sales

Demand for gas supplied by PGW can be driven by changing population patterns within the City, significant new commercial or industrial customers, or other changes in consumer habits. The nature and patterns of new residential development and redevelopment within the City can also impact PGW's level of gas customers and consumption. New multi-family residential developers may opt to utilize all electric options for appliances and heating and cooling. Based on PGW management's observations, multi-family rental property developers and owners tend to choose electric heating sources due to initial lower capital costs. Federal, Commonwealth and local laws, including building code provisions, may also constrain or influence developers' use of gas versus other options.

There are also certain factors that may tend to lower gas consumption per customer over time. These include conscious energy conservation efforts by customers as well as market or regulatory driven technological advances that increase levels of energy efficiency in end use appliances and other devices, including furnaces and stoves and could also lead to declines in per capita energy consumption. PGW has observed a trend where customers are installing more energy efficient equipment and smart thermostats which is leading to lower usage per customer. Better insulation and energy sealing in homes and other buildings (including newly constructed or rehabilitated buildings) within Philadelphia over time should also tend to contribute to reduced per capita energy consumption. Additionally, certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by a fixed date. Likewise, certain regulatory and legislative bodies have introduced or are considering actions which could limit the use or installation of new natural gas appliances. Consumer demand for PGW services may also be impacted by any price increases, including those driven by factors beyond PGW's control such as inflation or increased prices in natural gas.

In general terms, "decoupling" refers to a regulatory policy or additions to or changes in service offerings whereby a utility's profits (or some measure of net revenues in the governmental enterprise context) becomes less dependent upon, or independent of, gas, electricity or water sales. These approaches lead to the removal of, or lessening of, the incentive for a utility to sell more of the unit it produces and/or distributes. While PGW's management believes that this is a development which may reasonably be anticipated to occur in the gas markets over the long-term, there are no assurances as to the timing and extent of any such developments as they may impact PGW.

Seasonal Considerations

Historically, PGW has had higher customer sales volumes during the colder weather months of November through April. These typically are the months during PGW's Fiscal Year when it recognizes generally stronger results in terms of operating income, net income and net earnings (*i.e.*, net income minus PGW's contributions to the City). These generally stronger results tend to offset, on an annual Fiscal Year basis, relatively less robust results frequently recognized during the warmer months of the Fiscal Year (*i.e.*, the later spring into the early fall months). Consequently, there is a risk that the overall impact on PGW's operations and financial position due to any deterioration in PGW's collection results, bad debt experience, and other financial metrics, regardless of underlying causes, may be magnified to the extent such deterioration occurs during the cold weather months of PGW's Fiscal Year.

PGW actively works to minimize the potential for adverse customer payment patterns during winter months. PGW has annual campaigns to educate customers regarding assistance programs such as: LIHEAP grants, CRISIS grants, Equal Monthly Payment Plans (Budget Billing), CRP, and other various payment agreement options that are afforded PGW customers. PGW proactively implements these annual campaigns to inform customers of their options if customer payment challenges arise.

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Table 7
OPERATING REVENUES
HEAT AND NON-HEAT CUSTOMERS
FISCAL YEARS 2021 THROUGH 2025⁽¹⁾⁽⁴⁾
(THOUSANDS OF U.S. DOLLARS)

	2025	2024	2023	2022	2021
Firm non-heat	\$19,785	\$19,382	\$22,617	\$24,535	\$21,267
Interruptible gas sales	2,221	1,448	5,057	6,338	2,085
Billed non-heating	22,006	20,830	27,674	30,873	23,352
GCR ⁽²⁾ non-heating adjustment	817	401	(1,761)	1,191	(230)
Total non-heating	22,823	21,231	25,913	32,064	23,122
Billed heating	572,134	517,900	622,898	632,372	544,653
GCR heating adjustment	20,548	12,760	(49,080)	30,918	(5,392)
Total billed heating	592,682	530,660	573,818	663,290	539,261
Weather normalization adjustment (WNA)	10,354	22,640	28,898	20,523	10,540
Total heating	603,037	553,300	602,716	683,813	549,801
Total gas sold	625,860	574,531	628,629	715,877	572,923
Firm transportation (FT) non-heat	6,569	5,611	5,698	5,428	5,060
FT heating	61,488	55,842	52,265	47,295	46,112
WNA FT	1,506	2,921	3,498	2,637	1,222
Total heating FT	62,994	58,763	55,763	49,932	47,334
Total FT	69,563	64,374	61,461	55,360	52,394
Unbilled adjustment	3,273	312	(2,735)	3,329	181
GTS: transportation ⁽³⁾	2,276	2,685	1,230	1,177	1,165
GTS (customer/customer choice)	13,367	12,502	11,884	12,695	11,469
GTS (supplier/customer choice)	11	11	11	11	583
GTS (firm supplier)	3,256	2,868	2,944	2,467	2,296
Interruptible DSIC	131	103	0	0	0
Total gas operating revenues	<u>\$717,737</u>	<u>\$657,386</u>	<u>\$703,424</u>	<u>\$790,916</u>	<u>\$641,011</u>

(1) Source: PGW's records.

(2) GCR=Gas Cost Rate.

(3) GTS=Gas Transportation System.

(4) Also see the table "PGW Historical Revenues by Customer Type" above.

Gas Supply, Storage and Transportation

PGW uses models that project customer natural gas requirements for the coldest hour, day, and year, using its records since the mid-1970s. These projections form the basis for PGW's decisions regarding capacity commitments for pipeline supply, storage and transportation contracting. In order to deliver gas to its customers, PGW must purchase gas and also arrange capacity on the gas pipelines that deliver gas from the suppliers, many of which can be as far away as the Gulf of Mexico, to the City gate stations.

The cost of gas supply is a function of the price paid and the quantity purchased, both of which are variable. While PGW can set the timing of gas purchases, the prices paid are largely determined in a very competitive and sometimes volatile marketplace. However, PGW uses offsite storage facilities and LNG storage to lower its supply costs.

PGW expects its supplies of natural gas and LNG to be adequate to meet its projected demand on the coldest peak day, hour, and year. See also the Table "Supply Mix to Meet Peak Day Demand" within for certain historical information regarding peak day gas supply and demand.

Supply

PGW purchases gas in four different types of transactions: long-term gas transactions, seasonal baseload gas transactions, swing gas transactions and spot gas transactions. To satisfy the projected natural gas requirements, PGW enters winter-only and summer-only supply arrangements with approximately a dozen gas suppliers. These arrangements are base load supply that PGW must purchase. The price of gas under these supply arrangements can be set in months prior to scheduled delivery if PGW determines there is an advantage to doing so, or the price can be set at an index for the month of delivery. PGW also enters year-long swing supply arrangements where PGW can adjust the volume from zero to the maximum contract amount on a daily basis. The price of gas under these supply arrangements is based on daily index pricing. PGW has been increasing its purchasing of Marcellus shale supply due to price. For winter 2024-2025, PGW's purchases under these winter supply arrangements provided approximately 55% of PGW's daily firm transportation entitlements. During that same period, approximately 20% of PGW's natural gas supply portfolio was purchased in the spot market on a 100% gas daily pricing basis that allowed for daily volumetric changes. The source of the remaining 25% of the gas usage was gas in storage facilities, including from three servicers that store and can deliver natural gas through their pipelines and from PGW's LNG facilities, as an additional source of supply. PGW does not own, lease or operate any gas wells and does not have exclusive rights to all or a portion of the output of any particular gas well pursuant to contractual arrangements.

Prepay Gas Transactions. Starting in May 2019, PGW started purchasing gas through long-term gas supply opportunities. As of late Spring 2025, PGW has completed thirteen prepaid gas transaction agreements. Each of the long-term gas supply opportunities has a term of 25 to 30 years. A major benefit of these prepaid purchase agreements relates to PGW's ability to take advantage of gas supplies purchased at discounts ranging from \$0.29 to \$0.61 per Dth from the specified spot market index. All of the long-term transactions are completed through an authorized public authority. In the winter season of 2024-2025, PGW received approximately 87,000 Dth per day from the prepaid transactions. In the summer season of 2025, PGW is expected to receive approximately 58,000 Dth per day from the prepaid transactions. These gas supply purchase opportunities are expected to provide approximately 57 percent of PGW's annual gas supply and are expected to save approximately \$11 million in gas costs in Fiscal Year 2025, increasing to approximately \$11.1 million of expected savings in the following Fiscal Years. PGW is expected to save approximately \$324 million over the term of all of the pre-paid gas supply contracts currently in place.

Transportation

All PGW's gas purchases are ultimately transported from the sources of supply to the City gate stations through either Texas Eastern pipelines or Transco-Williams pipelines. Injections and withdrawals of gas from off-system storage also rely on these two pipelines. Texas Eastern and Transco-Williams each account for approximately half of PGW's total contract pipeline capacity of 302,001 dekatherms (Dth) per day. The major contracts for Texas Eastern and Transco-Williams transportation services are being renewed automatically on a

year-to-year basis. See the Table captioned “*Gas Supply, Transportation and Storage Contracts*” within for a summary of PGW’s existing transportation and storage agreements with Texas Eastern-Enbridge and Transco-Williams.

Storage

Due to the highly seasonal nature of PGW’s load (demand), gas purchased and delivered through the pipeline transportation service is supplemented using storage services. The principal PGW natural gas supply facilities include nine City gate stations owned in large part by Texas Eastern and Transco-Williams as well as two LNG plants owned by the City. PGW’s supply facilities also include a gas control center, a deactivated propane/air plant, and one gas holder. During periods when PGW’s load is less than the contracted transportation service, PGW may utilize the available capacity to purchase gas for delivery to off-system storage facilities or to liquefy such gas for storage in its LNG facilities. To the extent that PGW is able to withdraw gas from off-system storage and local LNG facilities, its need to reserve capacity on pipelines to serve higher seasonal loads is diminished. In addition, gas purchased during the lower cost non-winter period, if it can be stored and redelivered from storage during the winter, will be less costly than gas purchased during the generally higher cost winter period. Further, market area storage provides PGW with increased security that gas will be available for customers when needed.

Of PGW’s total contract daily storage withdrawal capacity of 200,885 Dth per day, services provided using the Texas Eastern facilities account for 99,012 Dth per day, or approximately 49.3%, and services provided using the Transco-Williams facilities account for 101,873 Dth per day, or approximately 50.7%. Transco-Williams’s storage contracts do not include bundled transportation so volumes from this storage must be transported using a transportation contract from a different provider. PGW’s remaining storage volume arrangements consist of storage and transportation bundled. This storage capability primarily reduces contract demand for long haul transportation services and reduces the quantity of gas PGW needs to purchase to meet winter peak demand.

Transportation and Storage Costs

During Fiscal Year 2024, transportation and storage capacity costs accounted for approximately 48% of the total gas supply expenses of \$144.3 million. The prices paid for these services are determined by long-term contracts and tariff rates regulated by the FERC. These components of the gas supply cost represent the purchase of capacity, which generally remains relatively fixed, and is not expected to vary directly with the volumes of gas purchased. See “- Storage” above, “- Gas Supply Demand and Balance” below, “THE GAS WORKS FACILITIES - LNG Storage and Vaporization Facilities” above.

Gas Transportation and Storage Contracts

See the following table for a summary of PGW’s existing transportation and storage agreements with Texas Eastern and Transco-Williams.

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Gas Transportation and Storage Contracts

Contract	Contract Expiration ^(b)	Transportation		Storage	
		Dt/day	Mcf/day ^(d)	Dt/day	Mcf/day ^(d)
Transco-Williams					
FT-3691	Evergreen	165,212	159,471		
PSFT-5001	Evergreen	1,967	1,899		
S-2	Evergreen	5,191	5,011	5,191	5,011
GSS ^(c)	Evergreen	53,871	51,999	53,871	51,999
WSS ^{(a)(c)}	2035			35,115	33,895
Subtotal		226,241	218,379	94,177	90,904
Texas Eastern-Enbridge					
CDS-800232R	Evergreen	75,000	72,394		
FT1-800232R	Evergreen	23,822	22,994		
FT1-800514R	Evergreen	18,000	17,375		
FT1-800515R	Evergreen	18,000	17,375		
FTS2-330791	Evergreen	5,394	5,207		
EGTS/GSS/FTS7 ^(c)	Evergreen	6,815	6,578	6,815	6,578
EGTS/GSS/FTS8 ^(c)	Evergreen	22,495	21,714	22,495	21,714
SS1A	Evergreen	44,118	42,585	44,118	42,585
SS1B	Evergreen	20,847	20,123	20,847	20,123
Subtotal		234,491	226,343	94,275	90,999
Total		460,732	444,722	188,452	181,903

(a) Transportation included in FT

(b) Contracts are assumed renewed based on evergreen clauses beyond their expiration date.

(c) Volumes reflect 87.5% contract limitation on maximum monthly storage withdrawal.

(d) Mcf conversion at 1.036 BTU.

Gas Supply and Demand Balance

January 19, 1994 was PGW's highest actual historical peak demand day (a day with 2°F average temperature), with a demand (send out) of 752,707 Mcf. For design purposes, PGW projects total demand based on a 65 heating degree-day ("HDD"). This projection results in a design day average temperature of 0°F. This is the lowest expected temperature that PGW believes could reasonably occur and is supported by PGW historical experience in the 1980's of a design day with an average temperature of 0°F. Pipeline deliveries (flowing gas plus underground storage) for Fiscal Years 2021-2025 have met between 54% and 83% of actual

peak day demand. Significantly warmer than normal winters have contributed to these figures during this time period. Since PGW is the supplier of last resort if a customer's supplier cannot deliver natural gas, PGW must maintain these capacity levels. PGW assigns to its firm transportation customers proportionate shares of pipeline capacity and cost. PGW's management believes that PGW currently can meet anticipated demand requirements based upon its capacity.

PGW defines a normal year as one containing 3,844 HDDs for its supply planning purposes. The twenty-year average HDDs as recorded at the Richmond Plant provides the basis for the supply planning normal year. A design year consists of 5,280 HDDs according to PGW's definition and is based on the temperatures experienced during the 1977-1978 winter. This winter is utilized due to it being the coldest winter recorded in the previous six decades.

Although 100% of PGW's supply is transported through one of the two interstate pipelines, the supply components are based on the source of gas when ultimately delivered to the customer. Approximately 98% of volume, on a normal annual basis, is delivered to end users through the interstate pipeline systems (of which approximately 77% is flowing gas (i.e., gas that is purchased at the same time as delivered to customers), and approximately 21% is off-system storage), and approximately 2% is delivered from PGW's LNG facilities.

The following table summarizes the supply mix that was used to meet historical peak day demand from Fiscal Years 2021 through 2025 (with estimated information for Fiscal Year 2026).

Description	Supply Mix to Meet Peak Day Demand Fiscal Years Ending August 31 ⁽¹⁾					Estimate 2026
	Actual					
	2021	2022	2023	2024	2025	
Actual ⁽²⁾						
Peak Heating Degree-Days	39	49	49	42	49	54
Demand – Mcf	435,311	474,039	487,055	416,458	501,731	537,197
Supply – Mcf						
Pipeline/Storage	361,481	301,789	266,343	298,988	272,408	412,761
LNG	73,870	172,250	220,712	117,470	229,323	124,436
Total	435,311	474,039	487,055	416,458	501,731	537,197

(1) Source: PGW's records.

(2) Total actual annual demand does not include an Interruptible Gas Transportation Service customer, which is not included in peak day planning.

Transportation Service to PGW Customers

PGW in Fiscal Year 2025 provided transportation service to 35,047 customers. The increase in transportation customers from 24,905 in Fiscal Year 2021 is attributed mainly to customers switching from sales to transportation service. Grays Ferry and Trigen Cogeneration Facility, during calendar year 2025, accounted for approximately 42.4% of PGW's transportation throughput and 2.7% of PGW's transportation revenue. Essentially dedicated facilities provide service to these customers in accordance with tariff rate IT-XLT. Pursuant to this tariff, PGW received approximately 11 cents per Mcf for each unit transported plus a service charge designed to cover PGW's cost to operate and maintain the associated facilities necessary to provide service for these customers. Under the new tariff effective December 1, 2023, Grays Ferry and Trigen Cogeneration Facility are charged a transportation rate, service charge and other surcharges.

Other customers receive services pursuant to separate individually negotiated contractual arrangements. Transportation customers, in some instances, also receive some service in accordance with the sales rate schedule for a portion of their load.

A substantial number of PGW's customers continue to take fully bundled service from PGW even though PGW has operated under its Restructuring Compliance Tariff since September 1, 2003 with unbundled rates. A fully bundled service entails the given customer dealing with one provider and paying a single charge for all services. In such instances, PGW packages into a single full-service rate all of the separate services which PGW provides (gas supply, transportation, storage, and distribution).

Under PGW's restructured rates, customers may continue taking the gas supply, transportation, and storage services from PGW or select a third-party supplier for these services. Whether the customer selects PGW or a third-party for these services, the customer remains obligated to take and pay for distribution service from PGW. Under its current tariff arrangement, PGW allocates (with recall rights) components of its pipeline transportation to firm service third-party supplier parties such that PGW and its customers who take a fully bundled service will not be adversely affected by paying for capacity that would otherwise be stranded by customers who have selected a third-party supplier. PGW keeps ownership of the transportation capacity due to PGW continuing to be the supplier of last resort. If a firm service third party supplier defaults on, or otherwise no longer can fulfill its obligations, PGW can recall the transportation capacity and provide service to the customers who had chosen service from such third-party supplier. None of PGW's storage capacity is released to firm service third-party suppliers. Balancing services (i.e., reconciling customer gas deliveries with consumption) are provided by PGW from its storage as needed. During the winter season, PGW assesses firm service third-party suppliers a storage and peaking charge for storage balancing services which PGW provides. During the summer season, firm service third-party suppliers return volumes previously provided from PGW storages.

Due to the unbundled rates, PGW's margin from firm customers is not affected in any significant way due to a customer decision to choose a third-party supplier or to keep taking the fully bundled service. The distribution and customer charges are still paid to PGW regardless of which service is taken by the applicable customer. PGW is made whole through the GCR mechanism regarding gas supply, transportation, and storage costs. Customers choosing to receive fully bundled service are not adversely impacted by PGW's ability to assign capacity to the third-party suppliers.

For Fiscal Year 2026, PGW estimates that approximately 31.7 Bcf of commercial, industrial and municipal throughput, or 45% of total throughput for all customers, consisted of gas supply and transportation from a third-party supplier.

ENVIRONMENTAL MATTERS

General

PGW's operations and facilities are subject to numerous laws and regulations, including permitting and approval requirements, promulgated by federal agencies such as the United States Department of Transportation ("USDOT"), the United States Environmental Protection Agency ("USEPA"), and the Federal Emergency Management Agency ("FEMA"), by state entities such as the Pennsylvania Department of Labor and Industry ("PADLI") and the Pennsylvania Department of Environmental Protection ("PADEP"), and by local entities such as the Philadelphia Water Department ("PWD"), the Philadelphia Department of Public Health ("PDPH"), Philadelphia Air Management Services ("AMS"), and the Philadelphia Office of Emergency Management ("OEM"). These requirements are subject to change and additional or different requirements may be imposed upon PGW in the future. PGW's Regulatory Compliance Unit in the Customer Affairs Department routinely tracks and notifies relevant personnel of regulatory compliance requirements. See "THE GAS WORKS FACILITIES – Regulatory Compliance." No assurances can be given that PGW will be able to fully comply with changes to existing laws or requirements, or that compliance with such changes in requirements will not materially increase PGW's capital or operating costs or have a material adverse effect on Gas Works Revenues.

PGW (and its predecessors) has been in operation for 190 years, and many of its current facilities (the "Current Sites") and other locations where PGW had previously operated facilities used in gas manufacturing ("Legacy Sites") were built decades ago. As a result of internal environmental evaluations of its Current Sites,

PGW believes that several Current Sites that had been used in gas manufacturing contain contaminants from those operations or from other sources. Additionally, certain equipment and fixtures that PGW removed from service years ago may no longer comply with current environmental requirements. The Current Sites are comprised of the Tioga facility, the Belfield station (the “Belfield Facility”), the 9th & Diamond meter shop (the “Diamond Facility”), the Richmond Plant and the Passyunk Plant. In order to address these issues, PGW and the City voluntarily approached the PADEP and proposed to resolve these issues at the Current Sites under PADEP’s Land Recycling and Environmental Remediation Standards Act (“Act 2”).

Currently, PGW is unaware of any remediation efforts occurring at the Legacy Sites, and no remediation activity is presently scheduled for any Legacy Site.

To determine the extent necessary to remediate environmental conditions impacting its Current Sites, PGW commissioned environmental site assessment studies that were conducted by an environmental consulting firm (the “Firm”) in 2002, 2003 and most recently in 2004. In 2004, PGW received a set of five remedial investigation reports by the Firm that were based upon the findings of the environmental site assessment studies. These Remedial Investigation Reports (as such term is defined in Act 2) (“RIRs”) concerned the characterization of site soil and/or groundwater contaminated with volatile organic compounds (“VOCs”) and semi-VOCs at the Current Sites. In each case, the RIRs documented site impacts and recommend remediation at the applicable site to meet the site-specific standards permitted under Act 2.

Based on the RIRs, at the end of 2004, PGW submitted to the PADEP PGW’s Notice of Intent to Remediate (“NIR”) with copies of the RIRs for review. The remediation actions anticipated by PGW at the time included, but were not limited to, additional site characterizations, risk screenings, groundwater monitoring, soil vapor studies, underground storage tank removals, above ground tank removal, removal of other above ground fixtures, impacted soil removal, and product recovery. PGW has performed monitoring and remedial actions as guided by the reports.

Beginning in 2005, PGW conducted a series of public meetings to inform the public of PGW’s upcoming remediation projects at the Current Sites, and also to address any specific concerns raised by local residents regarding PGW’s future remediation plans, as required by the Public Involvement Plan Process. As a result of the public meetings, PGW developed a project schedule and budget to address and conduct any necessary remedial work for the impacted Current Sites. PGW expects that this will provide PGW with allocated resources in a manner calculated to avoid any material adverse effect on PGW or on PGW’s revenues. Nevertheless, until the project schedule work plans are finalized with the PADEP, it is not possible to determine what the costs of several remediation projects will be. (See “- **Current Activities**” below).

Current Activities

Currently, an air sparge soil vapor extraction system (“AS/SVE”) is operating on the east side of the Passyunk Plant and similar engineering controls will be evaluated for other facilities. PGW is also operating a remediation system on the west side of the Passyunk Plant that removes light non-aqueous phase liquid (“LNAPL”) from the groundwater. PGW is currently considering removing source material from parts of the Passyunk Plant and is actively removing material from parts of the Tioga Facility, but not from the Richmond Plant. The Passyunk Plant, Richmond Plant and Tioga Facility are being monitored on an ongoing basis for development of remedial action work plans for future submittal to PADEP in connection with its Act 2 program. Pursuant to the requirements of the Pennsylvania Storage Tank and Spill Prevention Act of 1989 (the “Spill Prevention Act”), PGW is currently conducting monitored natural attenuation as a remedial approach with respect to storage tanks at the Belfield Facility and the Diamond Facility with the goal of attaining site closure for past storage tank issues at these facilities by Fiscal Year 2028. The Spill Prevention Act establishes requirements, standards and procedures for removal and closure of storage tanks, to identify and contain existing contamination and to prevent future releases from storage systems no longer in service. In Fiscal Year 2026, the operating and maintenance expense estimates for environmental remediation were budgeted for \$1.8 million. The average annual costs for these expenses from Fiscal Year 2023 to Fiscal Year 2025 were approximately \$1.4 million.

Over the course of Fiscal Years 2028 through 2058, PGW expects to budget such additional amounts as may be necessary to address and conduct remedial work for impacted PGW Current Sites to the extent such costs are not included in other budget line items. PGW expects that this will provide PGW with required resources without causing a material adverse effect on PGW or on PGW's revenues. However, until the work plans are finalized with the PADEP and other agencies with jurisdiction over PGW, and remediation activities are completed, costs of several remediation projects cannot be determined.

Estimates for Financial Statement Purposes

The remediation activities described above at the Current Sites are estimated at a net present value of \$28.099 million (as of August 31, 2025) for the 30-year period beginning that date. See APPENDIX A – “ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS – Financial Section – Notes to Financial Statements – Note 1(s) – Pollution Remediation” attached hereto for a description of PGW's method for estimating remediation obligations.

Other Estimate of Environmental Remediation Costs

For purposes of insurance settlement negotiations (see “– **Insurance Settlements**” below), PGW commissioned a study in 2003, updated as noted below, with different assumptions regarding the type and scope of necessary work and estimate of remediation costs with respect to the Current Sites and Legacy Sites. The higher estimate reflects what PGW considers could be needed at both Current Sites and Legacy Sites if source removal were necessary. This information does not address PGW's insurance coverage.

Additional Study of Current and Legacy Sites and Associated Remediation Costs

A second estimate for environmental remediation costs updated as of May 2023 is for \$347 million (including operations and maintenance) for the 30-year period beginning May 2023. It was initially prepared in 2003 by a consultant to PGW for insurance settlement purposes to be a “‘reasonable worst case’ or ‘plausible worst case’ scenario,” rather than an approach that estimates the environmental remediation costs of scenarios thought most likely to occur or associated with a preferred remedy. It was updated in 2012 and then in 2023 primarily to reflect current remediation pricing. It generally includes all of the activities described under the lower cost estimate. However, recognizing that older processing for producing gas and older storage methods make it possible that contaminants exist at the Legacy Sites formerly associated with PGW or its predecessors and located throughout the City and at some of the Current Sites, it expands the properties included in the remediation costs estimate to both the Current Sites and the Legacy Sites. These more comprehensive and costly remediation measures than those assumed in the lower estimate would include, as appropriate, removal or stabilization of contaminated soils, plus pumping and treating groundwater to remove contaminants and prevent migration, excavation and off-site thermal treatment of contaminated soils and attention to ground water contamination. PGW does not currently plan to undertake many of the activities detailed in this estimate.

Actual Costs May Differ Substantially from Estimates

Estimates of remediation costs may change substantially as additional information becomes available regarding the level of contamination at specific sites, available remediation methods, and changes in price, technology, proposed land use, or applicable regulations.

Other Environmental Activities

Clean Air Act

The Clean Air Act (as amended, the “Clean Air Act”) requires the County of Philadelphia (which is coterminous with the City) to submit to the USEPA a State Implementation Plan (the “State Implementation Plan”) revision demonstrating that the County has implemented all necessary Reasonably Available Control Technology (as defined in the Clean Air Act) controls on all major stationary sources of VOCs and oxides of nitrogen. The Philadelphia Office of Sustainability currently includes the methane released during PGW's main leaks in the City's carbon budget. Such methane has the effect of adding greenhouse gases to the atmosphere,

which have been found by scientific consensus to contribute to anthropogenic climate change. As part of PGW's capital improvement program, PGW is replacing portions of its mains with plastic pipes. See "THE CAPITAL IMPROVEMENT PROGRAM" for information regarding PGW's gas main replacement program.

On April 18, 2012, the USEPA finalized regulations under the federal Clean Air Act to reduce air pollution from the oil and natural gas industry. The final rules were expected to, among other outcomes, reduce air toxics and emissions of methane, a potent greenhouse gas. Distribution lines such as PGW's mains have not been affected by the final rules.

Other Remediation Activities

PGW is conducting abatement of asbestos-containing materials, lead-based paint, and mold at certain of its facilities on an as needed basis. PGW is replacing customer gas regulators with mercury-free regulators. PGW conducts other remediation and abatement projects as needed in conjunction with construction and capital projects among PGW locations and facilities to ensure health and safety during operations and to meet Federal, State, and City regulatory requirements. It is equally sharing the costs of remediation of a former storage facility adjacent to the Passyunk Plant with the present owner for which PGW is only responsible for its own share of the costs.

Voluntary Activities

No contaminants related to the manufacture of natural gas and other gas works operations were found at or above actionable levels in soil vapor tests conducted voluntarily by PGW at properties adjacent to the Passyunk Plant. Although the tests revealed the presence of chloroform, PGW does not believe that the chloroform was generated by PGW activities. PGW voluntarily assisted USEPA's soil vapor studies of the affected properties, but has received no further communication from USEPA on this matter since 2015.

Regulatory Actions and Suits

Current Sites

With respect to the Current Sites, except with respect to underground storage tanks which are subject to mandatory remediation, and minor fines included in "– **Violations**" below, PGW has not received any orders for mandatory remediation measures or been fined or sanctioned by any environmental regulatory agency, nor has it received any third-party claim for bodily harm or property damage based on environmental issues at the Current Sites. PGW is not aware of any river sediment claim or other natural resource claims.

Legacy Sites

PGW has not made any on-site investigation or data analysis of the Legacy Sites, nor has it assessed the Legacy Sites for soil, ground water and soil vapor environmental impact. PGW has not conducted environmental remediation or been asked to conduct environmental remediation at any Legacy Site, other than a third-party claim which the claimant has not pursued. PGW is not aware of any river sediment claim or other natural resource claims. It has not been fined or sanctioned for any Legacy Site, nor has it received any third-party claim for bodily harm or property damage at the Legacy Sites.

Violations

Since 2002, PGW has paid less than \$346,000 in fines for notice of violations and penalties associated with permit and regulatory violations from the USEPA, the PWD, and AMS. The majority of such fines were incurred in connection with USEPA requests for settlements under the Comprehensive Environmental Response, Compensation, and Liability Act resulting from issues at off-site disposal facilities.

Insurance Settlements

PGW does not currently carry first party environmental coverage which it could use for environmental remediation costs. However, PGW's pre-1986 excess liability policies included certain coverage for environmental liability to third parties. In 2004, PGW began negotiating a buy-out of those policies with the

various carriers, agreeing to forgo any future recovery for third-party claims in exchange for obtaining funds for environmental remediation. Through March 2022, PGW had received \$18.4 million in negotiated settlements from various carriers. The process of negotiating such buyouts for funds has substantially been concluded.

Recovery of Environmental Remediation and Other Costs

The costs of environmental remediation are included in the category of items eligible for inclusion in the Base Rate. However, while there is no express prohibition making the costs of fines or penalties related to environmental matters ineligible for inclusion in the Base Rate, there can be no assurance that the PUC would approve Base Rate increases to cover such costs should they be incurred. PGW's ability to recover expenditures depends on the rates authorized by the PUC. The PUC is obligated by the Gas Choice Act to use the cash flow methodology to determine PGW's "just and reasonable" rates. PGW periodically files rate increase applications, which may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. See "GAS SERVICE TARIFF AND RATES – Rates – *Base Rate*."

Uncertainty

Any analysis of the costs and requirements of environmental impacts is subject to certain variables, including the possible future discovery of pre-existing unknown pollution conditions, assertions of claims by government agencies or private litigants, changes in laws, administrative policies, or judicial rulings that create new environmental liabilities or exacerbate existing ones. PGW reserves the right to all defenses of liability with respect to environmental impacts, including, without limitation, seeking contribution from previous operators and/or adjacent site owners.

CLIMATE CHANGE

PGW's management considers that the consequences of climate change may most likely impact PGW in terms of its revenues should certain circumstances coincide. Warmer winters within PGW's service area would tend to lead to decreases in the volume of natural gas used by PGW's customers. However, no assurances can be provided that PGW could fully and timely offset the revenue impacts of such lower load (demand) through its Weather Normalization Charge.

PGW does not have any facilities that PGW's management considers likely to be materially affected by climate change and the related rising water table before the final maturity date for the Bonds. However, while the average winter temperature has historically registered at 41.9 degrees Fahrenheit, climate change predictions suggest increased temperature extremes and more powerful storms that could stress the natural gas pipeline system due to more frequent ground movement. Furthermore, PGW customers do have equipment that is occasionally affected by a rising water table. This occurs at different times with high volumes of rain. The rising water table may infiltrate PGW's customers' equipment, resulting in localized gas outages that must be addressed by PGW Field Operations personnel.

Methane Reduction Program. In Fiscal Year 2021, PGW developed a Methane Reduction Program, which outlines its plan to reduce methane emissions by 80 percent by 2050. PGW's management believes that the Methane Reduction Program, along with PGW's energy efficiency and emissions reduction initiatives, will improve the quality of life for those within and beyond PGW's service area and will advance the City's overall sustainability efforts. In Fiscal Year 2026, PGW reported that to-date, the Methane Reduction Program has achieved an over 20 percent reduction from the 2011 baseline and is on-track for achieving its 80 percent reduction target. In Fiscal Year 2025, PGW invested more than \$105 million to upgrade its infrastructure and retire over 36 miles of maturing pipes from its distribution system, which PGW estimates prevented 158 metric tons of methane emissions from entering the atmosphere.

Fiscal Year 2025 Greenhouse Gas Emissions Reduction Report. In May 2026, PGW shared its most recent comprehensive greenhouse gas ("GHG") reduction report (the "Reduction Report") which is publicly available on PGW's website and is not incorporated by reference herein. The Reduction Report builds on the efforts related to the Methane Reduction Program and is PGW's third annual report sharing a public target and plan for achieving actionable comprehensive GHG emission reductions. The Reduction Report noted that in

FY 2025, PGW updated its GHG emissions inventories capturing the latest Scope 1, 2, and 3 inventories for calendar year 2024. (Scope 1 refers to emissions generated by sources under PGW's direct control; Scope 2 refers to indirect emissions generated from the purchase of electricity; and Scope 3 refers to indirect emissions upstream and downstream of operations that are outside of PGW's control.) The Reduction Report concluded that the inventories demonstrate that PGW's main replacement program is the most effective tool for PGW to reduce the greatest portion of its Scope 1 emissions. The Reduction Report also stated that as of calendar year 2022, based on the most recently available city-wide data from the City's Office of Sustainability inventory reports, natural gas emissions from customer buildings served by PGW represented approximately 19% of Philadelphia's total emissions.

Changes in consumer attitudes and preferences in response to climate change concerns may also accelerate movements to greater use of alternative energy sources and lead to further energy efficiency initiatives which may also impact the level of demand for natural gas. Due to the high proportion of PGW's customers who are residential (as opposed to industrial) and the high proportion of Philadelphia residents that are already PGW natural gas customers, PGW may experience only limited benefits from any shifts in demand from oil to natural gas (*i.e.*, as a less carbon-intensive fossil fuel) within its service area.

PGW Business Diversification Study. In December 2021, the City's Office of Sustainability and PGW released a report entitled "Philadelphia Gas Works Business Diversification Study – Identifying Opportunities for Philadelphia Gas Works to Thrive in a Low-Carbon Future" (the "Business Diversification Study").

The Business Diversification Study defines and evaluates certain pathways for PGW to decarbonize by 2050. Such decarbonization is not mandated by Commonwealth law or any PUC requirement. The City noted in connection with the release of the report that, "Each of the pathways presents trade-offs between costs and feasibility that highlight the challenge of decarbonizing a gas utility, a challenge which has not been fully addressed elsewhere in the United States." The City also noted in connection with the release of the Business Diversification Study that the City had evaluated new business models that could provide PGW with additional sources of revenue that are consistent with the City's climate and rate affordability goals, that several of the new strategies were close to existing PGW services, such as weatherization or renewable natural gas supply services, and that other strategies were a departure from PGW's existing business model. The City also commented that, "The analysis provides clear evidence that PGW's complex regulatory structure must be reformed in order to enable the utility to pursue any of the surveyed options."

PGW staff maintains close working relationships with their peers in the City's Sustainability and Energy Offices, and are actively collaborating on several projects, including some identified in the City's master energy plans and the Business Diversification Study. Several of the City's primary recommendations address energy efficiency and conservation, which PGW wholeheartedly supports, most importantly through its EnergySense program, first launched in 2011. Beyond energy efficiency, the City also targets the cleaning of its energy supply, primarily addressing upstream electric generation, which is not directly related to PGW's operations.

The City's report cites additional clean energy supply tactics, including Combined Heat and Power (CHP) utilizing natural gas, renewable natural gas (RNG), and geothermal projects, all of which are current and/or potential future business opportunities for PGW. To date, PGW has supported the implementation of 30 CHP projects throughout the City. The Business Diversification Study also has identified potential business diversification opportunities related to decarbonized gas and geothermal. PGW began minting Renewable Thermal Credit (RTCs) in FY 2025 on behalf of the Philadelphia Water Department's (PWD) biogas production and consumption at its Northeast Water Pollution Control Plants (WPCP), generating approximately \$3 million in total revenues for PGW and PWD to date. PGW, PWD, and other City agency partners are evaluating capital projects at PWD's two WPCPs, which are expected to result in the production of more profitable and larger volumes of renewable natural gas (RNG). These projects would leverage PGW's existing energy operational capabilities, further grow this emerging new PGW business diversification opportunity, and improve local air quality.

PGW is also currently finalizing a geothermal feasibility study to similarly identify the potential PGW business model fit and PGW's role in its deployment. Finally, PGW is also partnering with the City for identifying and evaluating further energy projects beyond those identified in the City's historical plans, providing potential PGW business diversification opportunities while addressing environmental goals. One example is PGW's development of hydrogen proposals within the Department of Energy's (DOE) regional hydrogen hub, MACH2, including a project to support the City in converting 113 sanitation trucks from diesel to hydrogen.

PGW's management currently is not planning to rely on the receipt of any net revenues from these diversification projects to meet its financial covenants or internal financial metrics. No assurances can be provided as to the degree or timing of any success that PGW and the City may have in meeting the applicable engineering, construction, market competition, consumer acceptance, political and regulatory challenges that may arise over time associated with these or similar business diversification projects.

The report is publicly available at <https://www.phila.gov/media/20211207134817/PGW-Business-Diversification-Study-2021-12.pdf> but is not incorporated by specific reference herein.

CYBERSECURITY RISK MANAGEMENT

PGW has established a Cybersecurity Policy and Cyber Incident Response Plan. PGW's cyber security is managed by the Director of Cyber Security, who reports directly to PGW's Chief Information Officer (CIO). PGW's cyber security incident response team consists of senior leaders such as the CIO and the Vice President of Infrastructure and Service Management, and their subordinates. The Director of Cyber Security and/or the CIO keep the PFMC Board of Directors informed about any cyber security incidents and provide periodic updates about issues or threats.

Cybersecurity protocols are one prominent component of PGW's overall risk management policies and procedures. PGW maintains a comprehensive Security Threat Level Plan (the "Security Plan"). The Security Plan was developed from the coordinated efforts of several PGW departments that included Security, Operations, and IS (i.e., information systems). This plan is reviewed annually by departments for accuracy, relevance and consistency. The plan is audited by United States Homeland Security annually as part of its compliance cycle. PGW's Director of Cybersecurity also interfaces with Homeland Security on cyber security protocols. To date, to the best of PGW management's knowledge and monitoring, PGW has adhered to all recommendations/requirements and successfully completed all audit visits without issues. PGW also utilizes the services of certain outside consultants for cybersecurity purposes, including testing.

PGW's cyber security practices are regulated by the federal Transportation Security Administration (TSA). PGW has met 100% of the compliance requirements in the Security Directive Pipeline-2021-01 and 2021-2 Series issued by the TSA to the nation's most critical gas and liquid pipelines. In November 2023, TSA inspectors performed a full onsite inspection of PGW's Critical Cyber Systems and found PGW's cyber security measures to be compliant. Annual virtual reviews in 2024, 2025 and 2026 have maintained that status. No assurances can be provided that PGW will be able to maintain compliance with future requirements of TSA or other applicable regulators or that the security standards and protocols mandated or recommended by TSA or other regulators will consistently and comprehensively be tailored for adequately meeting risks that may emerge due to rapid changes in technology or other factors.

Recent cyberattacks, some attributed to Iranian-backed hackers, against public water and wastewater systems in approximately a dozen states have heightened the concern among various utility sectors of cyberattacks.

PGW has faced two relatively notable cyber incidents within the last five years. In neither case was there any compromise or breach of PGW data, disruption in the delivery of PGW's services to its customers, or material financial impact to PGW. In 2021, PGW's telephone service provider was infected with the Kaseya ransomware. This resulted in a disruption of PGW's corporate telephone system over a holiday weekend. This was a supply chain attack on a PGW vendor and not an attack on PGW directly. In response, among other

actions, PGW changed how it allows vendors to manage PGW systems. In 2023, PGW faced a cyberattack that caused a temporary outage to internal e-mail as PGW addressed the threat.

LEGISLATIVE AND REGULATORY RISKS

During the course of any legislative session, elected officials introduce legislation in the Pennsylvania General Assembly and the United States Congress that may impact PGW directly or indirectly. Similarly, executive branch regulatory actions, whether pursuant to existing or yet-to-be enacted statutes, may impact PGW as well. PGW is unable to fully predict whether any introduced legislation will gain passage, and even more so, foresee future legislation that has yet to be introduced. Given the uncertain nature of the regulatory and legislative process, the following are broad areas of activity that may have negative impacts to PGW, particularly over the long-term.

Limits or Costs Imposed on the Uses of Natural Gas

In general, federal and state legislative and regulatory activity that seeks to limit the amount of natural gas available or used for the major categories of end uses on PGW's system (such as space heating and cooking) could pose a risk for PGW. Also, any local legislative action seeking to modify code requirements could cause negative impacts to PGW, if enacted. Although these policies could take on a wide variety of forms, examples of this type of initiative are Pennsylvania's HB2184, which was introduced in the House of Representatives Consumer Protection, Technology and Utilities Committee in February 2026 and directs the Pennsylvania Public Utility Commission to consider certain factors when deciding on public utility proceedings. Those factors are: 1) the affordability of utility rates for current and future residential customers; 2) the utility's plans for use of an all-of-the-above energy strategy; 3) modernization and improvement of the reliability of Pennsylvania's electric grid, if applicable, including both the transmission and distribution grid; 4) protection of public health and the environment; 5) potential for economic growth; 6) improvement of utility reliability and resiliency; 7) improvements in energy efficiency; and 8) environmental justice considerations.

Limits on Cost Recovery

Limits on a public utility's ability to recover costs through rates also poses risks to PGW, particularly considering PGW is municipally controlled, does not have traditional shareholders, and is subject to rate oversight and regulation by the PUC. As an example, Chapter 14 of Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes, expired at the end of 2024 due to a 10-year sunset provision. Such provisions protected certain utility customers by, among other things, providing that a public utility could not require a customer or applicant with an income at or below 300% of the Federal poverty level to provide a reconnection fee, and increased to such 300% of the Federal poverty level, the gross monthly household income threshold at or below which a public utility must waive late charges for delinquent accounts for customers. The Pennsylvania Public Utility Commission has started a rulemaking process to address this expiration. PGW collection activities may be impacted due to uncertainty about permissible actions PGW may take and costs associated with formulating and establishing new policies and procedures.

There can be no assurances that there will not be other bills introduced in the future with broad and general provisions that target a utility's ability to recover costs through rates which could negatively impact PGW's financial status.

Shopping Cost Reallocation

Changes in cost allocation between third-party suppliers and PGW could also negatively impact PGW. The allocation of costs between third party suppliers and PGW is regulated and mediated by the PUC.

There can be no assurances that there will not be legislation or regulatory policy proposed and adopted in the future that would require PGW to take on more costs associated with its supplier of last resort status and which could have a negative impact on PGW's business and financial status.

Reversal of Chevron Deference

On June 28, 2024, the U.S. Supreme Court in *Loper Bright Enterprises v. Raimondo* ended the 40-year-old precedent of “Chevron deference” whereby federal courts would defer to the expertise of agencies with respect to interpreting ambiguous language in laws concerning the relevant agency’s work. PGW’s management at this time cannot determine the impact, if any, that this change in judicial doctrine may have upon PGW’s affairs as a consequence of impacts on the scope and interpretation of federal statutory and regulatory provisions to which PGW is subject. The *Loper* decision is not expected to impact Commonwealth and other non-federal rulemaking and regulation to which PGW is subject.

GAS SERVICE TARIFF AND RATES

Gas Service Tariff

PGW recovers the costs of providing natural gas, including the cost of owning and operating its various facilities, funding its various programs, satisfying the Rate Covenant, and providing for amounts sufficient to operate on a day-to-day basis, together with appropriate coverage, through the rates set forth in its Gas Service Tariff approved by and on file with the PUC.

The following is a brief description of PGW’s rate requests to the PUC since PGW became subject to PUC jurisdiction and the results of those requests:

PGW RATE CHANGE REQUESTS TO PUC⁽¹⁾

Date of Request	Type of Relief (Base Rate or Surcharge)	Amount of Relief Requested	Purpose	Date Relief Granted	Amount of Relief Granted
08/2000	Base Rate	\$52.0 million	Interim Rate relief	11/2000	\$11.0 million
01/2001	Base Rate	\$65.0 million	Rate relief	10/2001	\$22.6 million
02/2002	Base Rate	\$60.0 million	Base rate relief	04/2002	\$36.0 million
FY 2002	WNA	Charge/(Credit)	Weather Normalization Adjustment	08/2002	Approved
12/2006	Base Rate	\$100.0 million	Rate relief	09/2007	\$25.0 million
11/2008	Base Rate	\$60.0 million	Extraordinary rate relief	12/2008	\$60.0 million
12/2009	Base Rate	\$60.0 million	Maintain extraordinary rate relief	07/2010	\$60.0 million granted in 2008 made permanent
12/2009	Surcharge	\$42.5 million annually	OPEB funding	07/2010	\$16.0 million annually through 2015
12/2009	Surcharge	\$58.3 million	5yr. Demand Side Management Phase I (DSM) ⁽²⁾	07/2010	Cost recovery
01/2013	Surcharge	DSIC: 5% of non-gas revenues	Distribution system repair, improvement and replacement	05/2013	5% of non-gas revenues from 2010 base year estimated to generate \$22 million
12/ 2014	Surcharge	Automatic adjustment clause extension	DSM Phase II	11/2016	Range of \$2.5 million to \$2.8 million annually through Fiscal Year 2020 (excluding CRP Comfort); triennial reauthorization plans authorized for subsequent three-year periods ⁽⁵⁾
02/ 2015	Surcharge	\$16.0 million annually	Continued OPEB funding	07/2015	\$16.0 million annually

Date of Request	Type of Relief (Base Rate or Surcharge)	Amount of Relief Requested	Purpose	Date Relief Granted	Amount of Relief Granted
04/2015	Surcharge	\$10.7 million	DSM Phase I; extended DSM Phase I until Order was rendered on Phase II	05/2015	\$10.7 million through Fiscal Year 2016
09/2015	Surcharge	DSIC: 2.5% of non-gas revenues in addition to the existing 5% cap for a total of 7.5% ⁽³⁾	Distribution system repair, improvement and replacement	01/2016	2.5% of non-gas revenues estimated to generate an additional \$11 million for a total DSIC of \$33 million
February 2016	Surcharge	\$11.4 million	Recover under-collection	07/2016 Effective 10/2016	\$11.4 million over two year period
02/2017	Base Rate	\$70.0 million ⁽⁴⁾	Rate relief	11/2017	\$42.0 million
02/2020	Base Rate	\$70.0 million	Rate relief	11/2020	\$35.0 million in three increments of \$10 million (starting 01/01/21), \$10 million (starting 07/01/21) and \$15 million (starting 01/01/22)
02/2023	Base Rate	\$85.8 million	Rate relief	12/2023	\$26.2 million
02/2024	Surcharge	\$16.0 million annually	Continued OPEB funding	07/2024	\$16 million annually
02/2024	Surcharge	\$9.2 million	Recover under-collection	02/2024	\$9.2 million
07/2024	Surcharge	DSIC: 2.5% of non-gas revenues (in addition to existing 5.0% cap for a total of 7.5%)	Distribution system repair, improvement & replacement	07/2024	2.5% of non-gas revenues estimated to generate an additional \$9.2 million (for a total DSIC of \$36.7 million)
02/2025	Base Rate	\$105.0 million	Rate relief	11/2025	\$62.0 million
02/2025	Surcharge	\$7.8 million ⁽⁶⁾	Recover DSIC under collection DSIC Rate = 8.3%	11/2025	\$7.8 million over two-year period

⁽¹⁾ Does not include GCR changes.

⁽²⁾ “DSM” or “Demand Side Management” is a PGW program offering services to assist its customers to get the best value for their energy expenses.

⁽³⁾ Beginning on October 1, 2016, PGW temporarily increased its DSIC surcharge to 8.84% as permitted by the PUC’s July 6, 2016 Order which permitted PGW to recover certain DSIC under collections for the year ended December 31, 2015 over the course of two years. This temporary increase terminated on September 30, 2018.

⁽⁴⁾ The original amount sought in the February 27, 2017 filing was \$70.0 million. A partial settlement in the amount of \$42.0 million of base rate increases was submitted to the PUC on July 21, 2017 and was approved on November 28, 2017.

⁽⁵⁾ By its approval of the Phase II Plan, the PUC authorized PGW to continue its DSM programs beyond FY 2020, through the filing of triennial implementation plans. PGW’s 2021 – 2023 DSM Phase III Plan was filed in May 2020. PGW had its DSM Phase IV Plan approved by the PUC in April 2024, which will be implemented from September 2024 through August 2027.

⁽⁶⁾ Beginning on December 1, 2025, PGW temporarily increased its DSIC surcharge to 8.3% as permitted by the PUC’s October 9, 2025 Order which permitted PGW to recover certain DSIC under collections for the year ending December 31, 2024 over the course of two years.

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PGW's management does not anticipate that PGW will make a filing with the PUC for a base rate increase prior to FY 2032. No assurances can be provided regarding the timing and final details of any filing, the nature and extent of consumer group and other stakeholder comments and responses, or the timing or details of any ultimate settlement or ruling with respect to the case.

On August 6, 2026, the PUC entered an Order approving a settlement agreement among certain Rate IT customers and PGW concerning the allocation of certain cost factors among PGW's ratepayers relating to the Cost of Service Study ("COSS") used in the 2023 general rate relief filing. The settlement does not make any changes to base rates previously approved by the PUC. It provides that, if PGW files a new base rate case before August 6, 2031, PGW will submit a COSS that allocates the distribution system's peak demand costs to Rate IT based 50 percent on actual historical peak demand responsibility and 50 percent on design day responsibility. The settlement agreement does not affect the amount of any general rate increase PGW may seek in a future rate case or the amount of any such increase the PUC may ultimately approve.

PGW's current Gas Service Tariff sets forth the rules and regulations and practices for gas service and the rates PGW is allowed to charge for such service, including the Base Rate, the Gas Cost Rate (herein defined) and various adjustments and surcharges.

PGW's rates are unbundled such that any customer may choose a commodity supplier that is different from its distribution provider. As of April 30, 2026, the percentages of residential, commercial, industrial, and total customers using alternative suppliers were approximately 6.7%, 15.7%, 34.2% and 7.2%, respectively, and the related respective percentages of load from alternative suppliers were approximately 6.4% (residential), 51.2% (commercial), 98.4% (industrial) and 42.3% (total). See also "PHILADELPHIA GAS WORKS – Competition." PGW's rates generally include a customer charge component, distribution charge component and Gas Cost Rate. Under the unbundled rates, PGW's margin from firm customers is not materially impacted by whether a customer chooses a third-party supplier or elects to continue taking the fully bundled service. A customer will continue to pay the distribution, customer charges and surcharges to PGW even if the customer does not purchase gas service from PGW.

See "Rates" below including the charts under "*- Gas Cost Rate*" and "*- Surcharges*" and under "Summary of Existing Tariff Rates."

Rates

The following types of rates are set forth in the Gas Service Tariff. Each is discussed below in more detail.

- **Base Rate (Customer Charge):** the rate charged by PGW, using the cash flow method (as described under "*Base Rate*" below), to produce a targeted amount of revenue for PGW based on various assumptions, including projected revenues and expenses.
- **Gas Cost Rate ("GCR"):** the current cost of natural gas and all raw materials that are passed through to customers. GCR consists of the purchased gas costs, transportation costs and off-system storage costs, minus the cost directly paid by interruptible sales customers, all subject to various adjustments for actual versus projected values and certain credits.
- **Base Rate (Distribution Charge):** a component of a customer's rate regardless of whether a customer chooses to purchase its gas from PGW or an alternate supplier; the rate charged by PGW, using the cash flow method (as described under "*Base Rate*" below), to produce a targeted amount of revenue for PGW based on various assumptions, including projected revenues and expenses.
- **Surcharges:** Several surcharges are imposed for specific purposes:

- Universal service and energy conservation (recovery of social program costs)
- Efficiency cost recovery (recovery of energy efficiency programs)
- Other postemployment benefits (recovery of OPEB trust contribution costs)
- DSIC (recovery of capital costs associated with a portion of PGW's main replacement program)
- **Weather Normalization Adjustment ("WNA").** Since 2002, the delivery charge (not including GCR or surcharges) has been subject to a WNA which mitigates the risk of a warmer than normal winter season. The WNA adjusts the customer bills upward or downward to reflect differences between actual Heating Degree Days ("HDD") and normal HDDs. An HDD is the difference between the daily temperature mean (high temperature plus low temperature divided by two) and 65° F.

Base Rate

The Base Rate is regulated by the PUC, which is obligated by the Gas Choice Act to use the cash flow methodology to determine PGW's "just and reasonable" rates. Pursuant to the PUC's April 2010 Order and Final Policy Statement⁴ (the "2010 PUC Policy Statement") with respect to PGW, the determination of just and reasonable rates includes satisfaction of the subsidiary obligation to provide revenue allowances from rates adequate to cover its reasonable and prudent operating expenses, depreciation allowances and debt service, as well as sufficient margins to meet bond coverage requirements and other internally generated funds over and above its bond coverage requirements, as the PUC deems appropriate and in the public interest, for purposes such as capital improvements, retirement of debt and working capital.

In determining just and reasonable rate levels for PGW, the PUC will consider, among other relevant factors: (1) PGW's test year-end and (as a check) projected future levels of non-borrowed year-end cash, (2) available short term borrowing capacity and internal generation of funds to fund construction, (3) debt to equity ratios and financial performance of similarly situated utility enterprises, (4) level of operating and other expenses in comparison to similarly situated utility enterprises, (5) level of financial performance needed to maintain or improve PGW's bond rating thereby permitting PGW to access the capital markets at the lowest reasonable costs to customers over time, (6) PGW's management quality, efficiency and effectiveness, (7) service quality and reliability and (8) the effect on universal service. See "GAS SERVICE TARIFF AND RATES – Rates – *Ratemaking Methodology to Comply with Bond Covenants.*"

To effect any increase to the Base Rate, PGW files a proposed revision to its existing Gas Service Tariff with the PUC setting forth the proposed new rates and effective date, and detailing the data supporting the necessity of the proposed change. In any proceeding upon the motion of the PUC involving any proposed or existing PGW rate or in any proceedings involving any proposed increase in rates, PGW has the burden of proof to show that the rate involved is just and reasonable. A requested rate increase is initially suspended for 60 days and may be suspended for up to seven additional months while the PUC investigates and determines whether the increase is justified. Part of the investigation includes hearings in which interested parties can participate. After the end of the suspension period required by the Public Utility Code, in its discretion, the PUC may adjust PGW's rate increase request on the basis of the data submitted and consistent with the requirements of the Public Utility Code and, in particular, the Gas Choice Act. If the PUC approves the Base Rate increase, it will determine how to allocate the increase among the different classes of customers.

Since coming under the PUC's jurisdiction in 2000, PGW had filed ten requests seeking increases in the Base Rate totaling \$667.8 million and the PUC has granted PGW Base Rate increases totaling approximately \$319.8 million. Such increases have included requests to cover various financing costs incurred by PGW,

⁴ In the 2010 PUC Policy Statement, the PUC states that "unlike a regulation, [the 2010 PUC Policy Statement] is not enforceable and has no binding effect on [PUC], or on anyone else." However, it further states that the purpose of the 2010 PUC Policy Statement "is to provide guidance to PGW and all interested parties as to the Commission's [PUC's] view on the statutorily mandated ratemaking criteria for PGW and the information that should be considered in determining just and reasonable rates" and, further, that the 2010 PUC Policy Statement "is grounded upon Pennsylvania case law."

including costs to improve its financial position, enhance its ability to access the financial markets, maintain its bond rating and provide liquidity and financial flexibility, and a portion of the costs of certain OPEB liabilities.

PGW has also filed with the PUC certain requests seeking increases to its gas cost rate (“GCR”). The PUC has approved all of the GCR filing requests made by PGW. The following sub-sections describe certain significant cases and orders since 2008 relating to PGW’s base rate relief requests, including requests related to the annual OPEB surcharge.

2008 Extraordinary Rate Relief Filing

PGW, on November 14, 2008, sought extraordinary base rate relief of \$60 million, effective January 1, 2009. The PUC granted the request on December 18, 2008. The principal reason for PGW’s request was to improve PGW’s access to the financial markets, maintain its bond ratings and provide liquidity and financial flexibility under then-existing credit market conditions. In connection with receiving the extraordinary relief, PGW was required to file a base rate case with the PUC no later than December 31, 2009.

2009 General Rate Relief Filing

PGW on December 18, 2009 submitted a base rate case filing with the PUC. The filing sought to maintain the \$60 million base rate increase granted by the PUC in 2008 and provide PGW revenues above those resulting from the base rates for funding PGW’s previously booked other post-employment benefits (OPEB) liability in the amount of \$105 million over the 2011 through 2015 period. The component related to OPEB was also for the purpose to fully fund, over a 30 year period, PGW’s unfunded actuarial accrued OPEB liability. PGW also moved to consolidate PGW’s Demand Side Management Plan into the base rate filing. In addition to the need for PGW to comply with the PUC’s December 2008 order directing PGW to file a general rate case by the end of 2009, PGW made the filing for purposes of maintain or improving PGW’s general financial position, credit rating, liquidity, overall financial flexibility, capital market access and OPEB liability funding.

On May 19, 2010, PGW, along with all active parties to the proceeding, submitted a Petition for Proposed Settlement of the proceeding, which the PUC approved by an order dated July 29, 2010 (the “2010 Order”).

Under the 2010 Order, PGW was permitted to maintain virtually all of the extraordinary base rate relief and received an incremental rate increase of \$16 million annually. PGW was required to fund \$18.5 million of the OPEB liability for a five-year period ending with Fiscal Year 2015 with PGW also agreeing to continue funding the OPEB liability at an annual level of \$18.5 million. The increase granted by the Order represented about 38% of the \$42.5 million incremental rate increase as originally requested by PGW. The 2010 Order sought established, more uniform rates by PGW. The 2010 Order also was designed to create a reasonable transition period from “pay-as-you-go” funding to the full funding of OPEB liability. The 2010 Order required the Net OPEB Obligation to be amortized over a thirty-year period.

The 2010 Order also addressed PGW’s implementation of its then proposed five-year Demand Side Management (“DSM”) Phase I program. Such DSM program was approved generally as proposed. The 2010 Order also allowed PGW to use an automatic adjustment clause mechanism to recover PGW’s implementation costs of the DSM program.

2017 General Rate Relief Filing

PGW made a filing with the PUC on February 27, 2017 which sought an increase in PGW’s distribution base rates. The filing sought a general rate increase calculated to produce \$70.0 million (11.6%) in additional annual operating revenues. The filing request was based upon a 10-year normal weather assumption. The proposed increase sought to increase certain parts of the base rates (i.e., the fixed customer charge component and the volumetric delivery charge component). PGW’s base rate increase request in this filing was based on a fully projected future test year (“FPFTY”) coinciding with PGW’s Fiscal Year 2018.

The primary focus on the proceedings centered on the level of base rate increase which would be supportable by applying PGW's required ratemaking methodology – the Cash Flow Method – and maintaining compliance with PGW's bond covenants.

On July 21, 2017, the active parties in the proceeding submitted a joint petition to the PUC for settlement agreeing to a \$42 million rate increase with a 20-year normal weather assumption. The PUC approved the proposed settlement on November 8, 2017. The joint petitioners included: PGW, the Bureau of Investigation and Enforcement and certain consumer and other advocate groups (*i.e.*, the Office of Consumer Advocate, the Office of Small Business Advocate, the Retail Energy Supply Association, the Philadelphia Industrial and Commercial Gas Users Group, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, and the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia).

2020 General Rate Relief Filing

On February 28, 2020, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$70 million (10.5 percent) in additional annual operating revenues based upon a 20-year normal weather assumption. The proposed increase sought to increase the fixed customer charge component, as well as the volumetric delivery charge component of base rates. Consistent with its budget process, the base rate increase requested in this filing was based on a fully projected future test year starting on September 1, 2020 and ending on August 31, 2021.

The primary issue in this proceeding was what level of base rate increase is supportable by applying PGW's required ratemaking methodology – the Cash Flow Method – and complying with Section 2212(e) and (f) of the Public Utility Code (regarding PGW's bond covenants), as well as the PUC's Policy Statement, which explained the way in which the PUC intended to apply the PGW Cash Flow Method.

On August 26, 2020, PGW filed a settlement agreement for certain issues in the case. Such settlement agreement was approved by the PUC on November 19, 2020, authorizing a general rate increase of \$35 million in annual operating revenues, calculated using a 20-year average HDDs assumption. PGW was permitted to increase base rates in 3-year increments as follows: (1) \$10 million for service rendered on or after January 1, 2021; (2) additional \$10 million for service rendered on or after July 1, 2021; and (3) \$15 million for service rendered on or after January 1, 2022.

Parties to the proceedings included certain environmental stakeholders, who took the position that PGW's rate increase should have been denied in its entirety because its infrastructure modernization efforts allegedly did not adequately take account of the effects of climate change. Included in this claim was the contention that PGW should prepare and submit to the PUC a "Climate Business Plan" to "significantly" reduce or eliminate greenhouse gas emissions prior to being granted a rate increase. The recommended decision issued on October 5, 2020 found that the environmental stakeholders did not meet their burden of proof but did recommend that PGW in its next base rate case submit "information regarding its planning related to climate change issues." Upon review, the PUC ruled that PGW would not be required to submit information regarding climate change planning in future rate cases, as considering climate issues "extends the Commission's [*i.e.*, PUC] jurisdiction beyond the power the legislature granted to the Commission to establish just and reasonable rates and reasonable and adequate service."

See "PGW RATE CHANGE REQUESTS TO PUC" above.

2023 General Rate Relief Filing

On February 27, 2023, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$85.8 million (10.3 percent) in additional annual operating revenues based upon a 20-year normal weather assumption. The proposed increase sought to increase the fixed customer charge component, as well as the volumetric delivery charge component of base rates. Consistent with

PGW's budget process, the base rate increase requested in this filing was based on a fully projected future test year starting on September 1, 2023, and ending on August 31, 2024.

No Settlement Agreement was reached among the parties in this proceeding. On November 9, 2023, the PUC issued a final Order permitting PGW to increase base rates \$26.2 million (3.2 percent) beginning in December 2023. In its opinion, the PUC indicated that it did not concur with PGW's stated goal of funding incremental capital expenditure equally, using 50% of funds derived from internally generated funds ("IGF") and 50% derived from long-term debt. The PUC stated that it was reducing PGW's IGF claim by \$17.108 million (i.e., from \$53.207 million to \$36.099 million). The PUC stated, "Additionally, while we are mindful that PGW should not be overleveraged... it is important to emphasize that PGW's IGF is cash from ratepayers." PUC also differed with PGW about the appropriate employee headcount levels to assume for purposes of payroll and related expenses and reduced PGW's claimed payroll expense by approximately \$3.582 million for purposes of determining base rates.

PGW took several steps to address the relatively lower award as compared to rulings and settlements in prior rate cases. PGW rescheduled the timing for the issuance of the Bonds, thereby deferring the start of the associated debt service. The bond sale for rate case purposes was effective September 1, 2023. PGW did not achieve the proposed level of full-time equivalents in FY 2024 saving approximately \$8.0 million in wages, not including the associated FICA taxes, pension/401(a) expense, and health care expenses. PGW has also deferred the schedule for certain capital projects which are less time sensitive to manage PGW's level of capital expenditures from internally generated funds. Among these projects are the South Operation Center and projects at the Passyunk and Richmond Plants, as described further within.

2025 General Rate Relief Filing

On February 27, 2025, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$105.0 million (15.7 percent) in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also sought to recover \$7.8 million in DSIC for the year ended December 31, 2024, over the course of two years, requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates, and proposed a new rate recovery mechanism, a Revenue Normalization Adjustment (RNA).

On August 11, 2025, PGW filed a Joint Petition for Settlement in which all rate case parties joined or did not oppose. The settlement agreement (the "2025 Rate Settlement Agreement") provided PGW with a general rate increase of \$62.0 million for service rendered on or after November 28, 2025, and the continuation of the Weather Normalization Adjustment (WNA). The 2025 Rate Settlement Agreement also provided PGW with a temporary increase in the DSIC of an additional \$7.8 million a year for two years, for a total DSIC rate of 8.3%. PGW implemented the temporary DSIC increase on December 1, 2025. This temporary increase will terminate on November 30, 2027. The RNA was not included in the 2025 Rate Settlement Agreement. Settlement agreements with reduced revenue requirements are typical in PUC base rate proceedings and are the product of compromise between the parties' diverse interests. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. On October 9, 2025, the PUC entered its order and opinion in the case.

See "PGW RATE CHANGE REQUESTS TO PUC" above.

Gas Cost Rate

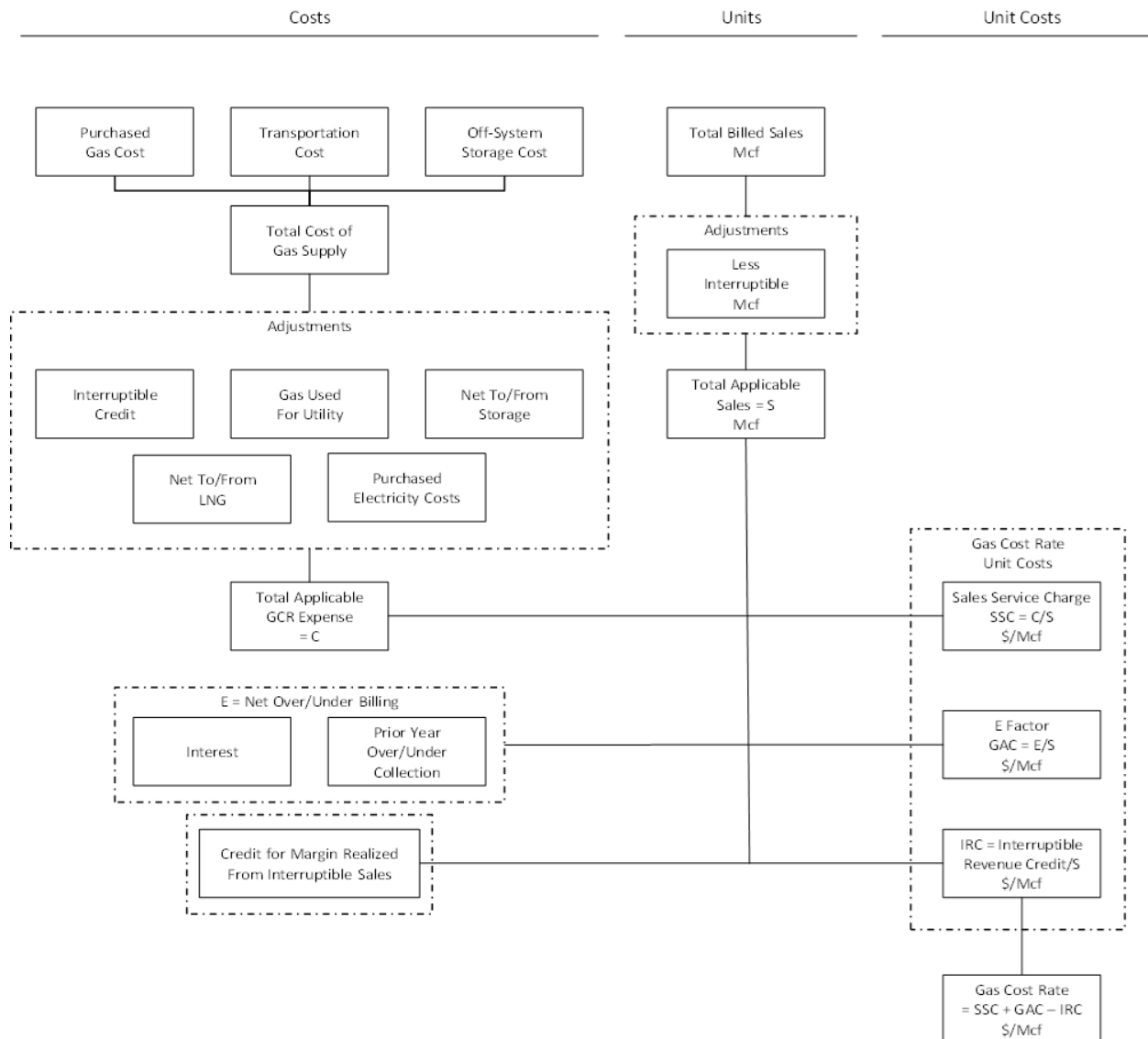
The current cost of natural gas and all raw materials are passed through to customers through the Gas Cost Rate ("GCR"), which consists of the purchased gas costs, transportation costs and off-system storage costs, minus the cost directly paid by interruptible sales customers, all subject to various adjustments for actual versus projected values and certain credits as detailed further below.

PGW adjusts total gas supply costs to reflect changes in the inventory cost of storage for gas supply outside PGW's system and storage for LNG and the cost of power purchased for the LNG facilities. The change in inventory cost is attributable largely to two factors -- changes in volume as well as the price paid for the gas put into storage. PGW divides these costs by the total sales volumes less the volumes attributable to direct billed interruptible sales customers to determine the unit cost of fuel, or sales service charge. PGW then makes a number of adjustments to the sales service charge. An additional adjustment is made for the net over or under collection of natural gas during the previous Fiscal Year resulting from differences between values used to project the prior Fiscal Year's GCR and those values actually experienced. PGW also applies the interest expense or credit on the over or under recovery to calculate the total adjustment. In addition, an interruptible revenue credit ("IRC") for margin realized from interruptible sales is made. In the aggregate, these components comprise the GCR.

The GCR represents a substantial portion of a typical heating bill and can change monthly. PGW evaluates the GCR factor quarterly to reflect the cost PGW expects to pay its suppliers. Once actual gas supply costs are booked, any cost adjustments (*i.e.*, whether over or under) are factored into the Gas Cost Rate factor which results in no profit to PGW. By law, the Gas Cost Rate factor is passed on to customers without any profit or markup for PGW added. Although PGW has the ability, upon thirty days' notice to the PUC, to change the GCR monthly, it usually is adjusted on a quarterly basis.

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The following chart details components of PGW's Gas Cost Rate.



Weather Normalization Adjustment

PGW's approved commodity charges (exclusive of the cost of gas) is subject to the WNA pursuant to which a customer's bill is adjusted upwards or downwards to reflect differences between the customer's actual heating degree-days and the normal heating degree-days, as calculated from data collected at the Philadelphia International Airport. The WNA reduces the risk to PGW of not recovering its approved margin under circumstances where winter season weather is warmer than normal. The application of the WNA facilitates the stabilization of annual earnings and cash flow during the winter heating season; it is revenue neutral to PGW. The WNA will remain in effect until discontinued by the PUC. As part of the settlement of PGW's rate case filed with the PUC on February 27, 2017, PGW and the rate case parties settled on a 20-year calculation of normal weather which was approved by the PUC on November 8, 2017.

Since 2002, a WNA clause has been an included component of PGW's Tariff. PGW's approved commodity charges (exclusive of cost of gas) are derived using volumes (*i.e.*, sometimes referred to as "throughput") that is based on the assumption that weather (*i.e.*, particularly temperature levels) will be at

normal. If temperatures are warmer than normal, sales decline and in conjunction with that, PGW's revenue margin declines. A number of warmer than normal winters, including one of the warmest winters in PGW's history, created the circumstances that led to PGW's need to file for extraordinary rate relief in 2002.

The WNA is designed to change the customers' bills upwards or downwards to account for differences between actual HDDs and normal HDDs. The WNA provides certain benefits which include stability in earnings and cash flows (particularly during the winter season) which tend to reduce the need for rate case filings to be made or for PGW to undertake short-term financing. The WNA can benefit both PGW and its customers through creating predictability in customers' bills.

In Fiscal Year 2025, heating customers were charged approximately \$11.9 million as a result of the warmer than normal winter period. PGW's WNA is calculated for each customer bill rendered between October 1 and April 30. The WNA applies to customers served under its General Service, Municipal Service, and Philadelphia Housing Authority (PHA) rate schedules.

In order for PGW's revenue recovery to occur concurrently with a customer's billing cycle, PGW's WNA changes the customer's bill to reflect conditions during the billing cycle covering that bill. The adjustment is calculated by dividing the normal HDDs during the billing cycle by the actual HDDs during the cycle. The WNA only applies if the actual HDDs deviate by an amount greater than 1% from the normal HDDs during the billing cycle.

Surcharges

Several surcharges exist (or have existed in prior Fiscal Years reported in this Official Statement) to fund various PGW programs and capital improvements. Depending on the surcharge, not all PGW customer classes are affected by the surcharge. Before PGW's rate restructuring in 2003, PGW recovered certain non-fuel expenses through the GCR mechanism. Among these expenses were discounts given to low-income customers through the Customer Responsibility Program and funds provided to weatherize the homes for low-income customers through the Conservation Works Program. Presently, PGW utilizes surcharges (which are not components of the GCR) to recover these costs. Due to the surcharge mechanism, these costs can be recovered by PGW regardless of the extent to which a customer purchases gas from PGW.

- Restructuring and Consumer Education Surcharge. Revenues from this surcharge financed the PUC approved costs incurred or to be incurred by PGW to meet requirements of the Gas Choice Act and applicable PUC regulations, orders, and other regulatory requirements. *The Restructuring and Consumer Education Surcharge was withdrawn effective September 1, 2022.*
- Universal Service and Energy Conservation Surcharge. Revenues generated from the application of this surcharge are used to finance discounts to customers in the CRP and the Senior Citizen Discount Program, the costs of the Home Comfort program ("Home Comfort") (the current iteration of the Low-Income Usage Reduction Program (LIURP)) and past due arrearages forgiven to certain CRP customers. The Universal Service and Energy Conservation Surcharge is applicable to all PGW customers (excluding interruptible customers) who are delivered natural gas through PGW's distribution system. PGW automatically adjusts the surcharge quarterly in connection with its Gas Cost Rate filing.
- Efficiency Cost Recovery Surcharge. Revenues generated from the application of this surcharge are used to fund the program costs and the administrative costs of the energy efficiency programs for the firm customers, including PGW's voluntary EnergySense program which offers rebates and grants for residential and commercial customers.
- OPEB Surcharge. Revenues generated from the application of this surcharge are designated for payment of PGW's OPEB obligations (the incremental rate increase of \$16.0 million annually is related to an OPEB surcharge which was initially approved in 2010 and then

approved to continue beyond 2015 in PGW's 2015-2016 Gas Cost Rate Proceeding; PGW also agreed to continue funding the OPEB liability at \$18.5 million annually).

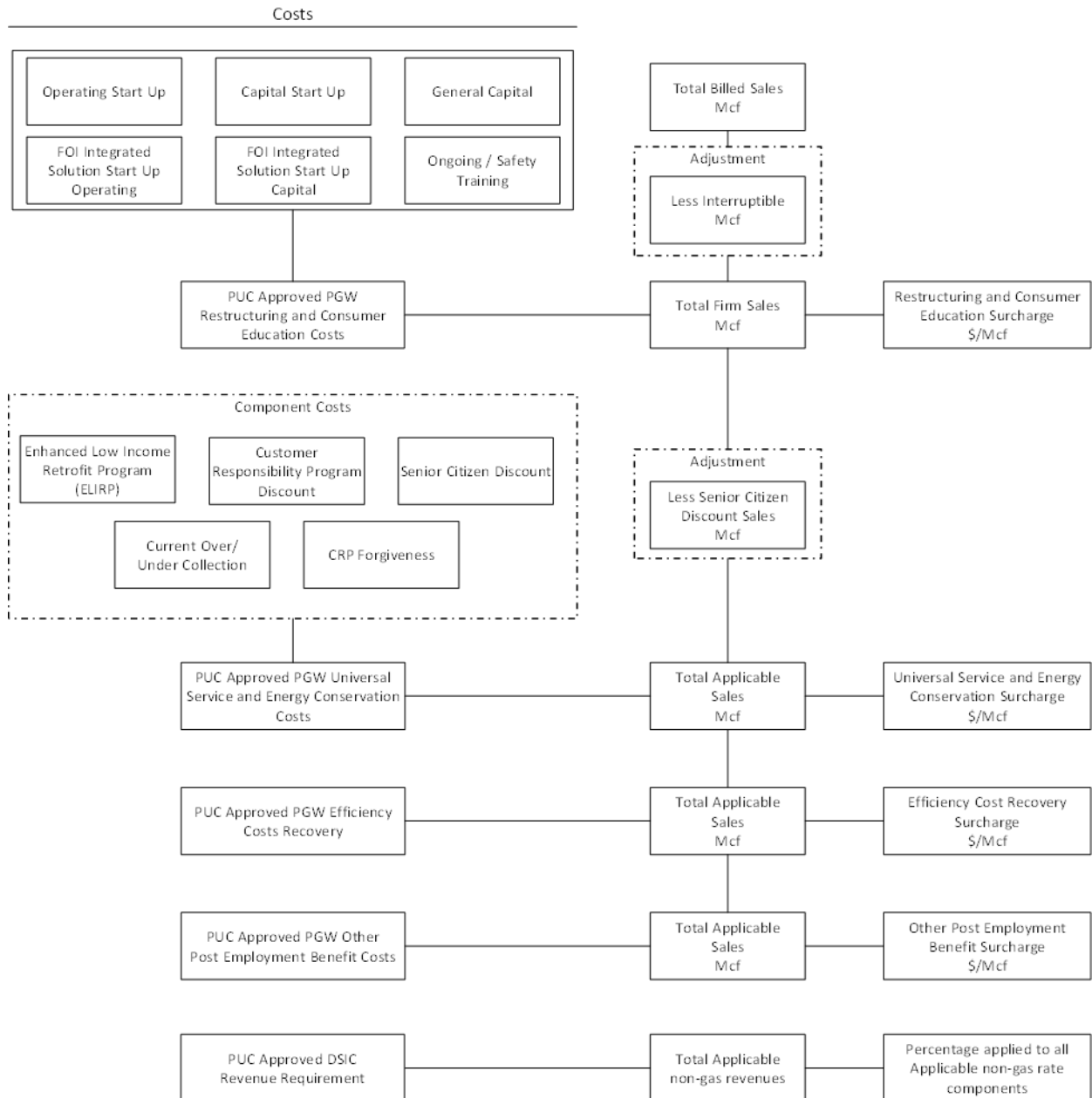
- **DSIC Surcharge.** In early 2012, Act 11 was enacted by the Pennsylvania Legislature. Act 11 permitted public utilities to file a request with the PUC for the implementation of a DSIC. A DSIC permits natural gas distribution companies to recover the costs related to main and service replacement not already recovered in base rates. This legislation provides utility companies with a supplemental recovery mechanism for costs related to incremental/accelerated distribution system repair, improvement, and replacement. Act 11 permits gas utilities to recover 5.0% of their non-gas revenues via the recovery mechanism and permits greater percentage increases if approved by the PUC. PGW started billing customers a DSIC surcharge as of July 1, 2013. On September 1, 2015, PGW proposed an increase in the DSIC surcharge from 5% to 7.5% of non-gas revenues. The PUC granted PGW's request effective February 1, 2016. The DSIC surcharge is fully reconcilable on a calendar year basis. For additional information, see Note 1(h) Revenue Recognition of the basic financial statements within APPENDIX A hereto.

Revenues generated from the application of this charge, which at 7.5% of PGW's non-gas revenues is currently expected to generate approximately \$43.5 million per year, are used to supplement the acceleration of the replacement of at-risk mains which is part of PGW's Long Term Infrastructure Improvement Plan ("LTIIP"). PGW will continue to consider the effectiveness of the accelerated pipeline replacement program funded by the DSIC surcharge, evaluate the effect of the DSIC on customers, and assess PGW's ability to effectively implement the level of accelerated pipeline replacement associated with the 7.5% DSIC surcharge prior to requesting an increase in the DSIC, but no assurance can be given that such request will be made or if made, approved. See "THE CAPITAL IMPROVEMENT PROGRAM."

Beginning on December 1, 2025, PGW temporarily increased its DSIC surcharge to 8.3% as approved by the PUC's October 9, 2025 Order which permitted PGW to recover \$7.8 million of DSIC under collections for the year ending December 31, 2024 over the course of two years. The DSIC surcharge is adjusted, as applicable, quarterly on a calendar year basis to incorporate the latest reconciliation. The DSIC under collection was a result of a warmer than normal winter. On January 1, 2026, the DSIC surcharge decreased to 8.17%; on April 1, 2026, the DSIC surcharge increased to 8.18%; and the DSIC surcharge remained unchanged at 8.18% on July 1, 2026. At the end of the two-year period, the DSIC surcharge rate will revert to 7.5% and the calculation of the DSIC surcharge going forward from such time will not be affected by the increase during the two-year period. Going forward, the PUC has allowed PGW to include WNA revenue in the DSIC calculation. It is anticipated that the inclusion of the WNA revenue in the DSIC calculation will decrease the likelihood of a future DSIC under collection.

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The following chart details components of PGW's Surcharges.



Ratemaking Methodology to Comply with Bond Covenants

PGW's rates, as set forth in its Gas Service Tariff, are regulated by the PUC pursuant to Section 2212(b) of the Pennsylvania Public Utility Code. Pursuant to Section 2212(e), in determining PGW's revenue requirement and approving overall rates and charges, the PUC is required to follow the same ratemaking methodology and requirements as set forth the Management Agreement and the City's bond and note ordinances for PGW, and such obligation shall continue until the date on which all bonds, which are Approved Bonds (herein defined), issued thereunder have been paid in full, refunded or defeased. Section 2212(e) also states that (i) the PUC shall permit the City to impose, charge or collect rates or charges as necessary to permit the City to comply with its covenants to the holders of any Approved Bonds and (ii) the PUC shall not require the City to take action, or omit taking any actions, pursuant to the Pennsylvania Public Utility Code if such action or omission would have the effect of causing the interest on tax-exempt bonds issued by the City to be includable in the gross income of the holders of such bonds for federal income tax purposes.

"Approved Bonds" consist of (1) bonds issued by the City under The First Class City Revenue Bond Act or The City of Philadelphia Municipal Utility Inventory and Receivables Financing Act that were issued and outstanding as of July 1, 2000, (2) bonds issued on or after July 1, 2000 by the City, unless the City Council declares otherwise in the authorizing ordinance, (3) bonds issued for the purpose of refunding, redeeming, repaying or otherwise defeasing Approved Bonds and (4) bonds issued by a municipal authority for PGW's benefit for purposes other than refunding, redeeming, repaying or otherwise defeasing Approved Bonds, unless the PUC determines, at the time of the registration of a securities certificate, that the bonds should not be Approved Bonds. The Bonds are Approved Bonds.

Further, Section 2212(f) permits PGW to impose, charge or collect rates and charges as necessary to permit PGW to transfer or pay to the City, on an annual basis, such amount as may be specified from time to time in the applicable ordinances of the City or agreements of the City approved by ordinances; provided that if the amount specified exceeds 110% of the amount that was authorized for transfer or payment to the City at the close of the Fiscal Year of the City ending June 30, 2000, such additional amount shall be subject to review and approval of the PUC, which approval shall be given unless such additional amount would not be just and reasonable. The amount currently specified is \$18.0 million, which is the same amount as was authorized for transfer at the close of the City's Fiscal Year 2000. See "GAS SERVICE TARIFF AND RATES – Rates – *Base Rate*" for a description of the 2010 PUC Policy Statement setting forth the factors to be considered in determining PGW rates and revenue allowances.

Summary of Existing Tariff Rates

The current tariff sets forth the rules and regulations for gas service. It also sets out the rates PGW is permitted to charge its customers for various types of service. PUC approval is necessary for changes to be made to this tariff. Currently, PGW primarily provides certain main types of service: firm service, interruptible service, and transportation service. The following tables summarize PGW's existing rates and applicable surcharges currently approved by the PUC. PGW's rates are presented without bundling. These rates include the following main charge components: a customer charge, a distribution charge, and the GCR. A component of the distribution charge is a delivery charge. Any applicable surcharges are also included with the distribution charge. Certain firm service customers who transport gas through a qualified natural gas supplier do not have the GCR as a component of their rate charges.

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EXISTING TARIFF CHARGES AND EFFECTIVE DATES

Tariff	Effective	Existing Tariff Charges ^(a)
FIRM SERVICE		
General Service - Rate GS		
Customer Charge - \$/meter per month		
Residential and Public Housing Customers	12/1/25	17.25
Commercial Customers	12/1/25	29.00
Industrial Customers	12/1/25	100.00
Supply Charge - \$/Mcf ^(b)		
Gas Cost Rate (GCR) + Merchant Function Charge + Gas Procurement Charge		
Residential	6/1/26	5.0164
Public Housing Customers	6/1/26	5.0164
Commercial Customers	6/1/26	4.7609
Industrial Customers	6/1/26	4.7298
Delivery Charge - \$/Mcf		
Delivery Charge		
Residential	12/1/25	8.5396
Public Housing Customers	12/1/25	9.2857
Commercial Customers	12/1/25	6.3694
Industrial Customers	12/1/25	6.5960
Surcharges		
Universal Service and Energy Conservation	6/1/26	2.3226
Restructuring and Consumer Education	9/1/21	0.0000
Efficiency Cost Recovery Surcharge		
Residential and Public Housing Customers	6/1/26	0.0173
Commercial Customers	6/1/26	0.0375
Industrial Customers	6/1/26	0.0002
Other Post Employment Benefits Surcharge	9/1/25	0.3316
Commodity Charge - \$/Mcf		
Residential Customers		16.2275
Public Housing Customers		16.9736
Commercial Customers		13.8220
Industrial Customers		13.9802
Distribution System Improvement Charge	7/1/26	8.18%
Customer Charge - \$/meter per month		
Residential and Public Housing Customers		1.4111
Commercial Customers		2.3722
Industrial Customers		8.1800
Commodity Charge - \$/Mcf		
Residential Customers		0.9171
Public Housing Customers		0.9781
Commercial Customers		0.7412
Industrial Customers		0.7567
Municipal Service - Rate MS		
Customer Charge - \$/meter per month	12/1/25	29.00
Supply Charge - \$/Mcf ^(b)	6/1/26	4.6941
Distribution Charge - \$/Mcf		
Delivery Charge	12/1/25	7.2370
Surcharges		
Universal Service and Energy Conservation	6/1/26	2.3226
Restructuring and Consumer Education	9/1/21	0.0000
Efficiency Cost Recovery Surcharge		0.0000
Other Post Employment Benefits Surcharge	9/1/25	0.3316
Total Commodity Charge - \$/Mcf		14.5853
Distribution System Improvement Charge	7/1/26	8.18%
Customer Charge - \$/meter per month		2.3722
Commodity Charge - \$/Mcf		0.8091
Philadelphia Housing Authority Service - Rate PHA		
Customer Charge - \$/meter per month	12/1/25	29.00
Supply Charge - \$/Mcf ^(b)	6/1/26	4.6941
Distribution Charge - \$/Mcf		
Delivery Charge	12/1/25	7.6015
Surcharges		
Universal Service and Energy Conservation	6/1/26	2.3226
Restructuring and Consumer Education	9/1/21	0.0000
Efficiency Cost Recovery Surcharge	6/1/26	0.0375
Other Post Employment Benefits Surcharge	9/1/25	0.3316
Total Commodity Charge - \$/Mcf		14.9873
Distribution System Improvement Charge	7/1/26	8.18%
Customer Charge - \$/meter per month		2.3722
Commodity Charge - \$/Mcf		0.8420

Tariff	Effective	Existing Tariff Charges ^(a)
INTERRUPTIBLE SERVICE		
Rate IT-XLT		
Customer Charge - \$/meter per month	12/1/23	1,100.00
Transportation Charge - \$/Dth delivered	12/1/25	0.1098
Commodity Charge ^(d) - \$/Mcf		n/a
Cogeneration Service - Rate CG		
Customer Charge - \$/meter per month	12/1/17	362.00
Commodity Charge ^(e) - \$/Mcf	6/1/26	2.7992
Developmental Natural Gas Vehicle Service, Firm Service - Rate NGVS		
Customer Charge - \$/meter per month	12/1/25	46.50
Supply Charge - \$/Mcf ^(b)	6/1/26	4.6941
Distribution Charge - \$/Mcf		
Delivery Charge	12/1/25	3.2000
Surcharges		
Universal Service and Energy Conservation	6/1/26	2.3226
Restructuring and Consumer Education	9/1/20	0.0000
Other Post Employment Benefits Surcharge	9/1/25	0.3316
Total Commodity Charge - \$/Mcf		10.5483
Distribution System Improvement Charge	7/1/26	8.18%
Customer Charge - \$/meter per month		3.8037
Commodity Charge - \$/Mcf		0.4789
Developmental Natural Gas Vehicle Service, Interruptible Service - Rate NGVS		
Customer Charge - \$/meter per month	12/1/25	46.50
Commodity Charge - \$/Mcf	7/1/26	16.69
TRANSPORTATION SERVICE		
Daily Balancing Service - Rate DB		
Administrative Charge - \$/supply pool per month	12/1/17	150.00
Plus charges and/or credits related to balancing and Operational Flow Orders (OFOs)		
Interruptible Transportation - Rate IT		
IT-A - Contracts for not less than 2,500 Dth, maintain standby non-natural gas energy.	12/1/25	
IT-B - Contracts for not less than 5,000 Dth, maintain standby non-natural gas energy.		
IT-C - Contracts for not less than 10,000 Dth, maintain standby non-natural gas energy.		
IT-D - Contracts for not less than 25,000 Dth, maintain standby non-natural gas energy.		
IT-E - Contracts for not less than 80,000 Dth, maintain standby non-natural gas energy.		
Customer Charge - \$/meter location per month		Transportation Charge - \$/Dth delivered
IT-A	152.16	IT-A 4.09 maximum
IT-B	273.89	IT-B 1.98 maximum
IT-C	273.89	IT-C 1.55 maximum
IT-D	273.89	IT-D 1.37 maximum
IT-E	426.06	IT-E 1.33 maximum

(a) Reference: Philadelphia Gas Works, Gas Service Tariff, Pa P.U.C No 2.

(b) Sum of Gas Cost Rate (GCR), Merchant Function Charge (MFC), and Gas Procurement Charge (GPC).

(d) Commodity charge includes Delivery, Transportation, and Standby Service Charges, if applicable. There are no GTS customers at this time.

(e) Commodity charge based on cost of gas purchased and delivered to PGW gate stations.

Assistance Programs and Grants

PGW participates in, or partially funds, several assistance programs to, among other things, increase cash flow to PGW and decrease accounts receivables and write-offs. Pursuant to its Gas Service Tariff, PGW recovers the costs of the discounts provided to customers under the CRP and the Senior Citizen Discount Program, arrearage forgiveness provided to CRP customers and Home Comfort through the Universal Service and Energy Conservation Surcharge, which is applicable to all PGW firm customers (excluding interruptible customers).

On October 29, 2021, PGW filed its 2023-2027 Universal Service and Energy Conservation Plan with the PUC. This plan was approved by the PUC in March 2023.

Customer Responsibility Program

CRP is a customer assistance program for those low-income residential customers who are at or below 150% of the federal poverty level ("FPL"). The PGC adopted the CRP in November 1993, and it became effective in February 1994. The CRP has a number of purposes which include increasing PGW's collection of revenues, providing an affordable payment plan for low-income customers while emphasizing for customers the importance of payment responsibility, promoting conservation, and increasing the assignment of grant funding for PGW. In short, the goals of the program are to increase PGW's cash flow and decrease PGW's accounts receivable.

PGW will forgive 1/36 of the customer's original pre-CRP debt each month for each CRP bill paid in full. Approximately 63,875 customers were enrolled in CRP as of May 2026. PGW has budgeted that the number of CRP participants will be approximately 67,457 by the end of Fiscal Year 2026. The table below sets forth the approximate aggregate discount and approximate amount of debt forgiveness granted by PGW to CRP participants in Fiscal Years 2021-2025.

Table 8
PGW DISCOUNTS AND
DEBT FORGIVENESS GRANTED TO CRP PARTICIPANTS
(THOUSANDS OF U.S. DOLLARS)

<u>Fiscal Year</u>	<u>Discounts to Participants</u>	<u>Debt Forgiveness</u>
2025	\$56,954	\$11,525
2024	43,395	9,836
2023	56,423	9,641
2022	59,421	13,827
2021	48,052	11,107

Source: PGW's records.

Monthly bills for CRP customers are based on income to promote affordability for low-income households. A customer's CRP agreement providing for fixed monthly bills and forgiveness of owed amounts imposes certain requirements upon such CRP customer. Specifically, the CRP customer must agree to accept conservation measures offered in the Home Comfort program, apply for re-certification at certain specified intervals or when certain circumstances change (*e.g.*, when household size or income changes), and make payments on time and in full (a CRP customer is in default when the customer is one full payment past due).

CRP applicants must provide proof of income for all household members. Identification is required for all household members except the customer of record. There are two percentage of income agreement types, as set forth below tied to percentages of FPL. Further, there is an average bill type for customers whose budget bill is lower than the percentage of income bill.

<u>PGW Annual Bill</u>	<u>Household Income</u>
4% of income	0-50% FPL
6% of income	51-150% FPL

The minimum payment under a CRP agreement is \$25 per month.

The main costs for PGW associated with the CRP program are the discounts that customers receive (revenue shortfall) and their arrearage forgiveness.

The CRP revenue shortfall to PGW is currently recovered in the Universal Service Surcharge. The amount of shortfall fluctuation primarily is driven by the cost of natural gas supply and CRP participation levels.

Senior Citizen Discount Program

The Senior Citizen Discount Program has been closed to new participants since September 1, 2003 when it was closed upon being discontinued by the PUC. The Senior Citizen Discount Program provides qualifying residential senior citizens with a discounted General Service Rate approximately equal to a 20% reduction in the participant's total gas bill each month. The number of participants in the Senior Citizen Discount Program decreased from approximately 70,000 in FY 2004 to approximately 3,734 as of May 2026. Continuing decreases in the average monthly enrollment will continue to result in less supplemental revenue being required to fund the program over time. Discounts to participants in the Senior Citizen Discount Program are recovered through the Universal Service and Energy Conservation Surcharge.

Low-Income Home Energy Assistance Program ("LIHEAP")

LIHEAP is a federally funded program that provides funds to households to ensure continued utility service available. Federal LIHEAP funds are allocated to individual states, which in turn allocate the amount to qualifying residents. PGW's share of LIHEAP funds allocated by the Commonwealth has ranged from approximately 7% to 14% since FY 2021. Funds received from LIHEAP are paid directly to PGW for a credit to the customer's account. Since FY 2021, LIHEAP funding has ranged from a low of \$12.5 million in FY 2026, as of August 6, 2026, to a high of \$38.9 million in FY 2022. Fiscal Year 2022 was driven by large supplemental funding provided by the federal government.

The City's low-income residential gas consumers can apply for LIHEAP through the Pennsylvania Department of Human Services. Several community organizations and neighborhood energy centers offer assistance with the application process. The LIHEAP program consists of two grant components: cash grants and crisis grants. The latter are made available only to eligible customers whose utility service is off or in danger of being terminated. LIHEAP funds are paid directly to PGW and credited against the customer's account.

PGW encourages eligible residential customers to apply for LIHEAP which PGW considers has contributed to its funding levels. Funding levels are also affected based on Federal allocation and how similar programs in other states are designed.

The Commonwealth can adjust the customer eligibility criteria for LIHEAP participation to no lower than 110% of the federal poverty level. During the 2024-2025 grant season, the program in Pennsylvania capped eligibility at 150% of the federal poverty level.

In 2025-2026, Pennsylvania was to receive approximately \$219 million in LIHEAP funding by the Federal Government; approximately \$173.2 million of which was available for LIHEAP benefits (cash grants including carry over). The remainder was allocated to weatherization assistance (15 percent of total block grant amount) and administration (10 percent of block grant amount). The proposed 2026-2027 LIHEAP budget has been posted on Pennsylvania's DHS website but is not incorporated by reference herein.

Vendor Payment Program

PGW supports a Vendor Payment Program for a group of customers known as Scattered Site Tenants of the Philadelphia Housing Authority ("PHA") who occupy PHA-owned dwellings for which the Federal Government provides rent subsidies. The Federal Government's Department of Housing and Urban Development provides funds for a utility allowance to PHA, on behalf of these tenants. PGW receives utility payments for certain of these tenants directly from PHA, while the remaining tenants have responsibility to pay their own utility bills.

Hardship Funds

Under this program, customers at or below 175% of the FPL are permitted to combine a LIHEAP grant with a grant from PGW up to \$750, and their own payment, if necessary, to eliminate all arrearages in order to avoid termination of service or to restore service. If a program participant is a CRP customer, the participant only has to eliminate CRP arrearages, not pre-program arrearages. To be eligible for a hardship grant, the customer must have already received a notice of impending service termination or already have had utility service terminated. The customer must also apply for LIHEAP and must eliminate the customer's account balance (i.e., for non-CRP customers). If the total arrearage cannot be satisfied by the combination of LIHEAP, and the PGW grant, then the customer must pay the balance that would remain prior to being approved for the hardship grant.

PGW also continues to support the Dollar Plus Program. Pursuant to this program, PGW's customers generally are requested to add \$1.00 or more to their gas bill payments to serve as a donation to the Utility Emergency Services Fund.

Also see “– Conservation Programs” below and “GAS SERVICE RATES AND TARIFFS – Collections.”

Conservation Programs

Low Income Usage Reduction Program

Pursuant to 52 Pa. Code Chapter 58, PGW offers to qualifying low-income residential customers a PUC regulated energy reduction program (“LIURP”) that provides natural gas conservation services to eligible residential customers. For customers living in single-family homes, this program is called Home Comfort. The program is made available to low-income customers who are high users of gas services. Additionally, there is a pilot program called the Low Income Multifamily Efficiency (“LIME”), which program PGW has operated since 2017 pursuant to the direction of the PUC which offers gas conservation services with respect to multifamily buildings.

The LIURP annual budget was established at a level of \$9.0 million starting in calendar year 2026 per the most recently PUC approved rate case. That budget includes the \$230,000 spent annually on LIME. The Universal Services and Energy Conservation Surcharge is the mechanism which enables PGW to recoup LIURP costs.

PGW's Home Comfort Program spending was approximately \$7.8 million for the time period from January 1, 2025 through December 31, 2025. Over the expected useful life of the measures installed, the activity for this period is projected by PGW to achieve 0.64 Bcf of natural gas savings through reduced customer usage. Based on the total resource cost test, net present value spending totaled \$6.1 million, and the program achieved \$5.8 million in present value savings.

Demand Side Management Programs

DSM program is marketed as EnergySense. This program is comprised of a group of conservation programs that PGW launched in Fiscal Year 2011. The PUC initially approved the program for a 5-year period. PGW filed for continuations of these programs: DSM Phase II from 2016-2020, DSM Phase III from 2021 – 2023, and DSM Phase IV from September 2024 – August 2027. The budget from the program is expected to be \$7.7 million for the September 2024 – August 2027 time period. PGW expects to file for an extension of DSM this coming fall 2026.

PGW utilizes the Efficiency Cost Recovery Surcharge as a means to recoup costs related to the DSM programs. In contrast, the Universal Services and Energy Conservation Surcharge is the vehicle by which PGW recovers costs for the Home Comfort program (i.e., PGW's Low Income Usage Reduction Program).

The related conservation programs, as described below, consist of Residential Equipment Rebates (“RER”), Commercial Equipment Rebates (“CER”), Online Smart Thermostat Marketplace (“Marketplace”), Low Income Smart Thermostat (“LIST”), Residential Construction Grants (“RCG”), Small Business Assessments (“SBA”) and EnergySense Kits (“ESK”). Residential Equipment Rebates are oriented toward customers who purchase high-efficiency residential-sized heating and hot water equipment or roof insulation and is meant to cover up to 65% of additional costs for high-efficiency equipment for market-rate customers. For low-income customers, the RER program offers higher rebate tiers, in which the incentive covers the full incremental cost of the measure. Commercial Equipment Rebates are available for industrial and commercial customers who purchase high-efficiency commercial-scale gas equipment. Similar to the residential equipment rebate program, this program is designed to provide incentives to cover approximately 60% of additional costs for high-efficiency equipment. The Smart Thermostat Online Marketplace (“Marketplace”) provides instant rebates of up to \$70 to PGW customers purchasing ENERGY STAR certified Wi-Fi enabled thermostats. The Marketplace incentive covers between 56% and 100% of the cost of a new smart thermostat, depending on the specific brand/model. The Low Income Smart Thermostat program is separate from the Marketplace and provides and installs ENERGY STAR certified smart thermostats to eligible low-income PGW customers, at no cost to the customers. Residential Construction Grants are intended to benefit residential building developers and builders. This program incentivizes the design and construction of new residential buildings that exceed the minimum requirements of energy codes and provides \$1,400 per building (residential) and up to \$550 per unit (multifamily) to properties that meet the requirement. The RCG incentives cover up to 81% of the incremental cost of installing high efficiency equipment in residential new construction properties. The Small Business Assessment program offers free walkthrough energy assessments to small business customers, along with low-cost energy efficiency measures. The ESK program offers residential customers kits of energy efficiency measures shipped to their homes that they can self-install, including low flow showerheads, caulk, and other measures.

During PGW’s most recent (2021-2024) DSM phase which ran from September 1, 2020 through August 31, 2024, PGW’s EnergySense program spent \$3,480,756. Over the anticipated time period of use for such measures, PGW estimated achieving 1.35 Bcf of natural gas savings on account of lower customer usage, with net present value spending of \$5.1 million, and \$9.7 million in present value savings with a related net saving to PGW’s customers of \$4.7 million. During the first year of PGW’s current DSM (September 2024 through August 2025), PGW’s EnergySense program spent \$1,341,960. Over the anticipated time period of use for such measures, PGW estimated it will achieve 0.43 Bcf of natural gas savings on account of lower customer usage, with net present value spending of \$1.7 million, and \$4.2 million in present value savings with a related net saving to PGW’s customers of \$2.4 million. PGW is able to recoup EnergySense costs by means of the Efficiency Cost Recovery Surcharge.

Collections

PGW utilizes various programs designed to improve collections, including a landlord cooperation program (“LCP”), a commercial lien notification program (the “CLNP”), “soft-off” monitoring, and various analytical tools to determine collections strategy that are in accordance with all applicable regulations with respect to collections. PGW utilizes a lien process on eligible properties in instances where there are account arrearages. See “PHILADELPHIA GAS WORKS –Litigation” for a description of certain cases relevant to PGW’s collections relating to, inter alia, certain billing matters.

The LCP is intended to promote collaboration between residential property landlords and PGW to improve PGW collection capabilities with regard to residential tenants (i.e., a focus on obtaining meter access for PGW). The LCP is intended to reduce the incidence of tenant delinquencies whereby PGW’s receipt of amounts for a tenant’s unpaid balance results in PGW refraining from filing a lien on the landlord’s property. As a general matter, the particular property would be made subject to liens in instances where a landlord fails to enroll in the program or otherwise cooperate. LCP had approximately 65,000 registered premises as of May 2026.

The CLNP enables commercial property landlords to cooperate with PGW to enhance PGW's collections from commercial tenants (i.e., a focus on obtaining meter access for PGW). The program is designed for the purpose of lowering tenant delinquencies by providing for additional prior notice of PGW's intended filing of the applicable lien. However, whether or not enrollment in the program occurs, a property will remain subject to the related lien. CLNP had approximately 645 registered premises as of May 2026.

Many of the services integral to soft-off monitoring are now automated. Previously, when a customer moved, PGW used a field service representative to shut off gas service. In frequent instances, the representative would not be able to obtain access to the meter and the service would continue with a related ongoing billing of the outgoing customer. This situation had the effect of creating additional receivables which would not be collectable. PGW presently provides a final bill to a customer's account, which effectively transfers the expense responsibility pertaining to future usage to PGW, and monitors the applicable premises diligently for the purpose of avoiding any misappropriation of service or excess usage. In addition to lowering the uncollectible receivables stemming from an unsuccessful attempt to shut off service, the soft-off program enables PGW's Operations department to repurpose field employees to different tasks with concomitant gains in using personnel resources.

PGW also utilizes various analytical tools, such as Tableau, to analyze aged receivables. The tools are used to review such things as the age of receivables, customer payment patterns, and the probability of receivable possibly being put to the write-off process. In the spring of 2027, PGW will begin to utilize a new advanced analytics collection tool along with Tableau that will create a customer-focused, personalized collection strategy to improve recovery rates and implement more efficient collection processes. The new tool will assist PGW in developing a more comprehensive customer view and obtain further insight into creditworthiness and the modernization of collections prioritization strategies to predict default and propensity to pay and determine the best next action and prioritize collection activities.

PGW collection management methods also entail a write-off reactivation process designed to provide that prior written-off balances are identified promptly and appropriately moved in cases where the particular customer may again apply for service, and cases where an applicant resided at the property during the period of time covering the point when the debt was incurred.

Chapter 14's provisions expired on December 31, 2024. For a further discussion see "LEGISLATIVE AND REGULATORY RISKS - *Limits on Cost Recovery.*"

In response to COVID-19 and related economic and other concerns, the PUC on March 13, 2020 imposed a moratorium on service terminations for non-safety reasons (the "Termination Moratorium"). On October 13, 2020, the PUC issued an order modifying the Termination Moratorium by providing for it to end effective November 9, 2020, subject to certain customer protections which remained in effect until Spring of 2021. As of April 1, 2021, the Termination Moratorium and related customer protections were ended. Utilities were required to track extraordinary, nonrecurring incremental COVID-19 related expenses, and were authorized to create a regulatory asset for any incremental expenses incurred above those embedded in rates resulting from the directives of the PUC's October 13, 2020 order.

In Fiscal Year 2021, PGW established a regulatory asset for outstanding delinquent account balances in anticipation that it would recover losses relating to the COVID-19 pandemic. The losses are specifically associated with the PUC moratorium, beginning in March 2020, and ending effective April 1, 2021, on shutting off gas services to customers who otherwise would be eligible for shutoff. In accordance with the PUC's order of November 9, 2023, PGW began the amortization of the \$30.5 million COVID-19 pandemic regulatory asset in December 2023. PGW had sought the recovery of the regulatory asset set up for COVID expenses per the PUC Orders. The recovery of the regulatory asset was proposed by PGW to be billed over a three-year period in level annual amounts. The PUC authorized the full recovery of the regulatory asset over a 53-month period instead of the 36-month period requested by PGW. Amortization of the COVID-19 pandemic regulatory asset will continue until April 2028. See also "PGW BUDGETS AND FINANCES - Provision for Uncollectible Accounts."

No assurances can be provided that PGW may not become subject to other pending or future federal, state or local legislation, regulation or executive action that may limit or otherwise impact PGW's ability to pursue collection actions and undertake other measures to receive payments for its services, and thereby adversely impact PGW's financial position or results of operations.

As of May 31, 2026, PGW achieved a 95.7% collection rate (based on PGW's rolling 24-month average) which was slightly below its stated annual goal of 96.0%. The lower collection rate was primarily driven by higher customer balances resulting from colder-than-normal weather conditions, which led to increased billing amounts. PGW projects a 96.1% collection rate for Fiscal Year 2026. See also, "PHILADELPHIA GAS WORKS – COVID-19 Response and Impacts."

For additional information about PGW's collections see "PGW BUDGETS AND FINANCES – Accounts Receivable" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE NINE MONTHS ENDED MAY 31, 2026 AND MAY 31, 2025 (UNAUDITED)."

Payment Options Used to Reduce Collection Activity

In addition to its collection efforts, PGW continues to offer customers a number of options to pay bills in order to avoid collection activity costs for both PGW and the customer. Customers can pay PGW at authorized agent locations. These locations are "In Person Payment" centers or utilize commercial payment mechanisms such as BuyPay or Americash Checkfree, and Retail Cash service. Such authorized agents send payments from the customers along to PGW. In addition, PGW offers phone payment options whereby credit card or check payments are accepted through the Interactive Voice Response ("IVR") system using a 3rd party vendor. Customers also can choose to pay PGW through PGW's website. Furthermore, customers can opt to have monthly payments automatically debited from their bank account. PGW's alternative payment options give customers the flexibility to make cash payments using Retail Cash which is a free service that allows such payments to be made at certain locations (i.e., CVS, Family Dollar, 7-11, or Speedway).

THE CAPITAL IMPROVEMENT PROGRAM

Through its annual capital planning process, PGW identifies potential capital improvements based upon certain operating and economic assumptions, evaluates these requirements, and establishes priorities considering available financial resources. It considers these factors when developing its capital budget for a Fiscal Year. PGW then develops a Capital Improvement Program for a six-year period based upon the approved capital budget for that Fiscal Year and a forecast for the next five Fiscal Years.

The gas design load forecast is a fundamental tool for PGW to identify capital requirements for PGW's operating departments. The needs of these departments comprise the biggest part of PGW's capital needs. The Gas Processing Department's focus is upon providing and maintaining the necessary facilities to take delivery of pipeline supplies and provide supplemental gas to satisfy peak load requirements. The Distribution Department, in its capital budget process, focuses upon the objective of consistently providing and properly maintaining a distribution network as well as the objective of delivering natural gas according to safety standards and at adequate pressure to satisfy the requirements of the appliances and equipment of PGW's customers.

Also, of major importance for PGW's Capital Improvement Program process, is to provide sufficient funding for facilities supporting new gas load opportunities which have been identified in the Marketing Department's forecast of customer expansion. This forecast is used to establish budget requirements for the Distribution Department for main and service additions, and for Field Services to identify new meter installations. Moreover, funding is identified for technology and systems to improve service and efficiency.

The safety of PGW's operations and reliability of service are PGW's major concerns when establishing the priorities of need for capital resources. Also, of major importance to PGW is ensuring funding to provide facilities to support new load opportunities. PGW's highest two expenditure priorities are for capital projects required for maintaining the safety and reliability of PGW's infrastructure. Priority 3 expenditures relate to

enforced main relocations that are based on City, Commonwealth and Federal mandated underground infrastructure projects. Priority 4 expenditures relate to projects that will result in additional revenues from load growth opportunities, while Priority 5 expenditures are associated with business improvements that increase operational efficiencies and/or productivity.

Under the terms of the Management Agreement, PGW provides each year's annual Capital Budget to the City's Director of Finance and the Gas Commission so that they can undertake their reviews, and offer recommendations to City Council, in advance of budget approval. PGW is restricted to undertaking only such capital improvements which have been included in a PGW capital budget approved by the City Council.

PGW has been financing and expects to continue to finance its Capital Improvement Program through a combination of net proceeds of revenue bond and note sales (other than sales of refunding bonds), investment income, and internally generated funds (includes DSIC surcharges and grant revenue). Internally generated funds consist of Gas Works Revenues available after payment of PGW Net Operating Expenses, principal and interest on bonds and notes issued by the City for PGW purposes, amounts due to Credit Facility issuers and under Qualified Swaps and Exchange Agreements, and City Charges. A decline in net revenues reduces internally generated funds available for capital projects and requires that the shortfall be funded from the issuance of bonds or other indebtedness or the incurrence of capital leases.

Cast Iron Main Replacement

A significant part of the Capital Improvement Program is the replacement of PGW's cast iron mains, some of which date back to the 1890s, with more state-of-the-art plastic pipe at an estimated replacement cost of approximately \$1.4 million per mile for smaller diameter pipe, with cost increasing for larger diameter pipe and higher-pressure pipe.

PGW's base rates have historically provided annual funding for the replacement each year of approximately 18 miles of cast iron mains. This program was started by PGW based on benchmarking and risk assessment analyses which PGW undertook. The program's cost is being funded by customers under the existing base rates. This 18-mile component of PGW's cast iron main replacement program is supplemented by an accelerated main replacement program. The accelerated program is put forth in PGW's LTIIP. See the table at the end of this sub-caption regarding certain historical information about PGW's cast iron main replacement program.

PGW's first LTIIP constituted a five-year plan (covering Fiscal Years 2013 - 2017) for accelerated recovery for distribution facilities. The original LTIIP accelerated the replacement cycle for PGW's large diameter cast iron mains (*i.e.*, 12-inch and larger diameter high-pressure main) and other smaller (and more extensive) diameter cast iron mains (*i.e.*, 8-inch and smaller, low/intermediate pressure main). PGW applied for a waiver from the PUC to permit an increase in its DSIC cap in 2015. Upon approval from the PUC in 2016, PGW filed an amended LTIIP to reflect the increase in its DSIC cap and the subsequent increase in main replacement. PGW filed with the PUC its second LTIIP petition in the spring of 2017, which also addressed a five-year period (*i.e.*, Fiscal Year 2018 through Fiscal Year 2022). The PUC approved that petition during the summer of 2017. PGW filed its third LTIIP petition on May 3, 2022, covering the five-year period for Fiscal Years 2023 through 2027. This petition was approved by the PUC on August 25, 2022. For forecasting purposes, PGW assumes that this accelerated replacement program will continue throughout the five-year period ending August 31, 2027.

The original LTIIP focused on a number of goals and objectives including: replacing 18 miles per year of small diameter, low/intermediate pressure cast iron main. The original LTIIP also focused on replacing large diameter, high-pressure, cast iron mains that have been identified as potential risks. (This goal related to 30-inch cast iron mains that have been identified as being in poor condition, and 12-inch cast iron mains, similar to those that have been involved in two separate incidents in PGW's system. Moreover, 12-inch cast iron mains were also involved in an incident within UGI Corporation's service territory.)

On January 16, 2015, the PUC began an examination of PGW's pipeline replacement program, including in terms of critically assessing considerations related to the need for, and any obstacles related to, the expansion of the program. This work resulted in a report to the PUC by Commission Staff. The PUC Commission Staff issued its report "Inquiry into Philadelphia Gas Works' Pipeline Replacement Program" on April 21, 2015. In the Staff's report, it conveyed its view that the then current rate of pipeline replacement needed be more aggressive. The Staff identified "areas of opportunity that PGW should explore to increase its mains replacement rate": (i) increasing the DSIC above the 5% cap (approved at that time); (ii) making level and annualizing DSIC eligible costs; (iii) issuing additional debt; (iv) improving PGW's cash management; (v) seeking the City to waive all or a portion of the \$18 million payment; (vi) making the corporate governance structure more streamlined; and (vii) consolidating facilities.

The DSIC surcharge applies to various customers -- Residential and Public Housing, Commercial and Municipal, and Industrial. The surcharge is calculated as a percentage applied to the delivery charge, surcharges, and customer charge. The percentage is equal to the DSIC revenue requirement divided by the annual non-gas cost revenues of the above customers. This percentage is then applied equally to each of the non-gas rate components of those customers. In contrast, under the original DSIC mechanism, revenues were not fully collected in a given annual period.

The PUC, in the summer of 2016, issued an Opinion and Order that allowed PGW to recover an additional \$11.4 million in DSIC under-collections for the calendar year ending December 31, 2015, over the course of two years (*i.e.*, additional annual revenues of \$5.7 million per each of the two years). Beginning on October 1, 2016, PGW temporarily increased its DSIC surcharge to 8.84% and on January 1, 2017, PGW changed its DSIC surcharge percentage to 8.80%. The DSIC surcharge was also increased on January 1, 2018 to 8.70% until the temporary increase expired on September 30, 2019. Two factors have helped PGW reduce the under collection of DSIC surcharge revenues. First, was the temporary increase to the DSIC mechanism. Second, is the leveled method of recovery. The under collection of DSIC surcharge revenues moved downward from \$16.4 million at the end of Fiscal Year 2016 to \$3.0 million at the end of Fiscal Year 2019. Under collection of DSIC surcharge revenue increased to \$9.2 million at the end of calendar year 2023 and has since decreased to \$7.9 million at the end of calendar year 2025.

PGW is permitted by Commission Order dated October 9, 2025, at Docket No. R-2025-3053112, to temporarily increase its DSIC recovery rate for a period not to exceed two (2) years to allow for the recovery of the prior DSIC under collection ending calendar year 2025. PGW temporarily increased its DSIC surcharge to 8.30% effective December 1, 2025, decreased it to 8.17% effective January 1, 2026 and then increased it to 8.18% effective April 1, 2026. The DSIC surcharge will remain 8.18% for the quarter beginning July 1, 2026. Additionally, PGW is also permitted to recover DSIC under collection by factoring in the Weather Normalization Adjustment (WNA) as explained herein. Starting on April 1, 2026, PGW shall recover any under collection from the prior year to the extent that the prior year under collection does not exceed the difference between the revenue received under the DSIC including prior year WNA revenues and the revenues received under the DSIC excluding the prior year WNA revenues. The Commission Order to temporarily increase the DSIC surcharge over the two-year period coupled with the WNA recovery mechanism will help PGW manage the current and future under collection, and is expected to allow PGW to maximize the risk reduction associated with the DSIC mechanism to improve system reliability and safety for the citizens of Philadelphia.

At the end of calendar year 2025, PGW's balance of cast iron mains was 1,070 miles, with a further reduction of 31.35 miles initially forecasted during Fiscal Year 2026. PGW estimates, based on the current replacement rate, that full replacement will be completed by 2058. PGW's Fiscal Year 2026 replacement rate is based in part upon a DSIC rate of 7.5% (*i.e.*, of the amount billed to customers) which was approved in Fiscal Year 2016. PGW's optimal replacement strategy is to enhance the safety and performance of underground distribution structures. Also see "PHILADELPHIA GAS WORKS — Governmental Oversight."

The level of main replacement represents a balance among several factors including prioritizing replacements to areas of highest reported leaks, working within the constraints of a highly populated urban area,

providing sufficient supervision and oversight by PGW of internal and external construction crews, and the level of rate or surcharge revenues approved by the PUC to fund the replacements.

Approximately 18 miles of the mains replacement program is covered by the current level of approved base rates (which is budgeted at approximately \$33.1 million per Fiscal Year). Approximately \$165.9 million (*i.e.*, total for Fiscal Year 2022 through Fiscal Year 2026) was budgeted to be funded through base rates for cast iron replacement. The actual spending for the base rate funded portion of the program was \$33.8 million for Fiscal Year 2025, was budgeted for \$35.3 million in Fiscal Year 2026, and is budgeted at \$39.6 million in Fiscal Year 2027.

Additionally, an accelerated mains replacement program is funded by DSIC at 7.5% of non-gas revenues. This DSIC revenue has been in addition to the amounts funded through base rates for cast iron replacement. Approximately 13 miles of the mains replacement program is replaced through the DSIC surcharge. Approximately \$190.9 million (*i.e.*, total for calendar year 2021 through calendar year 2025) was funded through the DSIC surcharge for cast iron replacement. This DSIC surcharge allowed PGW to recover \$40.8 million in DSIC for calendar year 2025. DSIC revenues are estimated to be approximately \$43.5 million for calendar year 2026 and are budgeted at \$42.5 million in Fiscal Year 2027.

PGW has been formally awarded \$125 million, which is the maximum award amount for a single entity through the Natural Gas Distribution Infrastructure Safety and Modernization (“NGDISM”) federal grant program to further accelerate the rate of cast iron replacement. PGW applied for three Notice of Funding Opportunities (“NOFO”) in Fiscal Years 2022, 2023 and 2024 and received \$10 million, \$75 million and \$40 million, respectively. PGW expects to fully exhaust the NOFO 2022 funding in Fiscal Year 2026. PGW has begun replacement projects for NOFO 2023. PGW is in the final stages of the environmental assessment for NOFO 2024 and expects to begin utilizing this funding in Fiscal Year 2027. PGW is currently projecting to exhaust all funding from the NGDISM program by Fiscal Year 2030. No assurances can be provided regarding the amount, if any, and timing of any grants which may be awarded to PGW under any federal or other program.

To the extent that PGW and its regulators (*i.e.*, PUC, PGC) agree to further accelerate the level of annual mains (and related service lines) replacement, the preferred method of financing these capital improvements would be through the existing DSIC surcharge mechanism or, as an alternative, through increased base rates.

The following table sets forth certain historical information for Fiscal Years 2000 through 2025 related to PGW’s cast iron main replacement program. As indicated therein, the amount of cast iron mains replaced by PGW showed significant increases around the Fiscal Year 2013 and Fiscal Year 2014 time frame, which PGW attributes to the putting in place of the DSIC. The annual number of unprotected service lines replaced is primarily a function of the number of service lines connected to the mains that are replaced, and the remaining total inventory of unprotected steel service lines.

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Historical Cast Iron Main and Unprotected Steel Service Replacement

Fiscal Year Ending August 31,	Cast Iron Main Replacement ^(a)		Number of Unprotected - Bare	Services Removed from Inventory ^(a)		
	Miles of CI Main Replaced (miles)	CI Mains Replacement Capital (\$000)		Number of Unprotected - Coated	Total	Services Replacement Capital (\$000)
2000	7.81	\$8,282	(17,888) ^(b)	9,960 ^(b)	(7,928)	\$10,940
2001	18.45	\$15,148	(8,211)	(164)	(8,375)	\$12,010
2002	21.49	\$16,108	(6,688)	(573)	(7,261)	\$9,986
2003	22.57	\$13,717	(7,011)	(142)	(7,153)	\$13,641
2004	19.24	\$20,393	(7,846)	(609)	(8,455)	\$17,652
2005	19.01	\$20,183	(40,477) ^(b)	(56)	(40,533)	\$16,127
2006	18.93	\$17,582	(8,046)	(76)	(8,122)	\$17,232
2007	18.28	\$20,180	(4,944)	(1,133)	(6,077)	\$21,172
2008	17.98	\$21,371	(5,280)	7,027 ^(b)	1,747	\$20,743
2009	8.67	\$18,385	(5,347)	(466)	(5,813)	\$15,443
2010	17.98	\$21,718	(2,794)	(509)	(3,303)	\$15,793
2011	18.20	\$19,278	(3,619)	(455)	(4,074)	\$15,872
2012	18.35	\$24,387	(3,093)	(437)	(3,530)	\$16,247
2013	22.26	\$28,475	(2,647)	(304)	(2,951)	\$17,517
2014	28.05	\$37,762	(3,215)	(255)	(3,470)	\$16,872
2015	29.25	\$47,099	(3,051)	(244)	(3,295)	\$16,540
2016	31.61	\$59,161	(3,084)	(173)	(3,257)	\$15,878
2017	34.92	\$66,530	(5,099)	(631)	(5,730)	\$16,456
2018	33.87	\$69,798	(4,417)	(485)	(4,902)	\$18,520
2019	34.60	\$59,827	(4,376)	(524)	(4,900)	\$19,254
2020	27.33	\$61,482	(3,812)	(488)	(4,300)	\$20,167
2021	37.48	\$68,036	(4,063)	(197)	(4,260)	\$17,105
2022	33.39	\$61,622	(3,261)	(296)	(3,557)	\$22,600
2023	32.97	\$67,119	(3,380)	(328)	(3,708)	\$20,488
2024	32.25	\$78,280	(4,225)	(369)	(4,594)	\$25,489
2025*	33.82	\$79,830	(2,934)	(305)	(3,239)	\$23,624

(a) PGW has updated information from prior years' data to reflect retirement in cast iron footage and number of services.

(b) Change in number of services reflects adjustments to inventory.

* FY spending is not finalized and could change.

Customer Information System Replacement and Building Consolidation

The Other Departments category of PGW's Capital Improvement Program includes estimated capital expenditures for Facilities, Fleet, Information Services, Customer Affairs, and other miscellaneous departments. For Fiscal Year 2027, the combined spending of these departments is estimated at \$70.2 million. Two major initiatives are the driving force for this level of spending, replacement of PGW's customer information system ("CIS") and implementation of PGW's efforts to consolidate its buildings ("Building Consolidation"). PGW's current CIS was implemented in 1999. It uses a dated and proprietary software architecture, which in the form deployed at PGW has not found broad market acceptance. PGW plans to replace its current CIS with a highly customizable and flexible modern CIS that leverages best practices of the utility industry and is expected to provide a secure and reliable operating platform for the future. In conjunction with the CIS, PGW will update its Customer Experience Portal and platform for service orders.

This multiyear project represents a total investment of \$131.1 million, with \$26.0 million planned for Fiscal Year 2027 as the new system approaches its go-live date. The CIS replacement project is currently expected to reach completion in the spring of calendar year 2027. In addition, PGW is currently preparing for the implementation of a multi-year advanced metering infrastructure project (AMI). AMI eliminates routine field meter reading trips, reducing truck rolls, emissions, and manual exceptions processing while enabling remote meter reads and service actions that improve efficiency and cut costs over time. AMI also provides real time, two-way digital communication that enables automatic detection of abnormal conditions such as high or low pressure, excess flow, temperature anomalies, tampering, and leaks, while integrated remote shut off valves can autonomously isolate service during emergencies, significantly improving system safety. Customers benefit from even more accurate billing, near real time usage visibility, faster issue resolution, and proactive notifications that enhance service quality and empower conservation efforts.

Building Consolidation is also a multiyear project. The project is intended to improve space utilization, reduce costs, improve service levels, and shrink PGW's physical and carbon footprint. To attain these benefits, PGW is (i) subleasing space for its North Operations Center (NOC); (ii) consolidating administrative functions at the existing 800 W. Montgomery facility; and (iii) replacing Porter Street Station, which will serve as PGW's South Operations Center and provide new warehouse space. After completion of the foregoing, PGW will be able to exit six existing buildings. The South Operations Center is currently anticipated to be completed by the end of calendar year 2027. Upon its completion, PGW's building consolidation effort will be considered completed.

There are two components to this project. The first component relates to \$77.3 million in expenditures needed to fit out the NOC, restack the 800 West Montgomery Avenue facility, and replace Porter Street Station. The breakdown of these estimated capital costs are as follows:

North Operations Center Fit out - \$18.9 million (exclusive of the landlord's contribution of \$6.3 million);

Replace Porter Street Station - \$38.3 million; and

Restacking of 800 West Montgomery Avenue - \$20.1 million.

The second component relates to the \$109.5 million, 25-year sublease for the NOC. The sublease transaction required separate approval by the Gas Commission and City Council. Under the lease structure, Philadelphia Municipal Authority ("PMA") entered into a lease with the property owner; and the City sub-leased the property from PMA.

The above lease transaction was approved by the Gas Commission on December 23, 2020 and subsequently approved by City Council.

Final Planned Phase of Building Consolidation

PGW controls several facilities near its corporate headquarters at 800 W. Montgomery Avenue. In 2015, PGW embarked on a Building Consolidation Initiative to maximize operational efficiencies at three locations: corporate headquarters, the North Operations Center (opened in March 2023), and the South Operation Center (construction to begin shortly). As the South Operations Center enters the construction phase, the disposition of PGW's Montgomery Complex buildings represents the final phase of the building consolidation effort. In October 2025, PGW issued a Request for Proposals to solicit potential development projects for the following locations: 1800 N. 9th Street, 1849 N. 9th Street and 2000-26 N. 9th Street. The goals of the Montgomery Complex development project include maximizing benefits to PGW ratepayers (such as securing long-term gas customers), achieving operational efficiencies and realizing positive impacts to the local community and City of Philadelphia. PGW completed an initial evaluation of proposal submissions in January 2026 and is moving forward with negotiations before making a final selection. A FY 2027 capital budget amendment in the amount of \$13.532 million has been proposed to support additional costs associated with the South Operations Center project. This proposed amendment is pending before the Gas Commission. No assurances can be provided that remaining negotiations will be satisfactorily finalized, that this development project will be fully funded and timely completed, or that anticipated operational and other benefits will be realized.

Further Capital Improvement Program Information

For further discussion of the Capital Improvement Program, see "PGW BUDGETS AND FINANCES – Budget Approval," and "GAS SERVICE TARIFF AND RATES – Rates – Surcharges • DSIC Surcharge." The PUC approved PGW's original LTIIIP petition for Fiscal Years 2013-2017 on April 4, 2013. The original LTIIIP was modified by a PUC Order entered on June 9, 2016 and continued, by its terms, through August 31, 2017. PGW filed its second LTIIIP petition with the PUC on May 3, 2017 for Fiscal Years 2018-2022, and the second LTIIIP petition was approved on August 31, 2017. PGW filed its third LTIIIP petition on May 3, 2022,

covering the five-year period for Fiscal Years 2023 through 2027. This petition was approved by the PUC on August 25, 2022.

The following Table 9 represents information regarding actual net capital expenditures for each of the five Fiscal Years 2021-2025 as well as information (on an unaudited basis) for the first nine months of Fiscal Years 2026 and 2025, respectively:

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Table 9
PHILADELPHIA GAS WORKS CAPITAL EXPENDITURES⁽¹⁾
(THOUSANDS OF U.S. DOLLARS)

	PERIOD SEPTEMBER 1 THROUGH MAY 31 (UNAUDITED)		FISCAL YEARS ENDED AUGUST 31				
	<u>2026</u>	<u>2025</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Uses							
Gas Processing	\$7,882	\$9,883	\$18,958	\$6,932	\$7,027	\$6,162	\$6,611
Distribution	89,112	83,134	116,422	92,754	97,635	101,470	106,315
Field Services	1,958	1,761	2,107	8,074	5,828	6,114	6,142
Fleet	5,632	2,082	4,473	9,268	5,229	826	1,509
Facilities	1,819	5,009	7,107	7,822	10,854	15,015	5,869
Information Services	10,034	11,091	17,496	24,260	23,595	21,463	11,976
Other Departments	—	—	—	—	57	78	82
Total Uses⁽²⁾	<u>116,437</u>	<u>112,960</u>	<u>166,563</u>	<u>149,110</u>	<u>150,225</u>	<u>151,128</u>	<u>138,504</u>
Sources							
Capital Fund Drawdowns	105,000	47,000	80,000	42,004	71,000	72,000	55,000
TXCP ⁽³⁾	—	—	—	35,000	—	—	—
Internal Funds (including DSIC and PHMSA) ⁽⁴⁾	11,437	65,960	86,563	72,106	79,225	79,128	83,504
Total Sources	<u>\$116,437</u>	<u>\$112,960</u>	<u>\$166,563</u>	<u>\$149,110</u>	<u>\$150,225</u>	<u>\$151,128</u>	<u>\$138,504</u>

(1) Source: PGW's records.

(2) Net of reimbursements, contributions, and salvage.

(3) Tax exempt Commercial Paper.

(4) Distribution System Improvement Charge and Pipeline and Hazardous Materials Safety Administration.

PGW BUDGETS AND FINANCES

PGW revenues used to pay debt service on its indebtedness and to fund its operations are derived primarily from the sale of gas distribution and related services to its customers. Rate and tariff charges for the sale of gas services are proposed by PGW based on, among other factors, anticipated revenues, and expenses, required working capital, required debt service coverage, and need for funds for capital expenditures. PGW has established several internal financial metric targets which it utilizes for long-term financial planning including: (i) capital expenditures financed approximately one-half from internally generated funds and one-half from proceeds of debt, (ii) a 2.0x or greater debt service coverage ratio under the 1998 General Ordinance, and (iii) a \$100 million cash balance at the end of each Fiscal Year. These targets are subject to change by PGW in its discretion and PGW has no contractual or other obligation to pursue or meet these targets. PGW has had these financial metric targets in place since Fiscal Year 2005. While PGW has no current expectation of changing these financial metric targets, there can be no assurances that they will not be modified or eliminated or that they

will be achieved. PGW's ability to meet these targets is subject to various uncertainties. Among several other potential factors, operating conditions, regulatory developments, weather conditions affecting customer natural gas consumption, variables in the United States and local economies in general and the gas industry in particular, and adequate and timely base rate relief as granted by the PUC are anticipated to be major drivers that affect PGW's ability to achieve these financial metric targets. Such factors, as well as demographic, climate, public health/safety, and technological factors, may be wholly or partially beyond the ability of PGW to control or influence.

PGW reviews its operating and capital budgets and related financial needs on an annual basis and updates its internal forecasts on a more frequent basis. If financial forecasts indicate the need for additional base rate revenues, then PGW anticipates that it would file an additional base rate increase request sooner than otherwise anticipated.

There can be no assurance that any such base rate increases will be approved in whole or in part by the PUC or that the other assumptions utilized by PGW will be realized.

Budget Approval

General Process for Budgets. The Management Agreement requires PGW to prepare an annual operating budget and an operating forecast for the four years following the budget year. The operating budget and forecast are subject to the approval of the Gas Commission. PGW also prepares annually a proposed capital budget and a forecast for the five years following the budget year. The Gas Commission and the Director of Finance of the City review the capital budget and forecast and forward it, together with their recommendations, to the City Council for its approval by ordinance.

The Gas Commission holds public hearings on the budgets at which PGW and other interested parties are permitted to present evidence to support their positions. Community Legal Services of Philadelphia, Inc. has been appointed by the Gas Commission to serve as Public Advocate and represents residential customers in budget proceedings. The Gas Commission considers the record accumulated in the budget hearings in deciding whether to accept, modify or reject a proposed annual operating budget; and whether to recommend the approval, modification, or rejection of a proposed capital budget by City Council. The Gas Commission final order regarding the operating budget and the City Council ordinance regarding the capital budget may direct PGW to reduce expenses in certain areas or increase spending on certain items or to undertake specific projects. This process remains unchanged since passage of the Gas Choice Act which provides that the City continues to determine PGW's budget function.

Fiscal Year 2027 Operating Budget Process and Approval. In May 2026, PGW submitted its Fiscal Year 2027 Operating Budget to the Gas Commission for its review and approval. PGW's Fiscal Year 2027 Operating Budget was approved by the Gas Commission at its August 11, 2026 meeting. No other approvals are required for PGW's Fiscal Year 2027 Operating Budget.

For each fiscal year, subsequent to the Gas Commission's approval for purposes of the particular operating budget, PGW files (for certain routine compliance purposes) the applicable operating budget in final form with the Gas Commission within approximately 10 days and posts such budget to PGW's website. Such documents are not incorporated by reference herein.

PGW's related Five-Year Forecast for Fiscal Years 2028 through 2032 was filed on July 14, 2026 and is pending before the Gas Commission.

Fiscal Year 2027 Operating Budget – Components. The Fiscal Year 2027 Operating Budget and Five-Year Forecast for Fiscal Years 2028 through 2032, present budgeted information for Fiscal Year 2027 and forecasted information for Fiscal Years 2028-2032. The budget includes a statement of income with itemizations of the different categories of PGW operating revenues, expenses and interest income. It also includes a cash flow statement showing both sources and uses of expenditures, a debt service coverage analysis and a balance sheet reflecting assets and equity and liabilities. Finally, the budget also includes the principal business

assumptions that PGW made when preparing the budget and forecast. These assumptions included certain gas revenues (including LNG sales), weather-related projections, costs of certain commodities and personnel, collections, grants, and internally generated funds to support capital improvements.

Discussion of Fiscal Year 2027 Operating Budget. The Fiscal Year 2027 Operating Budget as filed with the Gas Commission projects an ending cash balance of \$122.2 million for FY 2027 (an increase from the estimated operating fund cash balance of \$96.4 million for FY 2026). PGW's budgeted total operating revenues in FY 2027 are \$759.0 million compared to anticipated total operating revenues of \$834.3 million for Fiscal Year 2026. (Total operating revenues of \$769.6 million were budgeted for Fiscal Year 2026.) Net income is budgeted at \$162.9 million by year-end FY 2027 compared to \$192.5 million estimated for FY 2026. (The budgeted net income for FY 2026 was \$193.7 million.)

Fiscal Year 2027 Operating Budget Comparative Summary. Set forth below is a summary of PGW's approved Fiscal Year 2027 Operating Budget with comparative information to its Fiscal Year 2026 Operating Budget.

PGW's Fiscal Year 2026 Operating Budget was filed on May 6, 2025 (and approved by PGC on August 12, 2025). PGW, consistent with its historical practice, did not file any formal amendment to the approved Fiscal Year 2026 Operating Budget.

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PHILADELPHIA GAS WORKS
BUDGETED STATEMENT OF INCOME
(Dollars in Thousands)

	COMPLIANCE OPERATING BUDGET FY 2026	FILED OPERATING BUDGET FY 2027⁽²⁾
OPERATING REVENUES		
Non-Heating	\$ 22,348	\$22,670
Gas Transport Service	88,382	107,067
Heating	659,063	635,386
Weather Normalization Adjustment	-	(1,652)
Appropriation for Uncollectible Reserve	(38,626)	(47,894)
Unbilled Adjustment	622	61
Total Gas Revenues	<u>731,789</u>	<u>715,638</u>
Appliance Repair and Other Revenues	6,498	6,770
Other Operating Revenues	<u>31,336</u>	<u>36,641</u>
Total Other Operating Revenues	<u>37,834</u>	<u>43,411</u>
Total Operating Revenues	<u><u>769,623</u></u>	<u><u>759,049</u></u>
OPERATING EXPENSES		
Natural Gas	173,132	205,647
Other Raw Material	<u>31</u>	<u>31</u>
Sub-Total Fuel	173,163	205,678
CONTRIBUTION MARGINS	596,460	553,371
Gas Processing	26,129	33,680
Field Operations	108,593	112,409
Collection	5,575	5,416
Customer Service	20,721	22,821
Account Management	10,801	10,399
Marketing	4,728	4,859
Administrative and General	101,782	109,122
Health Insurance	29,988	30,929
Capitalized Fringe Benefits	(10,152)	(10,429)
Capitalized Administrative Charges	(32,214)	(35,783)
Pensions	41,412	3,220
Taxes	10,884	11,594
Other Post-Employment Benefits	11,006	11,174
Cost / Labor Savings	<u>(434)</u>	<u>1,217</u>
Sub-Total Other Operating and Maintenance	328,819	310,628
Depreciation	71,545	67,299
GASB 87 Depreciation	-	4,251
GASB 96 Depreciation	-	3707
Cost of Removal	<u>5,879</u>	<u>7,277</u>
Net Depreciation	<u>77,424</u>	<u>82,534</u>
Sub-Total Other Operating Expenses	<u><u>406,243</u></u>	<u><u>393,162</u></u>
TOTAL OPERATING EXPENSES	<u><u>579,406</u></u>	<u><u>598,840</u></u>
OPERATING INCOME	190,217	160,208
Interest Gain / (Loss) and Other Income	<u>22,001</u>	<u>15,670</u>
INCOME BEFORE INTEREST	212,218	175,878
INTEREST		
Long-Term Debt	54,108	51,478
Other	(9,634)	(8,794)

	COMPLIANCE OPERATING BUDGET FY 2026	FILED OPERATING BUDGET FY 2027⁽²⁾
Loss From Extinguishment of Debt	<u>2,080</u>	<u>1,806</u>
Total Interest	<u>46,554</u>	<u>44,490</u>
NON-OPERATING REVENUE		
Federal Grant Revenue (PHMSA)	27,987	31,488
NET INCOME	<u>193,651</u>	<u>162,876</u>
City Payment	<u>18,000</u>	<u>18,000</u>
NET EARNINGS	<u>\$ 175,651</u>	<u>\$ 144,876</u>

⁽¹⁾ Source: PGW's records.

⁽²⁾ Reflects the FY 2027 Operating Budget as filed with the Gas Commission. The FY 2027 Operating Budget was filed with the Gas Commission in May 2026 and does not reflect subsequent events, including any mid-year results. The Gas Commission approved the FY 2027 Operating Budget on August 11, 2026. This does not reflect minor modifications to the FY 2027 Operating Budget that were approved by the Gas Commission on August 11, 2026.

Capital Budget

Fiscal Year 2026. PGW's Fiscal Year 2026 Capital Budget was submitted to the Gas Commission on January 2, 2025. On March 18, 2025, the Gas Commission staff filed a recommended decision authorizing budget authorization of \$185.2 million. The Gas Commission rendered its decision recommending that City Council approve the FY 2026 Capital Budget on April 15, 2025. City Council final approval was received on June 13, 2025. PGW proposed amendments to the FY 2026 Capital Budget to address additional funding needed for the CIS replacement project. Additional amendments were proposed to budget reauthorizations for certain projects that were anticipated to be completed beyond their authorized lifespans. The proposed amendments to the Fiscal Year 2026 Capital Budget resulted in total capital budget authorization of \$241.9 million. City Council provided final approval of the Fiscal Year 2026 Amended Capital Budget on June 11, 2026.

Fiscal Year 2027. PGW's Fiscal Year 2027 Capital Budget was submitted to the Gas Commission on January 2, 2026. On March 17, 2026, the Gas Commission staff filed a recommended decision authorizing budget authorization of \$208.0 million. The Gas Commission rendered its decision recommending that City Council approve the FY 2027 Capital Budget on April 27, 2026. City Council provided final approval of the Fiscal Year 2027 Capital Budget on June 11, 2026.

The following is excerpted from PGW's Compliance FY 2027 Capital Budget and Five-Year Forecast for FY 2028 through FY 2032, inclusive.

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Table 10
CAPITAL BUDGET
FY 2027 AND FORECAST FOR FY 2028 THROUGH FY 2032⁽¹⁾⁽²⁾

	2027 CAPITAL BUDGET	2028 - 2032 FORECAST ⁽³⁾	TOTAL 6 YEARS
GAS PROCESSING			
Additions	\$1,675,000	\$130,000	\$1,805,000
Replacements	5,156,000	278,891,000	284,047,000
GROSS TOTAL	<u>6,831,000</u>	<u>279,021,000</u>	<u>285,852,000</u>
DISTRIBUTION			
Additions	15,480,000	82,661,000	98,141,000
Replacements	145,202,000	659,188,000	804,390,000
GROSS TOTAL	<u>160,682,000</u>	<u>741,849,000</u>	<u>902,531,000</u>
FIELD SERVICES			
Additions	2,906,000	14,057,000	16,963,000
Replacements	17,600,000	98,178,000	115,778,000
GROSS TOTAL	<u>20,506,000</u>	<u>112,235,000</u>	<u>132,741,000</u>
FLEET OPERATIONS			
Additions	326,000	-	326,000
Replacements	12,820,000	42,502,000	55,322,000
GROSS TOTAL	<u>13,146,000</u>	<u>42,502,000</u>	<u>55,648,000</u>
OTHER DEPARTMENTS			
Additions	2,939,000	13,411,000	16,350,000
Replacements	3,906,000	14,000,000	17,906,000
GROSS TOTAL	<u>6,845,000</u>	<u>27,411,000</u>	<u>34,256,000</u>
ALL DEPARTMENTS			
Additions	23,326,000	110,259,000	133,585,000
Replacements	184,684,000	1,092,759,000	1,277,443,000
GROSS GRAND TOTAL	<u>\$208,010,000</u>	<u>\$1,203,018,000</u>	<u>\$1,411,028,000</u>

⁽¹⁾ Source: PGW's records.

⁽²⁾ Reimbursement to PGW for relocating structures and equipment and/or load growth are not included in this Table.

⁽³⁾ Information and statements provided by PGW that are not purely historical are forward-looking statements. Readers should not place undue reliance on forward-looking statements which are inherently subject to various uncertainties. Accordingly, actual results may vary from the forecasts and estimates contained herein.

Gas Processing Capital Expenditures

Budgeted capital spending for the Gas Processing Department is focused on the safety and reliability of natural gas measurement and control facilities, plant buildings and grounds, and PGW's LNG capacity. The more significant initiatives in Fiscal Year 2027 include: \$7.3 million to replace the boiloff gas compressors, \$1.3 million to install emission control valves, and \$1.0 million for replacements of instrumentation hardware at Metering and Regulating stations. Out-year planned expenditures are anticipated for a number of purposes, including during Fiscal Year 2028 \$182.0 million to replace the liquefier at the Richmond Plant, and \$10.6

million for switchgear breakers and controls replacements at the Passyunk Plant. Actual levels of expenditures, including carryover spending to a future Fiscal Year, will be impacted by the particular work patterns and any contingencies relating to a particular project.

Distribution Capital Expenditures

The traditional 18-mile cast iron replacement program and accelerated main replacement program are central to this category of capital expenditures which is funded through base rates and the DSIC. The base rate funded portion of the program for Fiscal Year 2027 is expected to be approximately \$42.8 million to provide for the removal of approximately 18 miles of cast iron mains. Historically, cast iron pipe was generally used by natural gas utilities. This was particularly true in the case of low-pressure gas mains such as those used by PGW. Leaks tend to result due to aging of this pipe, joint deterioration and increases in the brittleness of such pipe. Replacement options for such cast iron mains include plastic for low-pressure systems as well as wrapped and cathodically protected steel (the latter being used for higher pressure systems).

Estimated capital spending for Fiscal Year 2027 is \$156.2 million for PGW's Distribution Department. This spending level maintains a trend of increased expenditures which began in Fiscal Year 2013. The increase is associated closely with addressing at-risk mains in furtherance of PGW's LTIP. The DSIC enables PGW to recover these capital costs on a pay-as-you-go basis, which reduces or avoids dependence on additional indebtedness to maintain this part of PGW's capital program.

See also "POSSIBLE FUTURE PGW RELATED FINANCINGS – Infrastructure Replacement" and "THE CAPITAL IMPROVEMENT PROGRAM - Cast Iron Main Replacement" above.

Field Services Capital Expenditures

PGW estimates capital spending for Fiscal Year 2027 for the Field Services Department in the amount of \$20.0 million. These capital expenditures are intended, in part, to implement the advanced metering infrastructure ("AMI") program. Specific benefits to PGW from such expenditures for the AMI program include: Autonomous shut-off valves that activate during events like excess flow or over-pressurization; Advanced safety features that can detect alarm events such as high or low pressure, abnormal flow, high temperatures, reverse flow, and meter tampering or theft; Provide PGW with the ability to remotely shut off gas flow to a property for leaks or emergencies.

Fleet Operations Capital Expenditures

For Fiscal Year 2027, the Fleet Operations Department estimated capital expenditures are in the amount of \$11.4 million. These expenditures generally serve the purpose of replacing vehicles and mobile equipment, particularly in support of critical field operations. In any particular year, spending in this area is based upon the inventory of vehicles to be replaced. The respective useful lives of vehicles are annually analyzed and this analysis, together with PGW's normal replacement criteria, substantially determines the number of vehicles which are replaced. Fiscal Year 2027 spending is based on such analysis and criteria.

See "THE CAPITAL IMPROVEMENT PROGRAM - Customer Information System Replacement and Building Consolidation" above for a detailed discussion of the Other Departments portion of PGW's capital budget.

Accounts Receivable

Net accounts receivable was \$102.5 million at the end of Fiscal Year 2025, an increase of approximately \$13.4 million or 15.0% from Fiscal Year 2024 due to a decrease in the accumulated provisions for uncollectable accounts of \$9.0 million and an increase in accrued gas revenues of \$3.3 million during FY 2025. Gross accounts receivable on August 31, 2025 was \$183.1 million, an increase of \$4.3 million compared to the \$178.7 million level in FY 2024. The 24-month collection rate in Fiscal Year 2025 was 98.2% as compared to 98.4% in Fiscal Year 2024. The accumulated provision for uncollectible accounts reflects a balance of \$80.6 million, a decrease of \$9.0 million at the end of Fiscal Year 2025, compared to the \$89.6 million balance at the end of Fiscal Year

2024. The reserve for bad debt is for accounts that have not yet been written off. When a receivable is written-off, the bad debt reserve will be reduced by the same amount.

For a further discussion of PGW's accounts receivable experience, see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE NINE MONTHS ENDED MAY 31, 2026 AND MAY 31, 2025 (UNAUDITED) – Assets – Accounts Receivable".

Provision for Uncollectible Accounts

The provision for uncollectible accounts in FY 2025 totaled \$80.6 million, a decrease of \$9.0 million, or 10.1%, from FY 2024. In FY 2021, PGW established a regulatory asset for outstanding delinquent account balances in anticipation that it would recover losses relating to the COVID-19 pandemic. The losses are specifically associated with the PUC moratorium, beginning in March 2020, and ending in March 2021, on shutting off gas services to customers who otherwise would be eligible for shutoff.

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Table 11
ACCOUNTS RECEIVABLE, PROVISION FOR UNCOLLECTIBLE ACCOUNTS, NET
WRITE-OFFS, COLLECTION FACTORS AND REVENUE STATISTICS⁽¹⁾
(THOUSANDS OF U.S. DOLLARS)

	2025	FISCAL YEAR ENDED AUGUST 31			2021
		2024	2023	2022	
Billed Gas Revenues ⁽²⁾	\$693,098	\$643,913	\$756,999	\$755,478	\$646,453
Accounts Receivable	183,065	178,731	200,947	215,187	195,155
Less: Reserve for Bad Debt	<u>(80,584)</u>	<u>(89,594)</u>	<u>(108,990)</u>	<u>(108,186)</u>	<u>(113,164)</u>
Net Accounts Receivable ⁽²⁾⁽³⁾	102,481	89,137	91,957	107,001	81,991
Bad Debt Reserve/Accounts Receivable	44.0%	50.1%	54.2%	50.3%	58.0%
Net Write-Offs	\$46,571	\$49,292	\$39,466	\$30,265	\$11,359
Receivable/Billed Gas Revenues	26.4%	27.8%	26.5%	28.5%	30.2%
Bad Debt ⁽⁴⁾	\$37,561	\$29,897	\$40,270	\$25,287	\$16,261
Bad Debt/Billed Gas Revenues	5.4%	4.6%	5.3%	3.3%	2.5%
Bad Debt/Accounts Receivable	20.5%	16.7%	20.0%	11.8%	8.3%
Total Customer Receipts	\$738,263	\$683,891	\$794,801	\$768,001	\$644,186
Total Customer Billings	\$756,668	\$691,194	\$810,936	\$786,915	\$673,585
Collection Factor ⁽⁵⁾	98.2%	98.4%	97.8%	96.7%	96.1%
Five-Year Average Collection Factor (2021-2025)	97.6%				

⁽¹⁾ Source: PGW's records.

⁽²⁾ Accounts receivable is partly driven by sales revenue. Higher sales revenue results in higher accounts receivable balances. During the five-year period between Fiscal Year 2021 and Fiscal Year 2025, the year-end net accounts receivable balance averaged 13.5% of billed gas revenue, with a low of 12.1% in Fiscal Year 2023 and the high of 14.8% in Fiscal Year 2025. Along with billed revenue, accounts receivable is influenced by the collection rate. PGW calculates the collection rate by dividing the total gas receipts collected in a Fiscal Year by the total gas billings that were applied to PGW customers' accounts during the same time period. During the five-year period between Fiscal Year 2021 and Fiscal Year 2025, PGW averaged a 97.6% collection rate, with a high of 98.4% in Fiscal Year 2024, and the low of 96.1% in Fiscal Year 2021.

⁽³⁾ In FY 2025, accounts receivable (net) of \$102.5 million, which consists of \$162.4 million gross accounts receivable, \$8.5 million other receivables, \$12.2 million accrued gas revenues, and (\$80.6) million provision for uncollectible accounts, increased by \$13.3 million, or 15.7% from FY 2024 which correlates to the increase in total operating revenues of 8.2% compared to FY 2024. Gross accounts receivable at August 31, 2025 was \$162.4 million, a decrease of \$5.4 million compared to the \$167.8 million in FY 2024. Accrued gas revenues at August 31, 2025 was \$12.2 million, an increase of \$3.3 million compared to the \$8.9 million in FY 2024. The accumulated provision for uncollectible accounts at August 31, 2025, reflects a balance of \$80.6 million, a decrease of \$9.0 million compared to the \$89.6 million balance in FY 2024. The balance for accumulated provision for uncollectible accounts in FY 2021 was the largest compared to the other years reported due to the impact from the COVID-19 pandemic. Beginning in March 2020 and ending in March 2021, PGW followed the PUC moratorium on shutting off gas services to customers who otherwise would be eligible for shutoff.

⁽⁴⁾ Bad debt in FY 2025 totaled \$37.6 million, an increase of \$7.7 million, or 25.6%, from FY 2024. Bad debt in FY 2024 totaled \$29.9 million, a decrease of \$10.4 million, or 25.8%, from FY 2023. In FY 2021, PGW established a regulatory asset for outstanding delinquent account balances in anticipation that it would recover losses relating to the COVID-19 pandemic. In FY 2021, approximately \$27.8 million of bad debt was reclassified to regulatory asset in anticipation of recovery. The creation of the regulatory asset is specifically associated with the PUC moratorium, beginning in March 2020, and ending in March 2021, on shutting off gas services to customers who otherwise would be eligible for shutoff. PGW started to amortize this regulatory asset over 53 months in December 2023.

⁽⁵⁾ Collection factor is calculated based on 24 months of billings and receipts.

PGW calculates the provision for uncollectible accounts based on a financial analysis and a collectability study performed as of each Fiscal Year-end. The same methodology was used for all Fiscal Years between Fiscal Year 2021 and Fiscal Year 2025 and PGW's management intends to continue to use this methodology. This analysis is used to determine the adequacy of the accumulated provision for uncollected accounts. For each Fiscal Year during the stated period, management has provided an accumulated provision for uncollectible accounts in excess of the collectability study results based on its analysis of historical aging data. The actual results of the PGW's twelve-month collection efforts could differ significantly from PGW's estimate. Net write-offs historically have been less than the reserve for bad debt each year due to the effects of the assistance programs and grants described under "GAS SERVICE TARIFF AND RATES – Assistance Programs and Grants."

Selected Operating Data Regarding Customers and Gas Sales

The following table sets forth certain information regarding PGW customers, gas sales by classification and demand for gas.

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Table 12
SELECTED OPERATING DATA
REGARDING CUSTOMERS AND GAS SALES⁽¹⁾

	PERIOD SEPTEMBER 1 THROUGH MAY 31		FISCAL YEARS ENDED AUGUST 31				
	2026	2025	2025	2024	2023	2022	2021
Summary of Customers at End of Period							
Residential	452,227	454,516	453,994	451,408	458,311	467,914	469,879
Industrial and Commercial:							
Firm	20,779	20,957	20,926	20,815	21,246	21,393	21,424
Interruptible	2	2	2	2	2	2	3
Municipal and PHA	1	-	1	1	-	-	1
Total Customers⁽²⁾	473,009	475,475	474,923	472,225	479,559	489,309	491,307
Gas Sales by Classification (Mmcf)⁽³⁾							
Residential:							
Heating	29,878	27,828	29,681	27,343	27,473	30,986	31,778
Non-Heating	304	295	327	312	321	353	369
Industrial and Commercial:							
Firm	8,699	7,501	8,299	7,679	7,945	8,620	8,153
Interruptible	192	468	583	466	893	1,319	492
Other (FT)	6,396	6,186	6,830	6,354	6,060	5,719	5,768
Total Gas Sales and Transport	45,470	42,278	45,720	42,153	42,692	46,997	46,560
Average Monthly Usage of Residential Customers (Mcf)⁽⁴⁾:							
Heating	5.6	5.3	5.6	5.2	5.1	5.7	5.8
Non-Heating	2.3	2.1	2.4	2.2	2.1	2.1	2.1
Average Monthly Bill of Residential Customers:							
Heating \$	\$110.83	\$91.42	\$101.35	\$93.87	\$110.78	\$110.14	\$94.60
Non-Heating \$	\$53.49	\$44.14	\$52.50	\$48.74	\$51.70	\$49.80	\$42.59
Degree Days⁽⁵⁾	4,315	4,030	4,030	3,809	3,740	3,853	4,108
Normal Degree Days ⁽⁵⁾	4,202	4,308	4,308	4,339	4,336	4,336	4,348
	103%	94%	94%	88%	86%	89%	94%
Maximum 24-Hour Sendout (Mcf)	598,846	567,197	567,197	474,445	544,760	531,582	495,584
Peak-day Avg. Temperature (Degrees)	11	16	16	23	16	16	26

(1) Source: PGW's records.

(2) Exclude Interruptible Gas Transportation Service Customers.

(3) Million cubic feet.

(4) Thousand cubic feet.

(5) In FY 2021, the source for degree days changed from PGW's Richmond Plant to National Oceanic and Atmospheric Administration (NOAA) which is measured at the Philadelphia International Airport.

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Summary of Statements of Revenue and Expenses

Information for each of the past five Fiscal Years should be read in conjunction with and was derived from the audited financial statements and notes thereto.

Table 13
SUMMARY OF STATEMENTS OF REVENUES AND EXPENSES⁽¹⁾
(THOUSANDS OF U.S. DOLLARS)

	PERIOD SEPTEMBER 1 THROUGH MAY 31 (UNAUDITED)		FISCAL YEARS ENDED AUGUST 31⁽²⁾				
	2026	2025	2025	2024	2023	2022	2021
Operating revenues:							
Gas revenues:							
Non-heating	\$23,370	\$19,393	\$22,823	\$21,231	\$25,914	\$32,064	\$23,122
Gas transport service	89,104	77,324	88,604	82,542	77,530	71,710	67,907
Heating	651,936	554,228	606,310	553,613	599,980	687,142	549,982
Provision for uncollectible accounts	(36,748)	(35,694)	(37,561)	(29,897)	(40,270)	(25,287)	(16,261)
Total gas revenues	727,662	615,251	680,176	627,489	663,154	765,629	624,750
Appliance and other revenues	5,029	4,607	6,653	7,019	7,339	6,656	6,019
Other operating revenues ⁽⁶⁾	57,883	34,316	43,164	39,937	40,533	33,152	15,978
Total operating revenues	790,574	654,174	729,993	674,445	711,026	805,437	646,747
Operating expenses:							
Natural gas ⁽⁶⁾	251,536	198,064	214,446	174,568	223,996	272,468	163,892
Gas processing ⁽³⁾	20,130	19,029	26,072	25,576	25,569	24,085	23,294
Field Operations ⁽³⁾⁽⁵⁾	81,285	73,038	98,295	96,588	89,803	79,542	79,678
Collection and account management ⁽³⁾	10,518	9,861	13,926	12,483	12,894	13,237	13,364
Customer services ⁽³⁾⁽⁵⁾	12,550	12,263	17,265	15,995	13,962	12,825	13,762
Marketing ⁽³⁾	2,616	3,294	3,964	3,765	3,857	4,433	4,113
Administrative and general ⁽³⁾⁽⁵⁾	68,278	59,920	78,415	81,319	66,704	64,535	61,899
Pensions	31,059	20,586	9,380	25,345	31,544	20,675	(3,146)
Other postemployment benefits	8,255	19,113	8,675	1,075	4,791	(1,242)	(902)
Taxes	8,205	7,710	10,236	9,830	9,121	8,984	8,894
Total operating expenses before depreciation	494,432	422,878	480,674	446,544	482,241	499,542	364,848
Depreciation ⁽³⁾⁽⁵⁾	60,500	52,433	71,322	75,293	81,962	72,342	69,312
Total operating expenses	554,932	475,311	551,996	521,837	564,203	571,884	434,160
Operating income	235,642	178,863	177,997	152,608	146,823	233,553	212,587
Investment gains (losses) and other income	20,009	16,974	29,228	14,467	14,000	(1,523)	1,322
Income before interest expense	255,651	195,837	207,225	167,075	160,823	232,030	213,909
Interest expense:							
Long-term debt ⁽³⁾⁽⁵⁾	34,924	38,886	50,359	39,507	38,890	39,597	43,914
Allowance for funds used during construction ⁽⁴⁾	—	—	—	—	—	—	(2,413)
Total interest expense	34,924	38,886	50,359	39,507	38,890	39,597	41,501
Excess of revenues over (under) expenses prior to City Payment	220,727	156,951	156,866	127,568	121,933	192,433	172,408
Distribution to the City of Philadelphia	(13,500)	(13,500)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
Excess of revenues over expenses	207,227	143,451	138,866	109,568	103,933	174,433	154,408
Net position, beginning of the year ⁽³⁾⁽⁵⁾	950,822	811,956	811,956	728,282	624,349	449,916	295,645
Implementation of GASB 101	—	—	—	(25,894)	—	—	—
Net position, end of the year ⁽³⁾⁽⁵⁾⁽⁷⁾	<u>\$1,158,049</u>	<u>\$955,407</u>	<u>\$950,822</u>	<u>\$811,956</u>	<u>\$728,282</u>	<u>\$624,349</u>	<u>\$450,053</u>

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- (1) Source: PGW's records.
- (2) Information for each of the past five Fiscal Years is derived from, and should be considered in light of, PGW's audited financial statements and notes thereto which are available within PGW's respective Annual Comprehensive Financial Reports ("ACFR").
- (3) During FY 2022, PGW implemented GASB Statement No. 87, *Leases*, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.
- (4) During FY 2022, PGW implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. Beginning on September 1, 2021, PGW no longer capitalizes AFUDC.
- (5) During FY 2023, PGW implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, that revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.
- (6) PGW restated FY 2024 to reflect a change in PGW's accounting policy relating to the recording of capacity release revenue.
- (7) In FY 2025 PGW implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for all forms of compensated leave and associated salary related payments, including certain defined contribution pensions and defined contribution OPEB. Adoption of GASB 101 resulted in the retroactive restatement of FY 2024.

DEBT SERVICE COVERAGE RATIO

The annual operating budgets approved by the Gas Commission have estimated the level of revenues required to reach at least the minimum rates and charges mandated by the 1998 General Ordinance. The following table presents the historical revenues and regularly scheduled debt service coverage calculated under the 1998 General Ordinance for Fiscal Year 2021 through 2025, inclusive. Payment of City Charges is subordinate to the payment of debt service on bonds issued under the 1998 General Ordinance.

[Table follows on next page.]

Table 14
DEBT SERVICE COVERAGE⁽¹⁾
(THOUSANDS OF U.S. DOLLARS)

	2025	2024	2023	2022	2021
FUNDS PROVIDED					
Total Gas Revenues	\$680,176	\$627,489	\$663,154	\$765,629	\$624,750
Other Operating Revenues	49,817	36,580	47,872	39,808	21,997
Total Operating Revenues	729,993	664,069	711,026	805,437	646,747
Other Income Incr. / (Decr.) Restricted Funds	13,726	9,478	11,596	(2,139)	1,295
AFUDC (Interest) ⁽⁴⁾	-	-	-	-	2,413
TOTAL FUNDS PROVIDED	743,719	673,547	722,622	803,298	650,455
FUNDS APPLIED					
Fuel Costs	214,446	164,192	223,996	272,468	163,892
Other Operating Costs	337,550	347,269	340,207	300,109	270,268
Total Operating Expenses	551,996	511,461	564,203	572,577	434,160
Less: Non-Cash Expenses ⁽²⁾	29,987	50,771	91,079	68,773	46,075
TOTAL FUNDS APPLIED	522,009	460,690	473,124	503,804	388,085
Funds Available to Cover Debt Service	\$221,710	\$212,858	\$249,498	\$299,494	\$262,370
Senior 1998 Ordinance Bonds Debt Service	\$110,077	\$103,704	\$99,144	\$98,430	\$97,383
Debt Service Coverage Senior 1998 Ordinance Bonds	2.01	2.05	2.52	3.04	2.70
Net Available after Senior 1998 Ordinance Debt Service	\$111,633	\$109,154	\$150,353	\$201,065	\$164,987
Debt Service Coverage (with \$18.0M City Fee) ⁽³⁾	1.85	1.88	2.33	2.86	2.51

⁽¹⁾ Source: Annual Comprehensive Financial Report for Fiscal Years Ended August 31, 2025, 2024, 2023, 2022 and 2021 of the Philadelphia Gas Works, and PGW's records.

⁽²⁾ PGW has revised the Debt Service Coverage calculation. With the adoption of GASB 75, PGW included Other Post-Employment Benefit (OPEB) expenses, as shown on the PGW's income statement, in the Debt Service Coverage calculation. These expenses comprise three components: GASB 75 expense or credit, an \$18.5 million contribution to the OPEB trust, and the PAYGO health insurance costs. Starting in FY 2024, the GASB 75 expense/credit has been excluded as it is a non-cash item, and the \$18.5 million deposit to the OPEB Trust has been removed, as it is not a PGW payable.

⁽³⁾ Debt Service Coverage (with \$18.0M City Fee) = Funds Available to Cover Debt Service - \$18.0M / Aggregate Debt Service.

⁽⁴⁾ During FY 2022, PGW implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION FOR THE NINE MONTHS ENDED MAY 31, 2026 AND MAY 31, 2025
(UNAUDITED)**

The narrative overview and analysis of the financial statements of PGW for the nine months ended May 31, 2026, 2025, and 2024 have been prepared by PGW's management. The information presented below is unaudited and should be read in conjunction with additional information contained in PGW's audited financial statements as of and for the years ended August 31, 2025 and 2024 included in the attached APPENDIX A. Various numbers, including percentages, included within the narrative and tabular presentation within this management's discussion and analysis are subject to conventional rounding conventions.

Financial Highlights

Nine-Month Periods Ended May 31, 2026, 2025, and 2024

The nine-month period ended May 31, 2026 weather reflected a 2.7% colder than normal winter. The FY 2026 period was 7.3% colder than the prior year and total gas sold was approximately 39.1 billion cubic feet (Bcf). The WNA Clause, which was in effect from October 2025 through April 2026, resulted in heating customers receiving credits totaling \$8.9 million. The nine-month period ended May 31, 2025 weather reflected a 6.6% warmer than normal winter. The FY 2025 period was 5.6% colder than the prior year and total gas sold was approximately 36.1 Bcf. The WNA Clause, which was in effect from October 2024 through April 2025, resulted in heating customers receiving charges totaling \$11.8 million. Actual degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport.

PGW achieved 24-month collection rates of 95.7% at May 31, 2026, 99.0% at May 31, 2025, and 99.5% at May 31, 2024. For May 31, 2026, the collection rate is calculated by dividing the total gas receipts collected from June 1, 2024 through May 31, 2026 by the total gas billings that were applied to PGW customers' accounts from June 1, 2024 through May 31, 2026. The same methodology was utilized in the prior periods.

**Table 15
UNAUDITED
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
(THOUSANDS OF U.S. DOLLARS)**

	NINE MONTHS ENDED MAY 31		
	2026	2025	2024
Total gas revenues	\$727,662	\$615,252	\$572,463
Other revenues	62,912	38,923	30,039
Total operating revenues	790,574	654,175	602,502
Fuel expense	251,536	198,064	155,596
All other operating expenses	303,396	277,246	266,192
Total operating expenses	554,932	475,310	421,788
Operating income	235,642	178,865	180,714
Interest and other income	20,009	16,974	9,673
Total interest expense	(34,924)	(38,886)	(29,723)
Distribution to The City of Philadelphia	(13,500)	(13,500)	(13,500)
Excess of revenues over expenses	207,227	143,453	147,164

Operating Revenues

Operating revenues in the nine-month period ended May 31, 2026 were \$790.6 million, an increase of \$136.4 million, or 20.8%, from the nine-month period ended May 31, 2025. The increase resulted from a higher natural gas sendout, which was approximately 3.4 Bcf or 5.4% higher in the nine-month period ended May 31,

2026 compared to the nine-month period ended May 31, 2025. There were approximately 7.2% more degree days during the nine-month period ended May 31, 2026 compared to the nine-month period ended May 31, 2025. Operating revenues in the nine-month period ended May 31, 2025 were \$654.2 million, an increase of \$51.7 million, or 8.6%, from the nine-month period ended May 31, 2024. The increase was primarily a result of higher natural gas sendout, which was approximately 3.2 Bcf or 5.4% higher in the nine-month period ended May 31, 2025 when compared to the nine-month period ended May 31, 2024. There were approximately 5.6% more degree days during the nine-month period ended May 31, 2025 when compared to the nine-month period ended May 31, 2024.

Total sales volumes, including gas transportation deliveries, in the nine-month periods ended May 31, 2026 were 66.2 Bcf. In the nine-month period ended May 31, 2026, firm gas sales of 38.9 Bcf were a 9.1% increase from the firm gas sales in the nine-month period ended May 31, 2025. Interruptible gas sales were 0.3 Bcf lower than the similar time period in FY 2025. The volume of natural gas transported for gas transportation customers in the nine-month period ended May 31, 2026 increased by 0.7 Bcf compared to the level in the nine-month period ended May 31, 2025. Total sales volumes, including gas transportation deliveries, in the nine-month period ended May 31, 2025 increased by 3.1 Bcf, or 5.2%, to 62.3 Bcf from the nine-month period ended May 31, 2024 sales volumes of 59.2 Bcf. In the nine-month period ended May 31, 2025, firm gas sales of 35.6 Bcf were 2.8 Bcf, or 8.5%, higher than the nine-month period ended May 31, 2024. Interruptible gas sales were 0.1 Bcf higher than the FY 2024 level. The volume of natural gas transported for gas transportation customers in the nine-month period ended May 31, 2025 increased by 0.3 Bcf compared to the level in the nine-month period ended May 31, 2024.

Provision for Uncollectible Accounts – The provision for uncollectible accounts in the nine-month period ended May 31, 2026 totaled \$36.7 million, an increase of \$1.0 million, or 2.8%, compared to the nine-month period ended May 31, 2025. The increase in the provision for uncollectible accounts in FY 2026 is mainly due to lower collection rates achieved in FY 2026. The provision for uncollectible accounts in the nine-month period ended May 31, 2025 totaled \$35.7 million, an increase of \$0.8 million, or 2.3%, compared to the nine-month period ended May 31, 2024.

As of May 31 in the years 2026, 2025, and 2024, the total number of customers served by PGW was approximately 516,200, 519,800, and 521,300, respectively. As of May 31, 2026, there were approximately 25,000 commercial accounts and 500 industrial accounts, reflecting no change from the previous two Fiscal Years. The number of residential accounts as of May 31, 2026 was approximately 490,700 customers, a decrease of approximately 3,600 customers from May 31, 2025 and a decrease of 5,100 customers from May 31, 2024.

Operating Expenses

Total operating expenses, including fuel costs, in the nine-month period ended May 31, 2026 were \$554.9 million, an increase of \$79.6 million, or 16.7%, from the nine-month period ended May 31, 2025. The increase for the nine-month period ended May 31, 2026 was mainly caused by the increase in cost of fuel and natural gas utilization. This increase was partially offset by the decrease in other postemployment benefits expenses. Total operating expenses, including fuel costs, in the nine-month period ended May 31, 2025 were \$475.3 million, an increase of approximately \$53.5 million, or 12.7%, from the nine-month period ended May 31, 2024. The increase for the nine-month period ended May 31, 2025 was mainly caused by the increase in cost of fuel, natural gas utilization, and other postemployment benefits offset by decrease in pension expenses.

Fuel Expense

Cost of Fuel (price/volume analysis) – The cost of natural gas utilized increased by \$53.4 million, or 27.0%, to \$251.5 million in the nine-month period ended May 31, 2026 compared with \$198.1 million in the nine-month period ended May 31, 2025. In the nine-month period ended May 31, 2026 compared to the same time period in FY 2025, the average commodity price per Thousand Cubic Feet (Mcf) increased by \$0.87, or \$36.2 million, and the volume of natural gas utilized increased by 2.9 Bcf, or \$8.9 million. Demand charges in the nine-month period of FY 2026 were approximately \$8.3 million more than the similar time period in FY 2025. The cost of natural gas utilized increased by \$42.5 million, or 27.3%, to \$198.1 million in the nine-month

period ended May 31, 2025 compared with \$155.6 million in the nine-month period ended May 31, 2024. In the nine-month period ended May 31, 2025 compared to the nine-month period ended May 31, 2024, the average commodity price per Mcf increased by \$0.53, or \$20.7 million, and the volume of natural gas utilized increased by 3.5 Bcf, or \$9.1 million.

All Other Operating Expenses

Expenditures for street operations, infrastructure improvements, and plant operations in the nine-month period ended May 31, 2026 were \$101.4 million, a \$9.4 million, or 10.2%, increase from the nine-month period ended May 31, 2025 total of \$92.0 million. The increase in the nine-month period ended May 31, 2026 was caused primarily by higher labor and maintenance contract cost. The nine-month period ended May 31, 2025 total of \$92.0 million was \$1.2 million higher than the nine-month period ended May 31, 2024 total of \$90.8 million, which was a result of higher labor cost.

Additionally, expenses of \$96.5 million related to collection and account management, customer services, marketing, and the administrative area increased by \$6.9 million or 7.7% in the nine-month period ended May 31, 2026 compared to the nine-month period ended May 31, 2025. The increase was primarily due to higher administrative expenses. This category increased by \$1.5 million in the nine-month period ended May 31, 2025 compared to the nine-month period ended May 31, 2024 primarily due to higher administrative expenses.

Pension expense increased by \$10.5 million to \$31.1 million as of May 31, 2026 as compared to May 31, 2025 due to the amortization of investment losses. The investment loss was primarily due to the difference between projected and actual investment earnings recognized over a closed five-year period. Pension expense decreased by \$12.4 million or 37.6% to \$20.6 million as of May 31, 2025 as compared to May 31, 2024 due to the amortization of investment gains.

Other Postemployment Benefits (OPEB) expense decreased by \$10.8 million or 56.5% in the nine-month period ended May 31, 2026 as compared to the nine-month period ended May 31, 2025 due primarily to higher than anticipated earnings experienced during the period and changes to assumptions. OPEB expense for the nine-month period ended May 31, 2025 increased \$26.7 million when compared to the nine-month period ended May 31, 2024 due primarily to changes to demographic assumptions.

Net Depreciation Expense

Net depreciation expense was \$60.5 million for the nine-month period ended May 31, 2026, an increase of \$8.1 million as compared to the nine-month period ended May 31, 2025. Net depreciation expense was \$52.4 million for the nine-month period ended May 31, 2025, a decrease of \$4.2 million compared to the nine-month period ended May 31, 2024. The composite depreciation rates were 2.0% for FY 2025 and FY 2024 and such rate is budgeted to be at the same level for FY 2026.

Interest and Other Income

Interest and other income for the nine-month period ended May 31, 2026 was \$20.0 million, an increase of \$3.0 million, or 17.6%, compared to nine-month period ended May 31, 2025. The increase was primarily due to U.S. Department of Transportation's (DOT) PHMSA grant revenue. Interest and other income for the nine-month period ended May 31, 2025 was \$17.0 million, an increase of \$7.3 million, or 75.3%, compared to FY 2024. The increase was primarily due to higher interest and dividend earnings and PHMSA grant revenue. PGW recorded \$6.3 million and \$2.1 million of PHMSA grant revenue for the nine-month period ended May 31, 2026 and May 31, 2025, respectively.

Total Interest Expense

Total interest expense was \$34.9 million for the nine-month period ended May 31, 2026, a decrease of \$4.0 million or 10.3% when compared to the nine-month period ended May 31, 2025. Interest expense was

lower for the nine-month period ended May 31, 2026, primarily due to lower interest paid on long-term debt and lease assets. Total interest expense was \$38.9 million for the nine-month period ended May 31, 2025, an increase of \$9.2 million or 31.0% when compared to the nine-month period ended May 31, 2024 primarily due to the issuance of the Gas Works Revenue Bonds, Seventeenth Series A and Gas Works Revenue Refunding Bonds, Seventeenth Series B, the refunding of all outstanding Gas Works Revenue Bonds, Fifth Series, and the partial refunding of the Gas Works Revenue Refunding Bonds, Thirteenth Series in September 2024.

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Table 16
UNAUDITED
CONDENSED BALANCE SHEETS
(THOUSANDS OF U.S. DOLLARS)

	AS OF MAY 31		
	2026	2025	2024
Assets			
Current assets:			
Cash and cash equivalents	\$231,326	\$146,082	\$182,304
Account receivables (net of provisions for uncollectable accounts of \$87,333, \$89,088, and \$102,348 for 2026, 2025, and 2024, respectively)	162,654	132,328	120,029
Gas inventories, materials, and supplies	45,469	49,499	62,875
Current portion of capital improvement fund	5,440	67,949	-
Workers' compensation escrow fund	3,146	3,027	2,891
Other current assets	<u>25,360</u>	<u>16,497</u>	<u>10,964</u>
Total current assets	<u>473,395</u>	<u>415,382</u>	<u>379,063</u>
Non-current assets:			
Utility plant, at original cost:			
In service	3,134,694	3,042,074	2,932,105
In service under capital leases	80,561	80,747	80,724
In service under software subscriptions	17,586	16,305	8,887
Under construction	<u>309,796</u>	<u>277,033</u>	<u>231,966</u>
Total	<u>3,542,637</u>	<u>3,416,159</u>	<u>3,253,682</u>
Less accumulated depreciation	(1,449,102)	(1,428,336)	(1,374,253)
Less accumulated depreciation lease assets	(12,362)	(8,795)	(5,268)
Less accumulated depreciation software subscriptions	<u>(6,548)</u>	<u>(8,946)</u>	<u>(6,492)</u>
Utility plant, net	<u>2,074,625</u>	<u>1,970,082</u>	<u>1,867,669</u>
Sinking fund, revenue bonds	124,767	120,021	114,006
Capital improvement funds	140,585	207,200	-
Unamortized bond insurance costs	769	821	649
Deferred environmental	28,099	27,988	23,610
Regulatory asset - pandemic	12,074	19,217	26,066
Other non-current assets	4,177	5,905	3,629
Total non-current assets	<u>2,385,096</u>	<u>2,351,234</u>	<u>2,035,629</u>
Total assets	<u>2,858,491</u>	<u>2,766,616</u>	<u>2,414,692</u>
Deferred outflows of resources			
Accumulated fair value of hedging derivatives	-	-	-
Unamortized losses on reacquired debt	9,515	11,723	17,261
Deferred outflows related to pension	11,490	11,113	29,060
Deferred outflows related to OPEB	<u>80,461</u>	<u>91,583</u>	<u>100,068</u>
Total assets and deferred outflows of resources	<u>2,959,957</u>	<u>2,881,035</u>	<u>2,561,081</u>
Liabilities			
Current liabilities:			
Current portion of long-term revenue bonds	70,047	68,791	72,294
Other current liabilities	<u>130,901</u>	<u>114,988</u>	<u>115,743</u>
Total current liabilities	200,948	183,779	188,037
Non-current liabilities:			
Long-term revenue bonds	1,170,420	1,240,467	962,109
Other non-current liabilities	112,784	114,996	82,100
Net pension liabilities	160,324	186,671	229,433
Net OPEB liabilities	<u>77,884</u>	<u>118,945</u>	<u>187,260</u>
Total non-current liabilities	<u>1,521,412</u>	<u>1,661,079</u>	<u>1,460,902</u>
Total liabilities	<u>1,722,360</u>	<u>1,844,858</u>	<u>1,648,939</u>
Deferred inflows of resources			
Deferred inflows related to gain on bond refunding	1,572	1,930	148
Deferred inflows related to pension	34,823	18,246	10,465
Deferred inflows related to OPEB	41,750	58,496	21,942
Deferred inflow related to interest rate swap	<u>1,404</u>	<u>2,096</u>	<u>4,139</u>
Total liabilities and deferred inflows of resources	<u>1,801,909</u>	<u>1,925,626</u>	<u>1,685,633</u>
Net position			
Restricted (debt service)			
Total net position	<u>1,158,048</u>	<u>955,409</u>	<u>875,448</u>
Total liabilities, deferred inflows of resources and net position	<u>\$2,959,957</u>	<u>\$2,881,035</u>	<u>\$2,561,081</u>

Assets

Accounts Receivable

As of May 31, 2026, accounts receivable (net) totaled \$162.7 million, an increase of \$30.4 million, or 23.0%, from May 31, 2025. This correlates with the increase in total operating revenues of 20.8% for the nine-month period ended May 31, 2026 compared to the nine-month period ended May 31, 2025. As of May 31, 2025, accounts receivable (net) totaled \$132.3 million, an increase of \$12.3 million, or 10.3%, from May 31, 2024. This correlates with the increase in total operating revenues of 8.6% for the nine-month period ended May 31, 2025 compared to the nine-month period ended May 31, 2024.

Cash and Cash Equivalents

As of May 31, 2026, cash and cash equivalents totaled \$231.3 million, an increase of \$85.2 million from May 31, 2025 of \$146.1 million. The increase in the cash balance as of May 31, 2026, as compared to May 31, 2025 is mainly due to the timing of withdrawals from capital funds. From June 1, 2025 through May 31, 2026, withdrawals totaled \$138.0 million compared to withdrawals of \$82.0 million for the period June 1, 2024 through May 31, 2025. The remaining difference can be explained by the increase in total other operating revenues of \$23.6 million and additional grant income. From June 1, 2025 through May 31, 2026, grant income was \$10.1 million compared to \$2.1 million for the period June 1, 2024 through May 31, 2025. As of May 31, 2025, cash and cash equivalents totaled \$146.1 million, a decrease of \$36.2 million from May 31, 2024 total of \$182.3 million. The decrease in the cash balance at the end of May 31, 2025 was primarily a result of increased capital spending and debt service payments.

Gas Inventories, Materials, and Supplies

As of May 31, 2026, gas inventories, materials, and supplies totaled \$45.5 million, a decrease of \$4.0 million, or 8.1%, from May 31, 2025 of \$49.5 million. As of May 31, 2026, gas storage totaled \$31.4 million, a decrease of \$3.1 million when compared to May 31, 2025. The decrease is due to more withdrawals during the period due to colder weather. As of May 31, 2025, gas inventories, materials, and supplies totaled \$49.5 million, a decrease of \$13.4 million, or 21.3% from May 31, 2024 of \$62.9 million. This decrease was due to more withdrawals while injections stayed similar during the time frame. PGW withdrew 12.8 million cubic feet ("Mmcf") with a weighted average cost of \$2.18 from June 2024 to May 2025 compared to 10.0 Mmcf with a weighted average cost of \$1.29 from June 2023 to May 2024.

Other Current Assets

Other current assets totaled \$25.4 million as of May 31, 2026, an increase of \$8.9 million from May 31, 2025. In April 2026, PGW prepaid for gas that had not been received as of May 31, 2026. This increased other current assets compared to May 2025, which was not impacted by a similar transaction. Other current assets totaled \$16.5 million as of May 31, 2025, an increase of \$5.5 million from May 31, 2024. The increase was due to the change in GCR recovery compared to May 31, 2024.

Restricted Investment Funds

Restricted Investment Funds include the current portion of the Capital Improvement Fund and the Workers' Compensation Escrow Fund. Restricted Investment Funds decreased by \$62.4 million as of May 31, 2026 compared to May 31, 2025. The balances of the current portion of the Capital Improvement Fund as of May 31, 2026, 2025, and 2024 were \$5.4 million, \$67.9 million, and \$0.0 million, respectively. PGW withdrew all funds from the Capital Improvement Fund in September 2024. On September 18, 2024, the City issued Gas Works Revenue Bonds, Seventeenth Series A (1998 Ordinance) (the "Seventeenth Series A Bonds") and Gas Works Revenue Refunding Bonds, Seventeenth Series B (1998 Ordinance) (the "Seventeenth Series B Bonds") in the par amount of \$315.0 million and \$109.3 million, respectively. The proceeds from the sale of the Seventeenth Series A Bonds were issued to finance a portion of PGW's ongoing Capital Improvement Program.

The fluctuations are caused by the issuance of these bonds and the use of the current balance of the Capital Improvement Fund throughout the year.

Utility Plant and Other Noncurrent Assets

As of May 31, 2026, noncurrent assets including utility plant, net, the long-term portion of the Capital Improvement Fund, the Sinking Fund, revenue bonds and unamortized bond issuance costs totaled \$2,385.1 million, an increase of \$33.9 million from May 31, 2025. The increase was due to an increase in utility plants, explained below, offset by a decrease of \$66.6 million of noncurrent capital improvement funds from May 31, 2025. As of May 31, 2025, noncurrent assets including utility plant, net, the long-term portion of the Capital Improvement Fund, the Sinking Fund, revenue bonds and unamortized bond issuance costs totaled \$2,351.2 million, an increase of \$315.6 million from May 31, 2024. Utility plant, net, totaled \$2,074.6 million as of May 31, 2026, an increase of \$104.5 million or 5.3% compared with May 31, 2025. Utility plant, net, totaled \$1,970.1 million as of May 31, 2025, an increase of \$102.4 million or 5.5% compared with May 31, 2024. The increases for both periods are due mainly to ongoing capital projects and the issuance of the Seventeenth Series A Bonds which increased the Capital Improvement Fund by \$315.0 million. For additional information on PGW's capital assets, see Note 1(g) Utility Plant of the basic financial statements within APPENDIX A hereto.

Distribution System Improvement Charge (DSIC); Recovery of Certain Asset Replacement Costs

As of May 31, 2026, 2025, and 2024, PGW billed customers \$43.4 million, \$34.3 million, and \$31.0 million respectively, for the DSIC surcharge. For additional information regarding the DSIC surcharge, see Note 1(h) Revenue Recognition of the basic financial statements within APPENDIX A hereto. See also "GAS SERVICE TARIFF AND RATES – Rates – Surcharges."

PHMSA Grant

In FY 2025, PGW was awarded a \$125.0 million Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant from the U.S. DOT PHMSA. The \$125 million was awarded to PGW in three Notices of Funding Opportunity (NOFO): NOFO 2022 - \$10.0 million, NOFO 2023 - \$75.0 million, and NOFO 2024 - \$40.0 million. The grant funding was made available to repair, rehabilitate, or replace natural gas distribution pipeline systems or portions thereof, or to acquire equipment to reduce incidents and fatalities and to avoid economic losses. As of May 31, 2026 and 2025, PGW recorded PHMSA grant revenue of \$6.3 million and \$2.1 million for reimbursable expenses incurred, respectively. PGW had \$1.3 million outstanding receivables for PHMSA reimbursable expenses incurred as of May 31, 2026 and no PHMSA outstanding receivables for reimbursable expenses incurred as of May 31, 2025.

Deferred Outflows of Resources

Deferred outflows of resources related to hedging derivatives and bond refunding

Deferred outflows of resources related to hedging derivatives and bond refunding include the accumulated fair value of hedging derivatives that will be recognized in the statement of revenues and expenses and changes in net position upon termination of the hedging relationship, and unamortized losses on bond refunding. Deferred outflows of resources related to bond refunding decreased \$2.2 million as of May 31, 2026 from May 31, 2025 of \$11.7 million. Deferred outflows of resources decreased \$5.6 million as of May 31, 2025 from May 31, 2024 of \$17.3 million.

Deferred outflows of resources related to pension

Deferred outflows of resources related to pension include increases in the pension liability that will be amortized into pension expense in future periods. Deferred outflows of resources related to pension increased \$8.9 million and was offset by the amortization of investment losses of \$8.5 million as of May 31, 2026 from May 31, 2025 of \$11.1 million. The increase in deferred outflows of resources related to pension is primarily due to demographic changes. Deferred outflows of resources related to pension decreased \$18.0 million as of May 31, 2025 from May 31, 2024 of \$29.1 million primarily due to demographic changes.

Deferred outflows of resources related to OPEB

Deferred outflows of resources related to OPEB include increases in the OPEB liability that will be amortized into OPEB expense in future periods. Deferred outflows of resources related to OPEB decreased \$11.1 million, or 12.1%, as of May 31, 2026 from May 31, 2025 of \$91.6 million, primarily due to the difference between expected and actual experience and the net difference between projected and actual return on OPEB investment. Deferred outflows of resources related to OPEB decreased \$8.5 million, or 8.5%, as of May 31, 2025 from May 31, 2024 of \$100.1 million primarily due to the net difference between projected and actual returns on OPEB investments.

Liabilities

Long-Term Revenue Bonds

The balance of long-term revenue bonds, including the current portion and unamortized discount and premium, was \$1,240.5 million as of May 31, 2026. This was \$68.8 million less than the previous year due to scheduled principal payments. This represents 51.7% of total capitalization as of May 31, 2026. The balance of long-term revenue bonds, including the current portion and unamortized discount and premium, was \$1,309.3 million as of May 31, 2025. This was \$274.9 million more than the previous year due to the issuance of Seventeenth Series A Bonds and Seventeenth Series B Bonds. This represents 57.8% of total capitalization as of May 31, 2025. For additional information, see Note 8, *Long-Term Debt and Other Liabilities* of the basic financial statements included in APPENDIX A hereto.

Current Portion of Revenue Bonds and Notes Payable

Pursuant to the provisions of the Note Ordinance and the 1998 General Ordinance, as supplemented by the Fourteenth Supplemental Ordinance, as applicable, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also sell additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by the Note Purchase Agreement and a security interest in PGW's revenues. The Note Purchase Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in FY 2026, FY 2025, and FY 2024. There were no Capital Project Notes or Gas Works Revenue Notes outstanding at May 31, 2026, May 31, 2025, or May 31, 2024. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreement was June 16, 2026, as of May 31, 2026, and was subsequently extended to June 14, 2030. See also "COMMERCIAL PAPER PROGRAM" and "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" above.

Other Current Liabilities

At May 31, 2026, other current liabilities totaled \$130.9 million, an increase of \$15.9 million from May 31, 2025. The increase in other current liabilities was due to unallocated service department expenses and deferred natural gas refunds. At May 31, 2026, unallocated service department expenses totaled \$4.3 million, a decrease of \$5.7 million from May 31, 2025. In addition to those fluctuations, PGW received pipeline refunds in April 2026 of approximately \$8.4 million, which will be allocated throughout a 12-month period beginning on June 1, 2026 and ending on May 31, 2027. At May 31, 2025 and 2024, other current liabilities totaled \$115.0 million and \$115.7 million, respectively.

Other Non-Current Liabilities

At May 31, 2026, other non-current liabilities totaled \$112.8 million, a decrease of \$2.3 million from May 31, 2025. The decrease is mainly due to a reduction in PGW's injury and damages reserve for suits and claims and workers compensation of \$1.8 million as of May 31, 2026. At May 31, 2025, other non-current liabilities totaled \$115.0 million, an increase of \$32.8 million from May 31, 2024. In FY 2025 PGW adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) which required PGW to recognize compensated

absences as liabilities when earned. As a result, the FY 2024 financial statement balances were restated to show an increase in other current and noncurrent liabilities. The entry was made in August 2024 and increased non-current liabilities by \$21.2 million. There was also an adjustment of \$7.3 million for the environmental remediation estimate. PGW estimates its pollution remediation obligation using the expected cash flow method, in which measurement is based on the outlays expected to be incurred as a sum of probability weighted amounts in a range of possible estimated amounts. PGW's liability is based on a combination of internal and external cost estimates for the specific remediation activities agreed to as part of the Pennsylvania Act 2, Land Recycling and Environmental Remediation Standards Act of 1995 and Pennsylvania Act 32, Storage Tank and Spill Prevention Act of 1989. The remaining increase was due to the increase in the injury and damages reserve.

Net OPEB Liability

The net OPEB obligation was \$77.9 million as of May 31, 2026, a \$41.0 million decrease from the \$118.9 million obligation as of May 31, 2025. The net OPEB obligation was \$118.9 million as of May 31, 2025, a \$68.4 million decrease from the \$187.3 million obligation as of May 31, 2024. The changes in FY 2026 and FY 2025 were caused by changes in benefit, demographic, and economic assumptions.

Net Pension Liability

The net pension liability was \$160.3 million as of May 31, 2026, a \$26.4 million decrease from the balance of \$186.7 million as of May 31, 2025. During the period of FY 2025, there was a gain of approximately \$32.5 million. The net pension liability was \$186.7 million as of May 31, 2025, a \$42.7 million decrease from the balance of \$229.4 million as of May 31, 2024. The decrease reflected a gain during the period. During the period of FY 2024, there was a gain of approximately \$38.3 million.

Deferred Inflows of Resources

Deferred inflows of resources related to pension

Deferred inflows of resources related to pension represent the difference between actual and expected earnings on pension plan investments. The increase in deferred inflows of resources related to pension of \$16.6 million as of May 31, 2026, as compared to May 31, 2025, is primarily due to changes in investment performance. The increase in deferred inflows of resources related to pension of \$7.7 million as of May 31, 2025, as compared to May 31, 2024, is primarily due to changes in investment performance.

Deferred inflows of resources related to OPEB

Deferred inflows of resources related to OPEB as of May 31, 2026, were \$41.8 million as compared to \$58.5 million as of May 31, 2025. The decrease in deferred inflows of resources related to OPEB of \$16.7 million, or 28.5%, between May 31, 2026 and May 31, 2025 is primarily driven by benefit, demographic, and economic assumptions. There were \$58.5 million in deferred inflows of resources related to OPEB on May 31, 2025. The increase in deferred inflows of resources related to OPEB of \$36.6 million, or 167.1%, between May 31, 2025 and May 31, 2024 is primarily driven by benefit, demographic, and economic assumptions.

PGW Payment to City

PGW made a payment of \$18.0 million to the City in each of the City's Fiscal Years 2026, 2025 and 2024. PGW made payments of \$4.5 million to the City on the first business day of February, March, April, and May in each of the respective fiscal years. The City has the right to obtain such payment from PGW in any lawful manner, including set off against payments the City would otherwise make to PGW.

At the direction of the City's Director of Finance and approval of City Council, PGW can increase its annual payment by an amount equal to or less than 10% (i.e., up to a \$19.8 million annual payment). To the extent that PGW is directed by the City's Finance Director to increase its annual payment to an amount greater than \$19.8 million, PGW must first gain approval from the PUC.

The obligation of PGW to make the payment to the City is subject and subordinate to the pledge and application of “Gas Works Revenues” and “Project Revenues,” as such terms are defined in the 1998 General Ordinance and the Act, respectively. See “SECURITY AND SOURCES OF PAYMENT FOR THE 1998 ORDINANCE BONDS – Order of Application of Revenues” herein.

THE PGW ACFR

The “ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024 OF THE PHILADELPHIA GAS WORKS” (the “PGW ACFR”) is attached as APPENDIX A. The PGW ACFR includes audited Financial Statements (as defined below), required supplemental information and unaudited Introductory and Statistical Sections as reflected in the Table of Contents in APPENDIX A.

PGW is owned by the City, and is accounted for in the City’s audited financial statements as a component unit of the City. See APPENDIX C – “THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION.” The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the City’s Annual Comprehensive Financial Report for Fiscal Year 2025 (the “City FY 2025 ACFR”) but not those contained in the PGW ACFR. The City Controller has not participated in the preparation of this Official Statement (or the related Preliminary Official Statement) nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement (or the related Preliminary Official Statement). Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement (or the related Preliminary Official Statement) other than what is contained in the City FY 2025 ACFR. Some of the information set forth in APPENDIX C – “THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION” was derived from the City FY 2025 ACFR.

Independent Auditors

The basic financial statements of the Philadelphia Gas Works as of and for the Fiscal Years ended August 31, 2025 and August 31, 2024, included in APPENDIX A to this Official Statement (the “Financial Statements”), have been audited by KPMG LLP, as stated in their report appearing therein, dated December 19, 2025. Any financial information regarding the Philadelphia Gas Works other than in the Financial Statements has not been audited by any firm of independent auditors and no opinion on such information is expressed in this Official Statement.

Unaudited Statistical Section

PGW prepared the Statistical Section of the PGW ACFR to present comparative information to assist readers to better understand the Financial Statements, note disclosure and required supplementary information that appear elsewhere in the PGW ACFR and to more fully comprehend PGW’s overall financial health. The information in the Statistical Section is presented for the past ten Fiscal Years.

The Statistical Section contains information regarding PGW’s financial trends, revenue capacity, and debt capacity, certain demographic and economic information and operating information.

TAX MATTERS

Federal

Exclusion of Interest from Gross Income

In the opinion of Eckert Seamans Cherin & Mellott, LLC and Andre C. Dasent, P.C. (“Co-Bond Counsel”), under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”).

In rendering their opinions, Co-Bond Counsel have assumed compliance by the City with the covenants contained in the 1998 General Ordinance and the Tax Compliance Agreement that are intended to comply with the provisions of the Code relating to actions to be taken by the City in respect of the Bonds after issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

Other Federal Tax Matters

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Co-Bond Counsel are not rendering any opinion as to any federal tax matters other than those described under the caption “Exclusion of Interest from Gross Income” and expressly stated in the form of the opinions of Co-Bond Counsel included as APPENDIX G hereto. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

State

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth as presently enacted and construed, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth. The Bonds and interest thereon may also be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local laws.

Co-Bond Counsel are not rendering any opinion as to any Commonwealth tax matters other than those described under the caption “TAX MATTERS – Pennsylvania” and expressly stated in the form of the opinions of Co-Bond Counsel included as APPENDIX G hereto. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all Commonwealth tax matters.

Other

The Bonds and interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters.

Changes in Federal and Pennsylvania Tax Law

From time to time, there are legislative proposals in the Congress and in state legislatures that, if enacted, could alter or amend the treatment of the Bonds for federal and state tax purposes or adversely affect the market value or marketability of the Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The opinions of Co-Bond Counsel speak only to federal and Commonwealth laws in effect on the date of issuance of the Bonds. In addition, from time to time, regulatory actions are announced or proposed, and litigation is threatened or commenced, which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Bonds. It cannot be predicted whether any such regulatory action will be implemented,

whether any particular litigation or judicial action will be commenced or, if commenced, how it will be resolved, or whether the Bonds or the market value or marketability thereof would be affected thereby.

General

The foregoing is only a general summary of certain provisions of the Code and Pennsylvania law as enacted and in effect on the date of this Official Statement and does not purport to be complete. Holders and prospective purchasers of the Bonds, especially those subject to special rules, should consult their own tax advisors as to the effects, if any, of the Code and state and local tax matters, including any pending or proposed legislation, regulatory initiatives, or litigation in their particular circumstances.

The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of delivery of the Bonds, and Co-Bond Counsel undertake no obligation to update such opinions or to express any opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

RATINGS

Moody's, S&P and Fitch have assigned the Bonds underlying ratings of "A3" (positive outlook), "A+" (stable outlook), and "A" (stable outlook), respectively.

A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the rating agency giving such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of the rating it assigns to the Bonds may be obtained only from the rating agency furnishing the rating.

Ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any rating agency. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

None of the City, PGW and the Underwriters has undertaken any responsibility to assure the maintenance of any particular rating on the Bonds or shall have any liability if a rating is lowered, withdrawn or suspended.

The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the Bonds. See "CONTINUING DISCLOSURE" herein.

NO LITIGATION

To the knowledge of the City of Philadelphia Law Department and, solely with respect to (E) below, based upon certain representations from PGW's General Counsel, after customary inquiry, no litigation is pending against the City before any court, public board or agency, or threatened in writing against the City (A) to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, (B) which contests the validity or enforceability of the Bonds or any proceedings of the City taken with respect to the issuance, sale, execution or delivery thereof, (C) which contests the pledge or application of any moneys or security provided for the payment of the Bonds, (D) which challenges the existence or powers of the City or (E) other than the named cases described in detail under "PHILADELPHIA GAS WORKS –Litigation" in which a final adverse determination, singly or in the aggregate, would have a material and adverse effect on PGW's operations or financial condition.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to approval of the legality of the issuance of the Bonds by Eckert Seamans Cherin & Mellott, LLC and Andre C. Dasent, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of such opinions is included herein as APPENDIX G. Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, of Philadelphia, Pennsylvania, Counsel to the Underwriters. Certain legal matters will be passed upon for the City by the City Solicitor. Certain legal matters will be passed upon for PGW by the Office of General Counsel

of Philadelphia Gas Works and Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania. Cozen O'Connor and Ahmad Zaffarese LLC, both of Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City for PGW, will each deliver a letter to the City and the Underwriters regarding certain matters related to PGW. Hawkins Delafield & Wood LLP, of Washington, D.C., as Disclosure Counsel to the City, will deliver a letter to the City and the Underwriters regarding certain matters relating to the information contained in APPENDIX C and APPENDIX D.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the law firms rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the law firm does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. These legal opinions, generally, are based on existing law and fact and each law firm expressly disclaims any obligation to update its opinions if there are changes in law or facts subsequent to the date of such opinions.

CO-MUNICIPAL ADVISORS

PFM Financial Advisors LLC and Phoenix Capital Partners, LLP both of Philadelphia, Pennsylvania, have served as municipal advisors (the "Municipal Advisors") to the City in respect of the issuance of the Bonds. The Municipal Advisors assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, and issuance of the Bonds.

The Municipal Advisors have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Municipal Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the Bonds from, or base any investment decisions upon, the fact that the Municipal Advisors have advised the City with respect to the Bonds. The Municipal Advisors' fees for this issue are contingent upon the sale and issuance of the Bonds.

The Municipal Advisors are financial advisory and consulting organizations and are registered municipal advisors and are not engaged in the business of underwriting, marketing, or trading of municipal securities or any other negotiable instruments.

CERTAIN RELATIONSHIPS

PFM Financial Advisors LLC, a Municipal Advisor to the City, acts as a consultant to PGW on certain management and labor relations issues and has provided testimony before the PUC on several PGW rate cases. Eckert Seamans Cherin & Mellott, LLC and Andre C. Dasent, P.C. each provides certain legal services to the City and to PGW. Cozen O'Connor and Ahmad Zaffarese LLC each provides certain legal services to the City on unrelated matters. Greenberg Traurig, LLP, counsel to the underwriters, provides certain legal services to the City on unrelated matters.

UNDERWRITING

The underwriters listed on the cover page to this Official Statement (the "Underwriters"), subject to the terms and conditions of the Bond Purchase Contract between the City and Jefferies, as representative of the Underwriters, have agreed to purchase the Bonds at a purchase price of \$_____ (which is equal to the par amount of the Bonds of \$_____ [plus original issue premium of \$_____], less an Underwriters' discount of \$_____).

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the City in connection with such activities.

In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own accounts and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City or PGW. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. (“HSI”), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

Huntington Capital Markets, one of the underwriters of the Bonds, has entered into a distribution and fee-sharing agreement with its affiliate The Huntington Investment Company (“HIC”) to allow for the distribution of certain municipal securities offerings to HIC’s customers. Pursuant to this agreement, if any of the Bonds are allocated to customers of HIC, Huntington Capital Markets will share a portion of the underwriting compensation attributable to such bonds with HIC. Huntington Capital Markets and HIC are both subsidiaries of Huntington Bancshares Incorporated.

In addition, Huntington Capital Markets has entered into a distribution and fee-sharing agreement with Janney Montgomery Scott LLC (“JMS”) to allow for the distribution of certain municipal securities offerings to JMS’ customers. Pursuant to this agreement, if any of the Bonds are allocated to customers of JMS, Huntington Capital Markets will share a portion of the underwriting compensation attributable to such bonds with JMS.

The City will use a portion of the proceeds from the Bonds to redeem and refund the Refunded Bonds and purchase and cancel the Purchased Bonds. To the extent an Underwriter or an affiliate thereof is an owner of any such Refunded Bonds or Purchased Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Refunded Bonds or Purchased Bonds being refunded and redeemed or purchased and cancelled, as applicable, by the City.

Jefferies and Loop Capital, Underwriters of the Bonds, are serving as lead dealer manager and co-dealer manager, respectively, relating to the Tender Offer (collectively, the “Dealer Managers”). The City’s purchase of the Purchased Bonds will be funded with a portion of the proceeds of the Bonds. In their capacity as Dealer Managers, the Dealer Managers are acting solely as dealer managers and not as Underwriters of the Bonds. The Dealer Managers will be separately paid customary fees for their services as Dealer Managers and will be reimbursed for reasonable expenses incurred as dealer managers from a portion of the proceeds of the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City, as obligated person, (i) will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the Bonds, to be dated the date of delivery of the Bonds, the form of which is attached hereto as APPENDIX F and (ii) has provided the disclosures in the following paragraph.

The City has reviewed, updated, and implemented with respect to PGW, disclosure policies and procedures to assist the City in complying with its continuing disclosure undertakings in the future. The City also maintains, and periodically assesses and may update, disclosure policies and procedures with respect to the City’s General Fund-supported bond programs and other enterprise revenue bonds programs.

CERTAIN REFERENCES

All summaries of the provisions of the Bonds and the security therefor, the Act, the Inventory and Receivables Financing Act, the Gas Choice Act, the Constitution and other laws of the Commonwealth, the 1998 General Ordinance, the Thirteenth Supplemental Ordinance, the Fourteenth Supplemental Ordinance, and the Bond Committee Authorization, set forth herein, including APPENDIX E hereto, and all summaries and references to other materials not purported to be quoted in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Copies of the Act, the 1998 General Ordinance, the Thirteenth Supplemental Ordinance, and the Fourteenth Supplemental Ordinance are available from the Office of the Director of Finance, Municipal Services Building, 1401 John F. Kennedy Boulevard, Suite 1330, Philadelphia, Pennsylvania 19102. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof. So far as statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the Bonds and may not be used in whole or in part for any other purpose. **This Official Statement is not to be construed as a contract or agreement between the City, PGW or the Underwriters and the purchasers or owners of any of the Bonds.** Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any opinions or estimates herein will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of PGW or the City since the date hereof. The City will provide financial and other information regarding PGW from time to time to S&P, Moody's, and Fitch in connection with securities ratings assigned by those rating agencies to obligations payable from Gas Works Revenues.

The attached Appendices are an integral part of this Official Statement and should be read in their entirety together with the foregoing statements.

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This Official Statement has been duly executed and delivered by the following officer on behalf of The City of Philadelphia.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By: _____
Name: Rob Dubow
Title: Director of Finance

SCHEDULE 1

PURCHASED BONDS

<u>CUSIP</u> <u>(Base: 71783M)*</u>	<u>SERIES</u>	<u>MATURITY</u> <u>DATE</u>	<u>COUPON</u>	<u>ORIGINAL</u> <u>PRINCIPAL</u> <u>AMOUNT</u>	<u>PURCHASED</u> <u>AMOUNT</u>	<u>AMOUNT</u> <u>REMAINING</u> <u>OUTSTANDING</u>

* The above CUSIP numbers have been assigned by an organization not affiliated with the City, PGW, the Dealer Managers or the Underwriters, and such parties are not responsible for the use of the CUSIP numbers. The CUSIP numbers are provided for convenience only.

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APPENDIX A

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEARS ENDED AUGUST 31, 2025 AND 2024
OF THE PHILADELPHIA GAS WORKS**

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A LOOK BACK AT FISCAL YEAR 2025

Philadelphia Gas Works

(A Component Unit of the City of Philadelphia)
Annual Comprehensive Financial Report
For Fiscal Years Ended August 31, 2025 and 2024

www.pgworks.com
800 West Montgomery Avenue
Philadelphia, PA 19122





Philadelphia Gas Works (A Component Unit of the City of Philadelphia) Annual Comprehensive Financial Report For Fiscal Years Ended August 31, 2025 and 2024

Cherelle L. Parker
Mayor, City of Philadelphia

Leigh Whitaker
Chair, Board of Directors,
Philadelphia Facilities
Management Corporation

Seth Shapiro
President & Chief Executive Officer,
Philadelphia Gas Works

Joseph F. Golden, Jr.
Executive Vice President
& Acting Chief Financial Officer,
Philadelphia Gas Works

Prepared by:
Office of the Chief Financial Officer
Philadelphia Gas Works
Philadelphia, PA

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
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INTRODUCTORY SECTION

As the largest municipally owned gas utility in the country, Philadelphia Gas Works (PGW) and its dedicated 1,600-member workforce operate within an approximate 134 square mile service territory to ensure more than 500,000 customers have access to safe, affordable, reliable and

sustainable natural gas 24 hours a day, every day of the year.

As a city-owned utility, PGW does not make a profit. Every dollar collected is directly allocated to ensure the safe and reliable delivery of low-cost energy service to its customers.



PHILADELPHIA GAS WORKS

Joseph F. Golden, Jr. • Executive Vice President & Acting Chief Financial Officer

800 West Montgomery Avenue • Philadelphia, PA 19122

Phone: 215-684-6464 • Fax: 215-684-6628

Email: JGolden@pgworks.com

To the Board of Directors of the Philadelphia Facilities Management Corporation, Stakeholders, and People of the City of Philadelphia:

The Annual Comprehensive Financial Report (ACFR) of the Philadelphia Gas Works (PGW) for the years ended August 31, 2025, and 2024 is attached hereto. The financial statements included were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (U.S. GAAP).

PGW management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. The internal controls are subject to periodic evaluation by management to determine their adequacy. This evaluation recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The financial statements were audited by KPMG LLP (KPMG), a firm of licensed certified public accountants. The annual audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that KPMG plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PGW's internal control over financial reporting. Accordingly, no such opinion was expressed as to PGW's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

KPMG's opinion was unmodified and states, in part, that the financial statements "present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Company, as of August 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles." The Independent Auditors' Report is presented as the first component of the financial section of this report and should be read in its entirety.

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. This letter and the MD&A should be read in their entireties.

PROFILE OF PHILADELPHIA GAS WORKS

As the largest municipally owned gas utility in the country, the Philadelphia Gas Works (PGW) and its dedicated 1,600-member workforce operate within an approximate 134 square mile service territory to ensure more than 500,000 customers have access to safe, affordable, reliable and sustainable natural gas 24 hours a day, every day of the year.

PGW safely manages approximately 6,000 miles of pipeline, nine gate stations and two natural gas storage and processing plants within the City of Philadelphia under the management of the Philadelphia Facilities Management Corporation (PFMC). PFMC is a non-profit entity that manages and operates PGW under contract with the City of Philadelphia.

FINANCIAL ACCOMPLISHMENTS

At the close of PGW's 2025 fiscal year (FY), Fitch Ratings upgraded its rating on PGW Revenue Bonds to 'A' from 'A-' and assigned a Stable outlook. This is the second PGW upgrade by Fitch in two years.

Fitch Ratings cited PGW's "sustained strong financial performance", sufficient liquidity, and effective management in its ratings report. Fitch noted that PGW effectively manages distribution, and supply costs and uses flexible and revenue-neutral rate mechanisms to respond to lower demand and stabilize its finances when needed.

Additionally, Moody's Ratings and Standard & Poor's Global Ratings maintain Stable outlooks and ratings of 'A3' and 'A', respectively, on PGW's outstanding revenue bonds.

PGW's bonds are now rated in the 'A' category by all three rating agencies - marking its highest ever combination of credit ratings.

In FY 2025, PGW filed a request for a base rate increase of \$105 million with the Pennsylvania Public Utility Commission (PUC) the first base rate increase request in two years. The adjusted rate, as approved, will help build upon PGW's effectiveness in delivering safe, reliable, sustainable natural gas service; and introduce new, innovative programs to encourage energy efficiency and to support those vulnerable to poverty in a meaningful way.

After unprecedented public input, a mutual settlement agreement was reached with third-party intervenors including a diverse number of consumer interests, community representatives, and environmental stakeholders, and incorporated a wide range of viewpoints and perspectives.

The settlement agreement of \$62 million was formally approved by the PUC months later and the base rate increase was effective on December 1, 2025.

Highlights of the settlement agreement included:

- A new low-income health and safety program offering contractors \$3,000 per project on the installation of health and safety measures within a home.
- New home energy assessments and energy efficiency measures at no cost to residential customers earning up to 250% of the Federal Poverty Level (FPL).
- A new low-income PGW Repair and Renew Program that provides free repairs of hazards on customers' gas equipment.
- Better alignment of costs for suppliers.
- Completion of system-wide safety enhancements that impact every PGW customer's home.
- Recovery of a Distribution Service Improvement Charge (DSIC) under collection up to \$7.8 million per year over two calendar years, beginning in FY 2026.
- PGW's Weather Normalization Adjustment (WNA) structure was approved to remain in place.

GROWTH & BUSINESS DIVERSIFICATION

PGW achieved new business margin growth of approximately \$11.6 million, exceeding the company's goal of approximately \$6.9 million. These initiatives included (but are not limited to) infrastructure planning for the Bellwether District, Combined Heat and Power (CHP) projects with a local university, and a request for proposals for Liquefied Natural Gas (LNG) commercial opportunities and asset optimization.

As a city-owned utility, PGW does not make a profit. Every dollar collected is directly allocated to ensure the safe and reliable delivery of low-cost energy service to its customers. This makes diversification efforts even more important to PGW and exploring the future of energy is a priority.

In FY 2025, PGW minted 100,000 renewable thermal energy credits on behalf of the City of Philadelphia, generating approximately \$900,000 in revenue for PGW.

Looking forward, PGW collaborated with the Philadelphia Energy Authority and the Philadelphia Water Department to engage an energy services company through Pennsylvania's Guaranteed Energy Savings Act (GESA) in evaluating energy conservation measures at the City's Northeast Water Pollution Control Plant. This partnership represents Philadelphia's first opportunity to evaluate, design and implement capital investments in renewable natural gas (RNG). Leveraging PGW's energy expertise, the proposed RNG project would establish a new revenue stream, offset greenhouse gas emissions, generate pipeline quality gas, and provide reliable baseload energy. PGW and its partners plan to develop a detailed scope of work and cost proposal with the energy services company in FY 2026.

PGW also launched a feasibility study for geothermal opportunities in collaboration with the School District of Philadelphia in FY 2025. The study will assess the feasibility of implementing a closed-loop geothermal system capable of supporting multiple heat pumps for heating and cooling.

Through this geothermal study, PGW will identify strategies to help diversify its revenue, sustain jobs, reduce emissions, and offer customers a variety of cost-saving energy efficiency options.

These partnerships and studies are assisting PGW in evaluating what role it can play in delivering innovative energy services in addition to natural gas in the future.

OPERATIONAL INVESTMENTS

In FY 2024, PGW was provisionally awarded a \$40 million Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA).

This grant, combined with two previous awards from PHMSA in FY 2022 and FY 2023, will fund a \$125 million infrastructure plan in historically disadvantaged Philadelphia neighborhoods. The grant will result in the replacement of 66 miles of cast iron main, the creation of 120 new skilled jobs and reduce 412 metric tons (MT) of methane emissions.

The PHMSA grant allows PGW to further invest in its infrastructure without burdening its customers.

In FY 2025, PGW invested approximately \$102.2 million to replace 37.1 miles of infrastructure, replacing aging cast iron with upgraded material that does not rust and corrode to ensure safety and sustainability. As a result of these investments and grants, PGW reduced pipeline emissions by 7,429 MT of carbon dioxide equivalent (CO₂e).

PGW's goal for FY 2025 was to reduce its comprehensive greenhouse gas (GHG) emissions by 10,000 MT of CO₂e. PGW exceeded its target: GHG emissions were reduced by 12,184 MT CO₂e, due in large part to the reduced emissions through pipeline replacement.

CULTURE OF SAFETY

PGW is committed to safety. In FY 2025, PGW formally created a new Pipeline Safety Management System (PSMS) to reinforce one of PGW's core values of Safety First. PSMS is a formal process for recognizing safety hazards – and is a companywide initiative that recognizes safety is boundless, impacting PGW's workforce, infrastructure and communities.

PGW's emergency hotline is open for gas-related emergencies 24 hours a day, 7 days a week, 365 days a year. Safety does not take a day off. In FY 2025, PGW responded to 32,396 safety calls, 99.4% of which arrived in an hour or less.

In FY 2025, PGW responded to 84,613 calls to 8-1-1, Pennsylvania's one-call service that ensures safe digging practices. Through marking these gas lines, private citizens and contractors maintain the integrity of PGW's underground pipelines and avoid damage to infrastructure.

PGW's appliance repair program, Parts & Labor Plan (PLP), ensures that customers' appliances are working safely and efficiently. Enrolling customers in PLP gives them peace of mind that their appliances are safe and functioning properly. In FY 2025, PLP sales increased by 9%, totaling 24,627 plans covering 46,520 appliances.

CUSTOMER SATISFACTION TARGETS

In FY 2025, PGW aimed to achieve a targeted increase in customer awareness and satisfaction with its efforts to reduce its environmental impact. This metric was gauged by a survey conducted by J.D. Power to verify PGW customers. According to the survey, PGW increased customer awareness through a 5.29% satisfaction rate, exceeding its target of 5%. This shows PGW's success in communicating that natural gas is an environmentally friendly energy source.

PGW's My Account app meets customers' needs, allowing them to access and pay their bill on the go. PGW set out to increase the percentage of customers who downloaded its mobile app between 11% and 18% in FY 2025; by the end of the year, the 26% baseline of customers who had downloaded the app grew to 37% of customers – an 11% increase. This effort from PGW exemplifies its commitment to saving customers time, energy, and money, thus increasing their satisfaction with PGW as a company.

In addition to these satisfaction metrics, PGW launched a program in FY 2025 to fill a crucial gap in helping customers conserve energy through Energy Saving Kits. These kits are part of PGW's EnergySense program, which offers a portfolio of rebates and incentives to both residential and

commercial customers. Three different kits (home heating, water heating, and a combination kit) became widely available to PGW customers through request on PGWorks.com.

LEADING ENERGY EXPERTS

In January 2025, PGW held its second Energy Innovation Symposium, where leading energy experts engaged in thoughtful conversations surrounding the future of energy. The three panels discussed what is needed to achieve net zero emissions by 2050, how to equitably share the costs of diversification, and what success in energy efficiency currently looks like.

As the City's leading energy expert, PGW believes strongly that new energy solutions require collaboration and partnerships. This second Energy Innovation Symposium gave a platform to vital players in the energy space to look at innovative solutions for the challenges that the City, the region, the Commonwealth of Pennsylvania, and the country are facing.

CREATING OPPORTUNITIES

In FY 2024, PGW launched its first Business Supplier Development Program, aiming to give local businesses the opportunity to learn about the procurement process and to open doors for business growth. For the FY 2025 cohort, PGW selected general construction as a focus area, engaging with 10 businesses. The businesses participated in eight learning modules focusing on providing a wide range of business development skills. By providing these businesses with the tools for success, PGW dedicates itself to helping Philadelphia grow and thrive.

Further proving its dedication to Philadelphians, PGW partnered with multiple local educational institutions to engage students and recent graduates to attract the next generation of PGW employees.

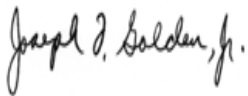
By the end of FY 2025, PGW participated in 40 partner hiring and recruitment events and presentations, including career talks, PGW tours, career fairs, or actual partnerships with schools. PGW has been an employer of choice for many years, and in FY 2025 it was named one of the Greatest Places to Intern in Pennsylvania by the PA Chamber Foundation.

ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PGW for its ACFR for the fiscal year ended August 31, 2024. This was the thirteenth straight year that PGW received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an ACFR that satisfies both U.S. GAAP and legal requirements. The Certificate of Achievement is valid for a period of one year only. PGW believes that its current report continues to conform to the Certificate of Achievement program requirements and is submitting it to the GFOA for consideration for another certificate. This report for FY 2025 is PGW's Fourteenth submission to the program. The preparation of the ACFR on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Chief Financial Officer as well as various other departments within PGW. Each has my sincere appreciation for their valuable contributions.

On behalf of Philadelphia Gas Works, which has proudly served the needs of Philadelphia, its residents and its businesses since 1836, I am pleased to present PGW's ACFR, for the fiscal year ended August 31, 2025.

Respectfully submitted,

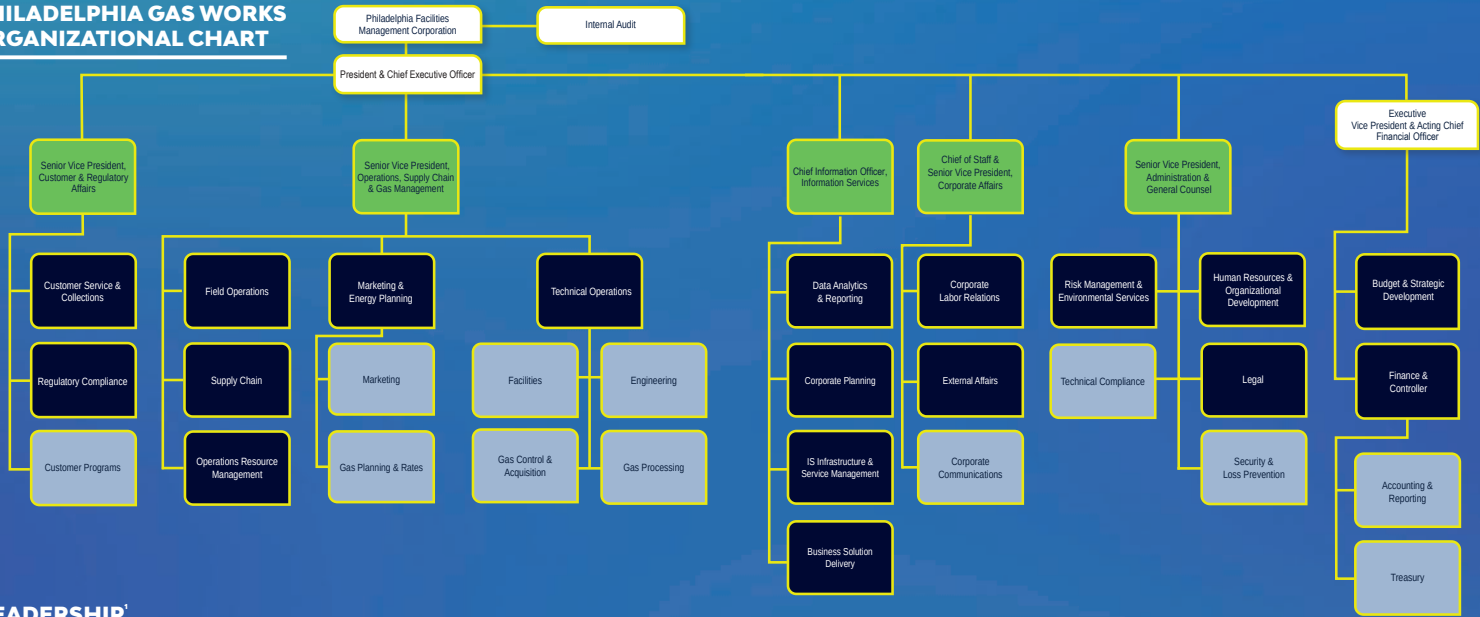
A handwritten signature in black ink, reading "Joseph F. Golden, Jr." in a cursive script.

Joseph F. Golden, Jr.
Executive Vice President and Acting Chief Financial Officer

February 25, 2026

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**PHILADELPHIA GAS WORKS
ORGANIZATIONAL CHART**



LEADERSHIP¹

Seth A. Shapiro
President & Chief Executive Officer

Joseph F. Golden, Jr.
Executive Vice President &
Acting Chief Financial Officer

Denise Adamucci
Senior Vice President,
Customer & Regulatory Affairs

Raquel N. Guzmán, Esquire
Senior Vice President,
Administration & General Counsel

Melanie O. McCottry
Chief of Staff &
Senior Vice President,
Corporate Affairs

Robert K. Smith
Senior Vice President,
Operations, Supply Chain
& Gas Management

Frank Weigert
Chief Information Officer,
Information Services

Daniel J. Cassidy
Vice President,
Technical Operations

Bernard L. Cummings
Vice President,
Customer Service & Collections

Anthony Dinkins
Vice President,
Human Resources &
Organizational Development

David L. Forde
Vice President,
External Affairs

Daniel M. Furtek
Vice President,
Data Analytics & Reporting

William J. Gallagher
Vice President,
Budget & Strategic Development

Elliott S. Gold
Vice President,
Corporate Planning

Joseph R. Hawkinson
Vice President,
Field Operations

Tyra Jackson
Vice President,
Regulatory Compliance

Joanne M. Kelly
Vice President,
Information Services
Infrastructure & Service
Management

Jane E. Lamb
Vice President,
Risk Management &
Environmental Services

Daniel E. Leonard, Jr.
Vice President,
Finance & Controller

Anthony P. Mauro
Vice President,
Supply Chain

Vaneeda L. McDonald
Vice President,
Corporate Labor Relations

Nimeshkumar S. Patel
Vice President,
Business Solution Delivery

Kelly A. Schreiber
Vice President,
Operations Resource
Management

Florian Teme
Vice President,
Marketing & Energy Planning

Brett A. Zahorchak, Esquire
Vice President,
Legal & Associate
General Counsel

¹As of August 31, 2025.

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Esquire
Vice President for
Government &
Community Affairs,
University of Pennsylvania
Board Chair



Sinceré Harris
Chief Deputy Mayor,
Office of
Mayor Cherrille L. Parker,
City of Philadelphia
Board Vice-Chair



Gregory Segall
Chairman & CEO,
Versa Capital Group,
LLC
Board Treasurer



Natalia Dominguez
Buckley
Finance Director,
Esperanza Inc.
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Albert Mezzaroba,
Esquire
Of Counsel,
Genova Burns
Board Member



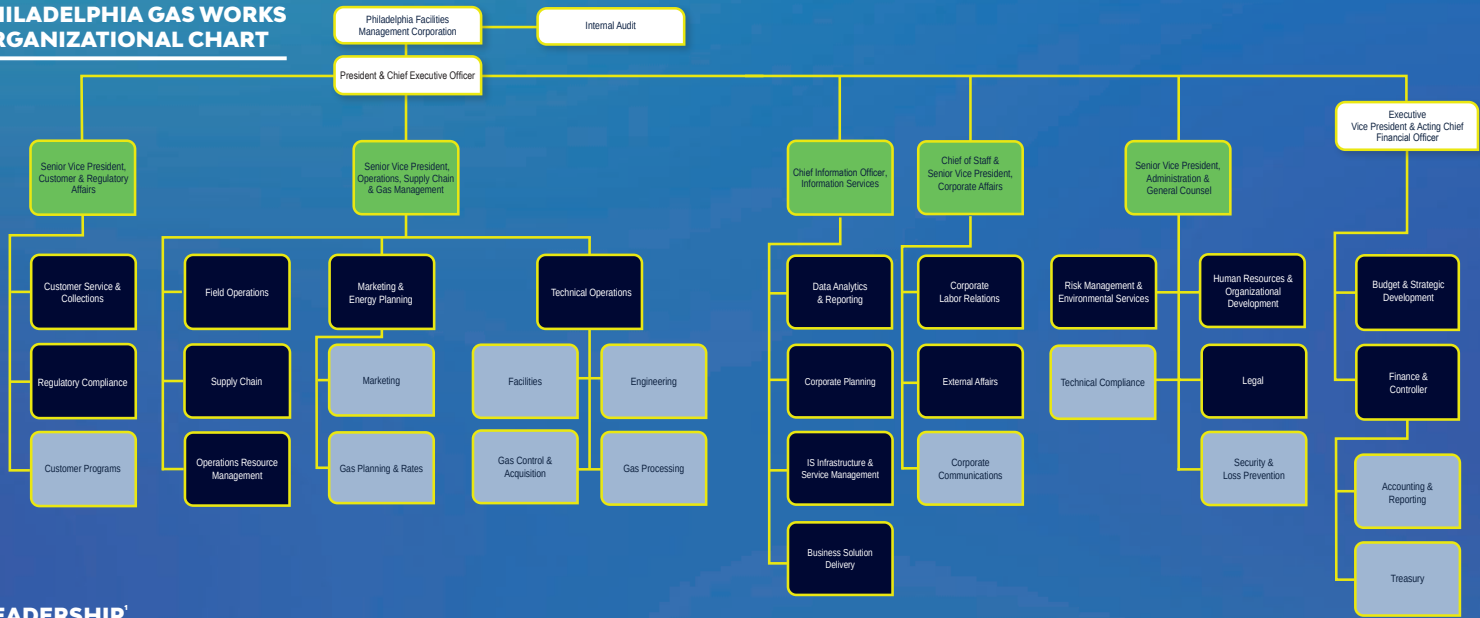
Patrick M. Oates, Ph.D.
Senior Vice President
of Strategic Planning &
Business Development,
EMSCO Scientific
Enterprises, Inc.
Board Member



Craig Pinkham
National Vice President,
Utility Workers Union of
America, AFL-CIO
Board Member

²As of February 25, 2026.

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Finance Director,
Esperanza Inc.
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Esquire
Of Counsel,
Genova Burns
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² As of February 25, 2025.

¹ As of August 31, 2025.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Philadelphia Gas Works
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2024

Executive Director/CEO



FINANCIAL SECTION

At the close of Philadelphia Gas Works' (PGW) fiscal year, Fitch Ratings upgraded its rating on PGW Revenue Bonds to 'A' from 'A-' and assigned a Stable outlook. This is the second PGW upgrade by Fitch in two years.

Fitch Ratings cited PGW's "sustained strong financial performance", sufficient liquidity, and effective management in its ratings report.

Additionally, Moody's Ratings and Standard & Poor's Global Ratings maintain Stable outlooks and ratings of 'A3' and 'A', respectively, on PGW's outstanding revenue bonds.

PGW's bonds are now rated in the 'A' category by all three rating agencies - marking its highest ever combination of credit ratings.



KPMG LLP
Suite 4000
1735 Market Street
Philadelphia, PA 19103-7501

Independent Auditors' Report

The Controller of the City of Philadelphia and
Chairman and members of Philadelphia Facilities
Management Corporation
Philadelphia, Pennsylvania:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Philadelphia Gas Works (the Company), a component unit of the City of Philadelphia, as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Company, as of August 31, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the Philadelphia Gas Works OPEB Trust (the Trust), which represents 100% of the fiduciary activities as of and for the years ended December 31, 2024 and 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it they relate to the amounts included for the Trust, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and the required supplementary information related to the pension and other postemployment benefit obligations as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Philadelphia, Pennsylvania
December 19, 2025

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PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2025 and 2024

The narrative overview and analysis of the financial statements of Philadelphia Gas Works (the Company or PGW) for the years ended August 31, 2025 and 2024 have been prepared by PGW's management. The information presented here is unaudited and should be read in conjunction with additional information contained in PGW's basic financial statements and notes to basic financial statements.

Financial Highlights

- The Fiscal Year (FY) 2025 weather reflected a 6.5% warmer than normal winter. The FY 2025 period was 5.8% colder than the prior year and total gas sales were approximately 38.9 Billion Cubic Feet (Bcf). The Weather Normalization Adjustment (WNA) Clause, which was in effect from October 2024 through April 2025, resulted in heating customers receiving charges totaling \$11.9 million. The FY 2024 weather reflected a 12.2% warmer than normal winter. The FY 2024 period was 1.8% colder than the prior year and total gas sales were approximately 35.8 Bcf. The WNA Clause, which was in effect from October 2023 through April 2024, resulted in heating customers receiving charges totaling \$25.6 million. Actual degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport.
- PGW achieved 24-month collection rates of 98.2% in FY 2025, 98.4% in FY 2024, and 97.8% in FY 2023. For FY 2025, the collection rate is calculated by dividing the total gas receipts collected from September 1, 2023 through August 31, 2025 by the total gas billings that were applied to PGW customers' accounts from September 1, 2023 through August 31, 2025. The same methodology was utilized in FY 2024 and FY 2023.
- PGW continues to have various business initiatives that pertain to improving collections, productivity, and operational efficiencies throughout the Company. PGW, at the end of FY 2025, had no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) and no Gas Works Revenue Notes outstanding. PGW, at the end of FY 2024, had \$35.0 million in Capital Project Notes. PGW, at the end of FY 2023, had no Capital Project Notes or Gas Works Revenue Notes outstanding. The cash balances at the end of FY 2025, FY 2024, and FY 2023 were \$82.6 million, \$115.6 million, and \$139.3 million, respectively.
- On December 15, 2025, 2024 and 2023, \$120.0 million was available from the commercial paper program. The cash balance on December 15, 2025 and on December 13, 2024 was \$83.1 million and \$45.1 million, respectively.
- The Company's FY 2026 Capital Budget was approved by the City Council of the City of Philadelphia (City Council) in the amount of \$185.2 million. Within this approval, funding was provided to continue the implementation of an 18-mile Cast Iron Main Replacement (CIMR) Program. The CIMR Program cost for FY 2026 is expected to be \$63.7 million. The total six-year cost of the CIMR Program is forecasted to be \$341.6 million. The Company's FY 2025 Capital Budget was approved by City Council in an amount not to exceed \$204.6 million, and funding was provided to continue the implementation of an 18-mile CIMR Program.
- On September 18, 2024, the City of Philadelphia (the City) issued Gas Works Revenue Bonds, Seventeenth Series A (1998 Ordinance) and Seventeenth Series B (1998 Ordinance) in the par amount of \$315.0 million and \$109.3 million, respectively.

(Continued)

PHILADELPHIA GAS WORKS

(A Component Unit of the City of Philadelphia)

Management's Discussion and Analysis

August 31, 2025 and 2024

- The Seventeenth Series A Bonds, with fixed interest rates that range from approximately 5.0% to 5.3%, have maturity dates through 2054. The proceeds from the sale of the Seventeenth Series A Bonds
 - were issued to finance a portion of PGW's ongoing Capital Improvement Program, pay the costs of issuing the bonds, and repayment of notes payables of \$35.0 million.
 - The Seventeenth Series B Bonds, with fixed interest rates of 5.0%, have maturity dates through 2034. The proceeds from the sale of the Seventeenth Series B Bonds were issued to refund the Fifth Series Bonds and partially refund \$88.6 million of the Thirteenth Series Bonds. The refunding removed the need for LOC fees related to the Fifth Series Bonds. The gain on the refunding component was \$2.0 million, which will be amortized over the life of the Seventeenth Series B Bonds.
- PGW, in collaboration with the Philadelphia Energy Authority (PEA) and the Philadelphia Water Department (PWD), is planning a multi-phase energy savings and renewable natural gas (RNG) green-energy credit monetization project. Leveraging PWD assets located at the Northeast Water Pollution Control Plant (3899 Richmond St.) and PGW's gas interconnection at this facility, the initiative aims to enhance operations, reduce environmental impacts, and bring to market the green-energy credits produced by City-owned assets. These credits will be monetized through the Midwest Renewable Energy Tracking System is a platform that allows for the creation and sale of vintage energy credits.
- Base rates:
 - On February 27, 2025, PGW filed for an increase in its distribution base rates with the Pennsylvania Public Utility Commission (PUC). The filing sought a general rate increase calculated to produce \$105.0 million, or 15.73%, in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also sought to recover \$7.8 million in Distribution System Improvement Charge (DSIC) for the year ended December 31, 2024, over the course of two years, requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates, and proposed a new rate recovery mechanism, a Revenue Normalization Adjustment (RNA).
 - On August 11, 2025, PGW filed a Joint Petition for Settlement in which all rate case parties joined or did not oppose. The Settlement Agreement provided PGW with a general rate increase of \$62.0 million for service rendered on or after November 28, 2025, and the continuation of the Weather Normalization Adjustment (WNA). The Settlement Agreement also provided PGW with a temporary increase in the DSIC of an additional \$7.8 million a year for two years, for a total DSIC rate of 8.3%. PGW will implement the temporary DSIC increase on December 1, 2025. This temporary increase will terminate on November 30, 2027. The RNA was not included in the Settlement Agreement. Settlement agreements with reduced revenue requirements are typical in PUC base rate proceedings and are the product of compromise between the parties' diverse interests. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. On October 9, 2025, the PUC entered its Order and Opinion in the case.

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2025 and 2024

- In FY 2025, the Company adopted the following provisions of the Governmental Accounting Standards Board (GASB):
 - GASB Statement No. 101, Compensated Absences, was effective for PGW's fiscal year beginning September 1, 2024 with restatement of FY 2024 financial information.
 - GASB Statement No. 102, Certain Risk Disclosures. The adoption of this statement did not have a material impact on the Financial Statements.

For further information, see Note 1(u), New Accounting Pronouncements, to the Financial Statements.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction and overview of PGW's basic financial statements. PGW's financial statements comprise the following:

Basic financial statements provide both long-term and short-term information about PGW's overall financial condition, results of operations, and cash flows.

The notes to basic financial statements provide additional information that is essential for a full understanding of the data presented in PGW's financial statements. The notes can be found immediately following the basic financial statements.

The financial statements report information about PGW as a whole using accounting methods similar to those used by private sector business. The three statements presented are as follows:

The balance sheets include all PGW's assets, liabilities, and deferred inflows and outflows of resources, with the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position are indicators of whether PGW's financial position is improving or deteriorating.

The statements of revenues and expenses and changes in net position present revenues and expenses and their effects on the change in net position during the fiscal year. These changes in net position are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The statements of cash flows provide relevant information about the cash receipts and cash payments of an enterprise during a period and the impact on PGW's financial position.

(Continued)

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Condensed Statements of Revenues and Expenses and Changes in Net Position

(Thousands of U.S. dollars)

	As of August 31		
	2025	2024	2023
Total gas revenues	\$ 680,176	627,489	663,154
Other revenues ¹	49,817	46,956	65,408
Total operating revenues	729,993	674,445	728,562
Fuel expense ¹	214,446	174,568	241,532
All other operating expenses	337,550	347,269	340,207
Total operating expenses	551,996	521,837	581,739
Operating income	177,997	152,608	146,823
Investment gain (loss) and other income	29,228	14,467	14,000
Total interest expense	(50,359)	(39,507)	(38,890)
Distribution to the City of Philadelphia	(18,000)	(18,000)	(18,000)
Excess of revenues over expenses	138,866	109,568	103,933
Net position, beginning of year	811,956	728,282	624,349
Implementation of GASB 101 ²	—	(25,894)	—
Net position, end of year	\$ 950,822	811,956	728,282

1) FY 2024 and FY 2023 have been restated to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

2) FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

(Continued)

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Summary of Total Operating Revenues

(Thousands of U.S. dollars)

	As of August 31		
	2025	2024	2023
Gas revenues:			
Non-heating	\$ 22,823	21,231	25,914
Gas transportation	88,604	82,542	77,530
Heating	606,310	553,613	599,980
Provision for uncollectible accounts	(37,561)	(29,897)	(40,270)
Total gas revenue	680,176	627,489	663,154
Other operating revenue:			
Appliance and other revenue	6,653	7,019	7,339
Finance charges and miscellaneous fees	9,523	9,968	15,067
Off system sales and other LNG revenue	9,313	6,308	5,732
Capacity release revenue*	24,328	23,661	37,270
Total other operating revenue	49,817	46,956	65,408
Total operating revenue	\$ 729,993	674,445	728,562

* FY 2024 and FY 2023 have been restated to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

Total Operating Revenue

Non-Heating Revenue - Sales to firm non-heating customers in FY 2025 were 1.2 Bcf, approximately 0.1 Bcf less than firm non-heating sales in FY 2024. This decrease in non-heating sales resulted in a \$1.1 million decrease in non-heating revenue. Offsetting this decrease, the average price per Million Cubic Feet (Mcf) in FY 2025 was \$1.57 greater than FY 2024 resulting in a \$1.9 million increase in billed non-heating gas revenue. Sales to interruptible customers were 0.1 Bcf greater in FY 2025 compared to FY 2024 and the average price per Mcf in FY 2025 was \$0.70 greater than FY 2024 resulting in a \$0.8 million increase in billed non-heating gas revenue. Sales to firm non-heating customers in FY 2024 were 1.3 Bcf, approximately 0.1 Bcf greater than firm non-heating sales in FY 2023. This increase in non-heating sales resulted in a \$0.7 million increase in non-heating revenue. Offsetting this increase, the average price per Mcf in FY 2024 was \$1.43 less than FY 2023 resulting in a \$1.8 million decrease in billed non-heating gas revenue. Sales to interruptible customers were 0.4 Bcf less in FY 2024 compared to interruptible sales in FY 2023 and the average price per Mcf in FY 2024 was \$2.56 less than FY 2023 resulting in a \$3.6 million decrease in billed non-heating gas revenue.

Gas Transportation Revenue - The volume of natural gas being transported for firm transportation customers in FY 2025 was 0.5 Bcf greater than firm transportation in FY 2024, and the average price per Mcf increased by \$0.05 resulting in a net \$5.2 million increase in gas transportation revenues. Interruptible gas transportation service volumes were 0.1 Mcf, or \$0.1 million, less in FY 2025 compared to FY 2024. Offsetting this decrease in gas transportation revenue, the average price per Mcf increased by \$0.04, or \$1.0 million, resulting in a net

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\$0.9 million increase in revenues. As a result of PGW's WNA, firm transportation customers were charged \$1.4 million less in FY 2025 compared to FY 2024 due to the colder weather experienced during the period. The volume of natural gas being transported for firm transportation customers in FY 2024 was 0.3 Bcf greater than firm transportation in FY 2023, and the average price per Mcf was \$10.13 and approximated the FY 2023 average price per Mcf resulting in a net \$2.9 million increase in gas transportation revenues. Interruptible gas transportation service volumes were 0.2 Mcf, or \$0.1 million, less in FY 2025 compared to FY 2024. Offsetting this decrease in gas transportation revenue the average price per Mcf increased by \$0.9, or \$2.2 million, resulting in a net \$2.1 million increase in revenues. As a result of PGW's WNA, firm transportation customers were charged \$0.6 million less in FY 2024 compared to FY 2023 due to the colder weather experienced during the period.

Heating Revenue - Heating revenues were 9.0%, or \$49.7 million, greater in FY 2025 compared to FY 2024. This increase was primarily a result of a 3.0 Bcf increase in sales to firm heating customers as the average price per Mcf in FY 2025 approximated the FY 2024 level. As a result of PGW's WNA, firm heating customers were charged \$10.4 million, a decrease of \$12.3 million, compared to FY 2025 due to the colder weather experienced during the period. Heating revenues were 8.2%, or \$49.4 million, less in FY 2025 compared to FY 2024. This decrease was primarily a result of a 0.5 Bcf decrease in sales to firm heating customers and the average price per Mcf was \$1.22 lower in FY 2025 compared to FY 2024. As a result of PGW's WNA, firm heating customers were charged \$22.6 million, a decrease of \$6.3 million, compared to FY 2024 due to the warmer weather experienced.

Provision for Uncollectible Accounts – The provision for uncollectible accounts in FY 2025 totaled \$37.6 million, an increase of \$7.7 million, or 25.8%, compared to FY 2024. The increase in the provision for uncollectible accounts in FY 2025 is mainly due to higher natural gas prices in FY 2025. The provision for uncollectible accounts in FY 2024 totaled \$29.9 million, a decrease of \$10.4 million, or 25.8%, compared to FY 2023. The decrease in the provision for uncollectible accounts in FY 2024 is mainly due to higher collection rates achieved in FY 2024.

The total number of customers served by PGW was approximately 516,200 in FY 2025, 518,400 in FY 2024, and 518,600 in FY 2023. In FY 2025, there were approximately 25,000 Commercial accounts and 500 Industrial accounts, reflecting no change from the previous two fiscal years. The number of residential accounts in FY 2025 was approximately 490,700 customers, which reflected a 2,200 decrease of customers from the FY 2024 level and a 2,400 decrease of customers from the FY 2023 level.

Appliance and Other Revenue - Field collection charges associated with customer reconnections were \$2.4 million, or \$0.5 million, less in FY 2025 compared to FY 2024. Offsetting this decrease, revenue associated with customer generated appliance repair requests was \$4.2 million, or \$0.2 million, greater in FY 2025 compared to FY 2024. Field collection charges associated with customer reconnections were \$4.1 million, or \$0.3 million, greater in FY 2024 compared to FY 2023. Offsetting this increase, revenue associated with customer generated appliance repair requests was \$4.1 million, or \$0.6 million, less in FY 2024 compared to FY 2023.

Finance Charges and Miscellaneous Fees - Revenues associated with finance charges assessed on applicable delinquent customer account balances were \$9.0 million, or \$0.5 million, less in FY 2025 compared to FY 2024. Revenues associated with finance charges assessed on applicable delinquent customer account balances were \$9.6 million, or \$5.1 million, less in FY 2024 compared to FY 2023.

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Off system sales and other Liquefied Natural Gas ("LNG") revenue – Off system sales revenue is the profit generated from selling surplus natural gas to suppliers outside of PGW's regulated service territory (Philadelphia). Revenue may vary year-over-year due to the timing and nature of sales made during the fiscal year. Off system sales and other LNG revenue in FY 2025 were \$9.3 million, an increase of \$3.0 million, or 47.6%, from FY 2024. The increase was primarily due to more off-system sales and LNG activity in FY 2025. Off system sales and other LNG revenue in FY 2024 were \$6.3 million, an increase of \$0.6 million, or 10.5%, from FY 2023.

Capacity release revenue – Pipeline capacity release revenue is the income earned from subleasing unused firm capacity on an interstate pipeline to other suppliers. PGW holds more firm capacity than is required to meet daily sendout requirements and sells or sub-leases it to a third party in the secondary market. Capacity release revenue in FY 2025 was \$24.3 million, an increase of \$0.6 million, or 2.5% compared to FY 2024. Capacity release revenue in FY 2024 was \$23.7 million, a decrease of \$13.6 million, or 36.5%, compared to FY 2023. In FY 2023, the Company received about \$12.3 million in refunds from the pipelines which did not recur in FY 2024 or FY 2025.

Total Operating Expenses

Total operating expenses, including fuel costs, in FY 2025 were \$552.0 million, an increase of \$30.2 million, or 5.8%, from FY 2024. The increase for FY 2025 was mainly caused by the increased cost of fuel. This increase was partially offset by the decrease in pension expenses. Total operating expenses, including fuel costs, in FY 2024 were \$521.8 million, a decrease of \$59.9 million, or 10.3%, from FY 2023. The decrease for FY 2024 was mainly caused by the decreased cost of fuel. This decrease was partially offset by the increase in field operations and administrative and general expenses.

Cost of Fuel – The cost of natural gas utilized increased by \$39.8 million, or 22.8%, to \$214.4 million in FY 2025 compared with \$174.6 million in FY 2024. In FY 2025 compared to FY 2024, the average commodity price per Mcf increased by \$0.24, or \$10.1 million, and the volume of natural gas utilized increased by 3.7 Bcf, or \$10.1 million. Demand charges in FY 2025 were approximately \$19.7 million, greater in FY 2025 when compared to the same period in FY 2024. The cost of natural gas utilized decreased by \$67.0 million, or 27.7%, to \$174.5 million in FY 2024 compared with \$241.5 million in FY 2023. In FY 2024 compared to FY 2023, the average commodity price per Thousand Cubic Feet (Mcf) decreased by \$1.87, or \$73.7 million, and the volume of natural gas utilized decreased by 0.3 Bcf, or \$1.3 million. Demand charges in FY 2024 were approximately \$11.6 million greater in FY 2024 when compared to the same period in FY 2023.

Variations in the cost of purchased gas are passed through to customers under the GCR provision of PGW's rate schedules. Over recoveries or under recoveries of purchased gas costs are subtracted from or added to gas revenues and are included in other current assets or other current liabilities on the balance sheets, thereby eliminating the effect that recovery of gas costs would otherwise have on net income.

The average natural gas commodity prices for utilized natural gas for FY 2025, FY 2024, and FY 2023 were \$2.99, \$2.47, and \$4.39 per Mcf, respectively.

Other Operating Expenses – Expenditures for street operations, infrastructure improvements, and plant operations in FY 2025 were \$124.4 million, a \$2.2 million, or 1.8%, increase from the FY 2024 total of \$122.2 million. The increase in FY 2025 was caused primarily by higher labor costs. Expenditures for street

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operations, infrastructure improvements, and plant operations in FY 2024 were \$122.2 million, a \$6.8 million, or 5.9%, increase from the FY 2023 total of \$115.4 million. The increase in FY 2024 was caused primarily by higher material and labor costs.

Additionally, expenses of \$113.6 million related to collection and account management, customer services, marketing, and the administrative area remained relatively the same compared to FY 2024. Collection and account management, customer service, and marketing increased by a total of 2.9 million, however, administrative expenses decreased by \$2.9 million. Expenses of \$113.6 million related to collection and account management, customer services, marketing, and the administrative area increased by \$16.1 million, or 16.5%, in FY 2024 as compared to FY 2023 primarily due to higher expenses relating to regulatory compliance and customer programs, risk management, and corporate settlements.

Pension expense decreased by \$15.9 million to \$9.4 million in FY 2025 as compared to FY 2024 primarily due to 2024 gains on plan investments in excess of their actuarially calculated expected rate of return. The investment gain was primarily due to the difference between projected and actual investment earnings recognized over a closed five-year period. Pension expense decreased by \$6.2 million to \$25.3 million in FY 2024 as compared to FY 2023 primarily due to gains on plan investments in excess of their actuarially calculated expected rate of return. The investment gain was primarily due to the difference between projected and actual investment earnings recognized over a closed five-year period.

Other Postemployment Benefits expense increased by \$7.6 million to \$8.7 million in FY 2025 as compared to FY 2024. The increase in 2025 was due primarily to the difference between projected and actual investment earnings recognized over a closed five-year period and changes to assumptions and plan demographics. OPEB expense decreased by \$3.7 million to \$1.1 million in FY 2024 as compared to FY 2023. The decrease in 2024 was due primarily to the difference between projected and actual investment earnings recognized over a closed five-year period and changes to demographic assumptions.

Net Depreciation Expense – Net depreciation expense decreased by \$4.0 million in FY 2025 compared with FY 2024. Net depreciation expense decreased by \$6.7 million in FY 2024 compared with FY 2023. The composite depreciation rates were 2.0% for FY 2025 and FY 2024 and 2.1% for FY 2023. Cost of removal is charged to depreciation expense as incurred.

Investment Gain (Loss) and Other Income – Investment gain (loss) and other income in FY 2025 was \$14.7 million higher than FY 2024. The increase was due to a \$5.4 million increase in interest and dividends earned on restricted and unrestricted short-term investments and cash equivalents. Augmenting this increase, the Company also received \$7.3 million of grant revenue from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHSMA). Investment gain (loss) and other income in FY 2024 was \$0.5 million higher than FY 2023. The increase was primarily due to a \$5.4 million increase in interest and dividends earned on restricted and unrestricted short-term investments and cash equivalents. The increase was partially offset by a decrease in a mark to market gain on restricted and unrestricted investments.

Interest Expense – Total interest expense was \$50.4 million in FY 2025, an increase of \$10.9 million, or 27.6%, when compared with FY 2024. Interest on long-term debt was \$11.6 million higher in FY 2025 when compared to FY 2024 reflecting the issuance of the 17th Series A Bonds and 17th Series B Bonds, refunding of all 5th Series Bonds, and the partial refunding of the 13th Series Bonds in September 2024. Total interest expense was \$39.5 million in FY 2024, an increase of \$0.6 million, or 1.5%, when compared with FY 2023. The increase

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was primarily due to a \$1.6 million increase of interest paid on lease assets. The increase was offset by a decrease of \$1.5 million, or 3.3% in interest paid on long-term debt. Interest on long-term debt was lower in FY 2024 due to the normal amortization of long-term debt.

Excess of Revenues over Expenses – In FY 2025, the Company's excess of revenues over expenses was \$138.9 million, an increase of \$29.3 million when compared to FY 2024. The increase in excess revenue over expenses primarily due to a \$15.8 million higher contribution margin, a \$14.8 million increase in investments and other income, and \$9.7 million decrease in operating and depreciation expenses. Offsetting this decrease in operating and depreciation expenses, interest expense were \$10.9 million greater in FY 2025 when compared to FY 2024. In FY 2024, the Company's excess of revenues over expenses was \$109.6 million, an increase of \$5.7 million from FY 2023. This increase was primarily due to a \$12.8 million higher contribution margin and a \$6.7 million decrease in depreciation, which was offset by a \$13.8 million increase in operating expenses, excluding the cost of fuel.

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Condensed Balance Sheets

(Thousands of U.S. dollars)

Assets and Deferred Outflows of Resources	As of August 31		
	2025	2024	2023
Current assets:			
Accounts receivable (net of accumulated provision for uncollectible accounts of \$80,584, \$89,594, and \$108,990 for 2025, 2024, and 2023, respectively)	\$ 102,481	89,137	91,957
Restricted investment funds	107,705	2,929	46,508
Cash and cash equivalents, cash designated for capital expenditures, gas inventories, materials, and supplies and other current assets	156,867	197,931	234,141
Total current assets	367,053	289,997	372,606
Noncurrent assets:			
Utility plant, net	2,009,531	1,900,043	1,815,469
Unamortized bond insurance costs	808	639	681
Capital improvement fund	140,585	—	—
Sinking fund, revenue bonds	121,485	116,145	109,581
Other assets	50,445	59,462	57,760
Total noncurrent assets	2,322,854	2,076,289	1,983,491
Total assets	2,689,907	2,366,286	2,356,097
Deferred outflows of resources:			
Unamortized losses on bond refunding	11,086	16,449	19,763
Deferred outflows related to pension	20,049	11,113	29,060
Deferred outflows related to OPEB	80,461	91,583	100,068
Total deferred outflows	111,596	119,145	148,891
Total assets and deferred outflows of resources	\$ 2,801,503	2,485,431	2,504,988

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Condensed Balance Sheets

(Thousands of U.S. dollars)

Net Position, Liabilities, and Deferred Inflows of Resources	As of August 31		
	2025	2024	2023
Net position:			
Net investment in capital assets	\$ 916,776	822,452	744,673
Restricted	124,544	119,074	112,359
Unrestricted	(90,498)	(129,570) *	(128,750)
Total net position	950,822	811,956	728,282
Noncurrent liabilities:			
Long-term revenue bonds	1,191,331	914,850	980,578
Other noncurrent liabilities	113,715	114,367 *	82,992
Net pension liability	160,324	186,671	229,433
Total OPEB liability	83,505	113,707	208,706
Total noncurrent liabilities	1,548,875	1,329,595	1,501,709
Current liabilities:			
Current portion of revenue bonds	69,871	65,728	70,110
Notes payable	—	35,000	—
Other current liabilities	130,571	137,531 *	159,155
Total current liabilities	200,442	238,259	229,265
Deferred inflows of resources:			
Deferred inflows related to gain on bond refunding	1,840	145	156
Deferred inflows related to pension	34,823	20,160	—
Deferred inflows related to OPEB	62,232	82,154	40,372
Deferred inflows related to interest rate swap	2,469	3,162	5,204
Total deferred inflows	101,364	105,621	45,732
Total net position, liabilities, and deferred inflows of resources	\$ 2,801,503	2,485,431	2,504,988

* FY 2024 has been restated for GASB 101, *Compensated Absences*. See note 1(u) to the basic financial statements.

Assets

Accounts Receivable – As of August 31, 2025, net accounts receivable totaled \$102.5 million, an increase of \$13.4 million, or 15.0%, from August 31, 2024. This increase correlates with the 8.2% increase in total

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operating revenues and the 10.0% reduction in accumulated provisions for uncollectible accounts balance compared to August 31, 2024. Customer accounts receivables as of August 31, 2025 reflect a balance of \$162.4 million, a decrease of \$5.4 million compared to \$167.8 million balance as of August 31, 2024. Accrued gas revenues as of August 31, 2025 reflect a balance of \$12.2 million, an increase of \$3.3 million compared to the \$8.9 million balance as of August 31, 2024. The accumulated provision for uncollectible accounts as of August 31, 2025 reflects a balance of \$80.6 million, a decrease of \$9.0 million compared to the \$89.6 million balance as of August 31, 2024. In FY 2024, accounts receivable (net) of \$89.1 million decreased by \$2.9 million, or 3.2%, from FY 2023. This correlates with the decrease in total operating revenues of 5.1% compared to FY 2023. Customer accounts receivables as of August 31, 2024 reflect a balance of \$167.8 million, a decrease of \$22.9 million compared to \$190.7 million balance as of August 31, 2023. Accrued gas revenues as of August 31, 2024 reflect a balance of \$8.9 million, an increase of \$0.3 million compared to the \$8.6 million balance as of August 31, 2023. The accumulated provision for uncollectible accounts as of August 31, 2024 reflects a balance of \$89.6 million, a decrease of \$19.4 million compared to the \$109.0 million balance as of August 31, 2023.

Cash and Cash Equivalents, Gas Inventories, Materials, and Supplies, and Other Current Assets – As of August 31, 2025, cash and cash equivalents totaled \$82.6 million, a decrease of \$33.0 million from FY 2024 of \$115.6 million. The decrease in the cash balance at the end of FY 2025 was primarily a result of increased capital spending and debt service payments. As of August 31, 2024, cash and cash equivalents totaled \$115.6 million, a decrease of \$23.7 million from the August 31, 2023 total of \$139.3 million. The decrease in the cash balance at the end of FY 2024 was primarily a result of a decrease in receipts from customers and overall decrease in net cash provided by operating activities.

As of August 31, 2025, gas inventories, materials, and supplies totaled \$56.8 million, a decrease of \$10.6 million, or 15.7% from the August 31, 2024 total of \$67.4 million. At August 31, 2025, the value of natural gas in storage totaled \$42.2 million, a decrease of \$7.9 million when compared to August 31, 2024. The weighted average cost of gas as of August 31, 2025 decreased approximately \$0.2 per Mcf, or 4.7%, compared to August 31, 2024. The decrease in the value of natural gas inventory reflects a decrease in the volumes of natural gas stored in inventory. Actual volumes in storage as of August 31, 2025 were 13.8 Bcf, a 1.8 Bcf, or 11.6%, decrease when compared to August 31, 2024. At August 31, 2024, gas inventories, materials, and supplies totaled \$67.4 million, a decrease of \$12.1 million, or 15.2% from the FY 2023 total of \$79.5 million. At August 31, 2024, gas storage totaled \$50.1 million, a decrease of \$15.2 million when compared to August 31, 2023. The decrease in gas inventory reflects a decrease in the weighted average cost of gas stored in inventory. The weighted average cost of gas as of August 31, 2024 decreased approximately \$1.0 per Mcf, or 24.9%, compared to August 31, 2023. Volumes in storage stayed relatively consistent. Actual volumes in storage as of August 31, 2024 volumes were 15.6 Bcf, a 0.3 Bcf, or 1.9%, increase when compared to August 31, 2023.

Other current assets totaled \$17.5 million at August 31, 2025, an increase of \$2.6 million, from August 31, 2024. The increase in other current assets at August 31, 2025 is primarily a result of an increase in information technology prepaid expenses. Other current assets totaled \$14.9 million at August 31, 2024, a decrease of \$0.5 million, from August 31, 2023.

Restricted Investment Funds – Restricted Investment Funds include the current portion of the Capital Improvement Fund and the Workers' Compensation Escrow Fund. Restricted Investment Funds increased by

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\$104.8 million as of August 31, 2025 compared to August 31, 2024. The balances of the current portion of the Capital Improvement Fund as of August 31, 2025, 2024, and 2023 were \$104.6 million, \$0.0 million, and \$43.7 million, respectively. On September 18, 2024, the City issued Gas Works Revenue Bonds, Seventeenth Series A and Series B. This issuance increased the total capital improvement fund by \$315.2 million. PGW withdrew \$80.0 million, \$43.9 million, and \$81.0 million to finance various capital initiatives in FY 2025, FY 2024, and FY 2023, respectively. Pursuant to the Pennsylvania Department of Labor and Industry Bureau of Workers' Compensation Self-Insurance policy, the Company has established and maintains a restricted trust account. As of August 31, 2025, 2024, and 2023, the trust account balances were \$3.1 million, \$2.9 million, and \$2.8 million, respectively.

Utility Plant and Other Noncurrent Assets – As of August 31, 2025, noncurrent assets including utility plant, net, the long-term portion of the Capital Improvement Fund, the revenue bonds' Sinking Fund, and unamortized bond insurance costs, totaled \$2,322.9 million, an increase of \$246.6 million from August 31, 2024. This increase is due to the issuance of the Seventeenth Series A and Series B bonds which increased noncurrent capital improvement funds by \$140.6 million and due to the large amounts of capital projects placed in service in FY 2025. As of August 31, 2024, noncurrent assets including utility plant, net, the long-term portion of the Capital Improvement Fund, the revenue bonds' Sinking Fund, and unamortized bond insurance costs, totaled \$2,076.3 million, an increase of \$92.8 million from August 31, 2023. This increase is due to the large amounts of capital projects placed in service in FY 2024.

Utility plant, net, totaled \$2,009.5 million at August 31, 2025, an increase of \$109.5 million, or 5.8%, compared with the August 31, 2024 balance. Utility plant, net, totaled \$1,900.0 million at August 31, 2024, an increase of \$84.5 million, or 4.7%, compared with the August 31, 2023 balance. Capital expenditures for construction of distribution facilities, purchase of equipment, information technology enhancements, and other general improvements were approximately \$166.6 million in FY 2025 compared to \$149.1 million in FY 2024 and \$150.2 million in FY 2023. In FY 2023, PGW added a capital lease for the Company's North Operations Center ("NOC"), which contributed approximately \$78.0 million to the increase of utility plant, net. For additional information on the Company's capital assets, see note 1(g) *Utility Plant* of the basic financial statements.

In early 2012, Act 11 was enacted by the Pennsylvania Legislature. Act 11 permitted public utilities to file a request with the PUC for the implementation of a DSIC. A DSIC permits natural gas distribution companies to recover the costs related to main and service replacement not already recovered in base rates. This legislation provides utility companies with a supplemental recovery mechanism for costs related to incremental/accelerated distribution system repair, improvement, and replacement. Act 11 permits gas utilities to recover 5.0% of their non-gas revenues via the recovery mechanism and permits greater percentage increases if approved by the PUC. The Company started billing customers a DSIC surcharge as of July 1, 2013. On September 1, 2015, PGW proposed an increase in the DSIC from 5.0% to 7.5% of distribution revenues and to levelize and annualize the DSIC. The PUC issued an Order and Opinion granting PGW's request to increase its DSIC to 7.5% on January 28, 2016 which went into effect on February 1, 2016. In FY 2025, FY 2024 and FY 2023, the Company billed customers \$38.6 million, \$35.0 million, and \$34.6 million respectively, for the DSIC surcharge. The DSIC surcharge is fully reconcilable on a calendar-year basis. For additional information, see note 1(h) *Revenue Recognition* of the basic financial statements.

Deferred Outflows of Resources Related to Hedging Derivatives and Bond Refunding – Deferred outflows of resources related to hedging derivatives and bond refunding represent amounts that will result in a reduction of

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net position in a subsequent period. Deferred outflows of resources related to hedging derivatives and bond refunding include the accumulated fair value of hedging derivatives that will be recognized in the statement of revenues and expenses and changes in net position upon termination of the hedging relationship, and unamortized losses on bond refunding. Deferred outflows of resources related to hedging derivatives and bond refunding decreased \$5.3 million at August 31, 2025 from the August 31, 2024 total of \$16.4 million. Deferred outflows of resources related to hedging derivatives and bond refunding decreased \$3.4 million in FY 2024 from the August 31, 2023 total of \$19.8 million.

Deferred Outflows of Resources Related to Pension – Deferred outflows of resources related to pensions represent amounts that will result in a reduction of net position in a subsequent period. Deferred outflows of resources related to pension include increases in the pension liability that will be amortized into pension expense in future periods. Deferred outflows of resources related to pension increased \$8.9 million in FY 2025 from the August 31, 2024 total of \$11.1 million. Deferred outflows of resources related to pension decreased \$18.0 million in FY 2024 from the August 31, 2023 total of \$29.1 million.

Deferred Outflows of Resources Related to OPEB – Deferred outflows of resources related to OPEB represent amounts that will result in a reduction of net position in a subsequent period. Deferred outflows of resources related to OPEB include increases in the OPEB liability that will be amortized into OPEB expense in future periods. Deferred outflows of resources related to OPEB decreased \$11.1 million, or 12.1%, in FY 2025 from the August 31, 2024 total of \$91.6 million. Deferred outflows of resources related to OPEB decrease \$8.5 million, or 8.5%, in FY 2024 from the August 31, 2023 total of \$100.1 million.

Liabilities

Long-Term Revenue Bonds – Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$1,261.2 million as of August 31, 2025. This was \$280.6 million more than the previous year due to the issuance of Seventeenth Series A and Series B bonds. This represents 57.0% of total capitalization as of August 31, 2025. Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$980.6 million as of August 31, 2024. This was \$70.1 million less than the previous year due to scheduled principal payments and the normal amortization of bond discounts and premiums. This represents 54.7% of total capitalization as of August 31, 2024. Long-term revenue bonds, including the current portion and unamortized discount and premium, totaled \$1,050.7 million as of August 31, 2023. This was \$64.2 million less than the previous year due to scheduled principal payments and the normal amortization of bond discounts and premiums. This represents 59.1% of total capitalization as of August 31, 2023. For additional information, see note 8, *Long-Term Debt and Other Liabilities* of the basic financial statements.

Debt Service Coverage Ratio and Ratings – PGW has a mandatory debt service coverage ratio of 1.50 times debt service on the 1998 Ordinance Bonds. On August 31, 2025, debt service coverage on Senior 1998 Ordinance Bonds was 2.01 times, compared to 2.05 and 2.52 times on August 31, 2024 and 2023, respectively. PGW's current bond ratings are "A3" from Moody's Investors Service (Moody's), "A" from Standard & Poor's Rating Service (S&P), and "A" from Fitch Ratings.

Notes Payable – Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2025 and 2024

not exceed \$150.0 million outstanding to support working capital requirements. PGW may also sell additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in both 2025 and 2024. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreement is June 16, 2026. There were no notes payable outstanding as of August 31, 2025. As of August 31, 2024 the notes payable balance was \$35.0 million.

Other Current Liabilities – As of August 31, 2025 other current liabilities totaled \$130.6 million, a decrease of \$6.9 million from August 31, 2024. The decrease was caused mainly by the decrease in other miscellaneous current liabilities, which was partially offset by an increase in accounts payable. As of August 31, 2025, other current liabilities totaled \$28.5 million, a decrease of \$16.3 million, or 36.4%, compared with August 31, 2024. The decrease of other miscellaneous current liabilities in FY 2025 is primarily due to a decrease in the over collection of the Gas Cost Rate (GCR) and related surcharges compared to FY 2024. As of August 31, 2025, accounts payable totaled \$78.7 million, an increase of \$5.3 million, or 7.2%, compared with August 31, 2024. This increase was primarily due to an increase in natural gas payables. As of August 31, 2024 other current liabilities totaled \$137.5 million, a decrease of \$21.7 million from August 31, 2023. The decrease was caused mainly by the decrease in accounts payable and other miscellaneous current liabilities. As of August 31, 2024, accounts payable totaled \$73.4 million, a decrease of \$7.2 million, or 8.9%, compared with August 31, 2023 primarily due to a decrease of general accounts payable, natural gas payables, and unbilled liabilities. As of August 31, 2024, other miscellaneous current liabilities and accrued accounts totaled \$51.6 million, a decrease of \$10.2 million from August 31, 2023. The decrease of other miscellaneous current liabilities in FY 2024 is primarily due to the GCR and surcharges compared to August 31, 2023.

Other Noncurrent Liabilities – As of August 31, 2025, other noncurrent liabilities totaled \$113.7 million, a decrease of \$0.7 million compared to August 31, 2024. As of August 31, 2024, other noncurrent liabilities totaled \$114.4 million, an increase of \$31.4 million compared to August 31, 2023. The increase was caused mainly by the increase in compensated absences. Please see note 1(u) to the basic financial statements.

Net OPEB Liability – The net OPEB obligation was \$83.5 million as of August 31, 2025, a \$30.2 million decrease from the \$113.7 million obligation as of August 31, 2024. The net OPEB obligation was \$113.7 million as of August 31, 2024, a \$95.0 million decrease from the \$208.7 million obligation as of August 31, 2023. The changes in FY 2025 and FY 2024 were caused by changes in benefit, demographic, and economic assumptions.

Net Pension Liability – The net pension liability was \$160.3 million as of August 31, 2025, a decrease of \$26.4 million, or 14.1%, from the \$186.7 million liability as of August 31, 2024. The decrease in net pension liability is primarily due to an increase in the plan fiduciary net position that resulted from a large net investment gain in FY 2025. The net pension liability was \$186.7 million as of August 31, 2024, a decrease of \$42.7 million, or 18.6%, from the \$229.4 million liability as of August 31, 2023. The decrease in net pension liability is primarily due to an increase in the plan fiduciary net position that resulted from a large net investment gain in FY 2024

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Management's Discussion and Analysis
August 31, 2025 and 2024

Deferred Inflows of Resources Related to Pension – Deferred inflows of resources related to pension represent amounts that will result in an increase of net position in a subsequent period. Deferred inflows of resources related to pension represent the difference between actual and expected earnings on pension plan investments. The increase in deferred inflows of resources related to pension of \$14.6 million as of August 31, 2025, as compared to August 31, 2024, is primarily due to changes in investment performance. The increase in deferred inflows of resources related to pension of \$20.2 million as of August 31, 2024, as compared to August 31, 2023, is primarily due to changes in investment performance.

Deferred Inflows of Resources Related to OPEB – Deferred inflows of resources related to OPEB represent amounts that will result in an increase of net position in a subsequent period. Deferred inflows of resources related to OPEB as of August 31, 2025, were \$62.2 million as compared to \$82.2 million as of August 31, 2024. The decrease in deferred inflows of resources related to OPEB of \$20.0 million between August 31, 2025 and August 31, 2024 is primarily driven by benefit, demographic, and economic assumptions. There were \$40.4 million in deferred inflows of resources related to OPEB on August 31, 2023. The increase in deferred inflows of resources related to OPEB of \$41.8 million, or 103.5%, between August 31, 2024 and August 31, 2023 is primarily driven by benefit, demographic, and economic assumptions.

Net Position – On August 31, 2025, total net position totaled \$950.8 million, an increase of \$138.8 million compared to August 31, 2024. The increase in FY 2025 is due to an excess of revenues over expenses generated by PGW operations during FY 2025. As of August 31, 2025, unrestricted net position totaled negative \$90.5 million, an increase of \$39.1 million compared to August 31, 2024. On August 31, 2024, total net position totaled \$812.0 million, an increase of \$83.7 million compared to August 31, 2023. The increase in FY 2024 is due to an excess of revenues over expenses generated by PGW operations during FY 2024. As of August 31, 2024, unrestricted net position totaled negative \$129.6 million, an increase of \$0.8 million compared to August 31, 2023. Due to the long-term nature of the Company's net pension and OPEB liability, the Company's negative unrestricted net position is not indicative of its near-term liquidity.

Upcoming Accounting Pronouncements

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of PGW upon implementation. The Company has not yet evaluated the effect of the implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Fiscal Year Effective
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026

Contacting the Company's Financial Management

This financial report is designed to provide the citizens of Philadelphia, customers, investors, and creditors with a general overview of PGW's finances and to demonstrate PGW's accountability for the money it receives. If you have questions pertaining to this report or need additional financial information, please contact Philadelphia Gas Works, 800 W. Montgomery Avenue, Philadelphia, PA 19122 Attn: Vice President, Finance and Controller or on the Web at www.pgworks.com.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Balance Sheets

August 31, 2025 and 2024

(Thousands of U.S. dollars)

Assets	2025	2024
Current assets:		
Cash, cash equivalents, and short-term investments	\$ 82,557	115,612
Accounts receivable (net of provision for uncollectible accounts of \$80,584 and \$89,594 for 2025 and 2024, respectively)	102,481	89,137
Gas inventories, materials, and supplies	56,825	67,390
Current portion of capital improvement fund	104,646	—
Workers' compensation escrow fund	3,059	2,929
Other current assets	17,485	14,929
Total current assets	<u>367,053</u>	<u>289,997</u>
Noncurrent assets:		
Utility plant, at original cost:		
In service	3,105,667	2,995,617
Lease assets	80,561	80,747
Software subscriptions	12,937	10,387
Under construction	260,588	213,317
Total	3,459,753	3,300,068
Less accumulated depreciation	1,437,730	1,387,474
Less accumulated depreciation – lease assets	9,552	5,955
Less accumulated depreciation – software subscriptions	2,940	6,596
Utility plant, net	2,009,531	1,900,043
Capital improvement fund	140,585	—
Sinking fund, revenue bonds	121,485	116,145
Unamortized bond insurance costs	808	639
Regulatory asset – environmental	28,099	28,228
Regulatory asset – pandemic	18,159	25,302
Other noncurrent assets	4,187	5,932
Total noncurrent assets	<u>2,322,854</u>	<u>2,076,289</u>
Total assets	<u>2,689,907</u>	<u>2,366,286</u>
Deferred Outflows of Resources		
Unamortized losses on bond refunding	11,086	16,449
Deferred outflows related to pension	20,049	11,113
Deferred outflows related to OPEB	80,461	91,583
Total deferred outflows of resources	<u>111,596</u>	<u>119,145</u>
Total assets and deferred outflows of resources	<u>\$ 2,801,503</u>	<u>2,485,431</u>

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Balance Sheets
August 31, 2025 and 2024
(Thousands of U.S. dollars)

Liabilities	2025	2024
Current liabilities:		
Current portion of revenue bonds	\$ 69,871	65,728
Notes payable	—	35,000
Accounts payable	78,694	73,357
Current portion of long-term liabilities	5,670	4,860
Customer deposits	2,277	2,396
Current portion of lease liabilities	1,586	1,534
Current portion of software subscription liabilities	3,287	727
Other current liabilities	28,514	44,836 *
Accrued accounts:		
Interest, taxes, and wages	7,543	6,821 *
Distribution to the City	3,000	3,000
Total current liabilities	<u>200,442</u>	<u>238,259</u>
Noncurrent liabilities:		
Long-term revenue bonds	1,191,331	914,850
Long-term lease liabilities	56,119	57,705
Long-term software subscription liabilities	3,886	761
Other noncurrent liabilities	53,710	55,901 *
Net pension liability	160,324	186,671
Net OPEB liability	83,505	113,707
Total noncurrent liabilities	<u>1,548,875</u>	<u>1,329,595</u>
Total liabilities	<u>1,749,317</u>	<u>1,567,854</u>
Deferred Inflows of Resources		
Deferred inflows related to gain on bond refunding	1,840	145
Deferred inflows related to pension	34,823	20,160
Deferred inflows related to OPEB	62,232	82,154
Accumulated fair value of hedging derivatives	2,469	3,162
Total deferred inflows of resources	<u>101,364</u>	<u>105,621</u>
Total liabilities and deferred inflows of resources	<u>1,850,681</u>	<u>1,673,475</u>
Net Position		
Net investment in capital assets	916,776	822,451
Restricted (debt service)	121,485	116,145
Restricted (workers' compensation)	3,059	2,929
Unrestricted	(90,498)	(129,569) *
Total net position	<u>950,822</u>	<u>811,956 *</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,801,503</u>	<u>2,485,431</u>

* FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Statements of Revenues and Expenses and Changes in Net Position
Years ended August 31, 2025 and 2024
(Thousands of U.S. dollars)

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Gas revenues:		
Non-heating	\$ 22,823	21,231
Gas transport service	88,604	82,542
Heating	606,310	553,613
Provision for uncollectible accounts	<u>(37,561)</u>	<u>(29,897)</u>
Total gas revenues	680,176	627,489
Appliance and other revenues	6,653	7,019
Other operating revenues	<u>43,164</u>	<u>39,937</u> *
Total operating revenues	<u>729,993</u>	<u>674,445</u>
Operating expenses:		
Natural gas	214,446	174,568 *
Gas processing	26,072	25,576
Field operations	98,295	96,588
Collection and account management	13,926	12,483
Customer services	17,265	15,995
Marketing	3,964	3,765
Administrative and general	78,415	81,319
Pensions	9,380	25,345
Other postemployment benefits	8,675	1,075
Taxes	<u>10,236</u>	<u>9,830</u>
Total operating expenses before depreciation	480,674	446,544
Depreciation	<u>71,322</u>	<u>75,293</u>
Total operating expenses	<u>551,996</u>	<u>521,837</u>
Operating income	177,997	152,608
Interest and other income	<u>29,228</u>	<u>14,467</u>
Income before interest expense	207,225	167,075
Long-term debt and other interest expense	50,359	39,507
Distribution to the City of Philadelphia	<u>(18,000)</u>	<u>(18,000)</u>
Excess of revenues over expenses	138,866	109,568
Net position, beginning of year	811,956	728,282
Implementation of GASB 101	<u>—</u>	<u>(25,894)</u> **
Net position, end of year	<u>\$ 950,822</u>	<u>811,956</u> **

* FY 2024 has been restated to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

** FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Statements of Cash Flows

Years ended August 31, 2025 and 2024

(Thousands of U.S. dollars)

	2025	2024
Cash flows from operating activities:		
Receipts from customers	\$ 738,653	684,468
Payments to suppliers	(429,253)	(373,302)
Payments to employees	(155,952)	(152,313)
Claims paid	(1,393)	(3,300)
Other receipts	28,868	19,496
Net cash provided by operating activities	<u>180,923</u>	<u>175,049</u>
Cash flows from non-capital financing activities:		
Income (loss) from non-utility operations	9,630	(462) *
Interest and fees	(2,573)	437 *
Distribution to the City of Philadelphia	(18,000)	(18,000)
Net cash provided by (used in) non-capital financing activities	<u>(10,943)</u>	<u>(18,025)</u>
Cash flows from investment activities		
Sinking fund reserve deposits	(5,340)	(6,564)
Capital improvement fund deposits	(325,231)	—
Capital improvement fund withdrawals	80,000	43,730
Interest income / capital gain from short-term investments	4,227	8,194
Interest income / capital gain on capital improvement fund	10,031	172 *
Interest income / capital gain on sinking fund	5,340	6,564 *
Net cash provided by (used in) investment activities	<u>(230,973)</u>	<u>52,096</u>
Cash flows from capital and related financing activities:		
Issuance of commercial paper	—	35,000
Repayments of notes payable	(35,000)	—
Redemption, refunding or defeasance of long-term debt	(118,605)	—
Proceeds from long-term debt issued	424,250	—
Premium from long-term debt issued	50,303	—
Long-term debt issuance costs	(3,110)	—
Purchases of capital assets	(171,304)	(156,222)
Principal paid on long-term debt	(56,480)	(60,255)
Interest paid on long-term debt	(53,597)	(43,449)
Principal paid on lease and software subscription liability	(5,356)	(4,726) *
Interest paid on lease and software subscription liability	(3,163)	(3,158) *
Net cash provided by (used in) capital and related financing activities	<u>27,938</u>	<u>(232,810)</u>
Net decrease in cash and cash equivalents	<u>(33,055)</u>	<u>(23,690)</u>
Cash and cash equivalents at beginning of year	<u>115,612</u>	<u>139,302</u>
Cash and cash equivalents at end of year	<u>\$ 82,557</u>	<u>115,612</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 177,997	152,608
Adjustments to reconcile operating income to net cash provided by operating activities:		
Effect of change in accounting principle (GASB 101 FY 2024)	—	(25,894) **
Depreciation and amortization expense	71,322	75,293
Provision for uncollectible accounts	37,561	29,897
Change in assets and liabilities:		
Receivables, net	(50,905)	(27,077)
Gas inventories, materials, and supplies	10,565	12,064
Other current assets	(2,555)	456
Other assets and deferred outflows of resources	11,203	24,731
Accounts payable	5,337	(7,275)
Customer deposits	(119)	(257)
Other current liabilities	(15,512)	(6,221) **
Accrued accounts	722	(6,965) **
Other liabilities, deferred inflows of resources, net OPEB and pension liabilities	(64,693)	(46,311) **
Net cash provided by operating activities	<u>\$ 180,923</u>	<u>175,049</u>

Noncash capital and financing activities:

PGW initiated new lease obligations in FY 2024. The present value of these obligations totaled \$0.7 million.

PGW initiated new software subscription obligations in FY 2025 and FY 2024. The present value of these obligations totaled \$9.5 million and \$2.9 million, respectively.

* PGW reclassified certain items in FY 2024 relating to interest paid on lease assets and software subscription liabilities, and mark to market for the capital improvement fund and sinking fund, to conform to the current period presentation.

** FY 2024 has been restated to reflect the implementation of GASB 101 (see note 1(u) to the basic financial statements).

See accompanying notes to basic financial statements.

PHILADELPHIA GAS WORKS OPEB PLAN
(A Fiduciary Component Unit of the Philadelphia Gas Works)

Statements of Fiduciary Net Position

December 31, 2024 and 2023

(Thousands of U.S. dollars)

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and cash equivalents	\$ 1,620	2,020
Accrued interest income	<u>159</u>	<u>140</u>
Total cash and accrued income	<u>1,779</u>	<u>2,160</u>
Investments, at fair value:		
Domestic equity	225,131	186,010
International equity	106,488	98,054
Fixed income	<u>128,100</u>	<u>109,808</u>
Total investments	<u>459,719</u>	<u>393,872</u>
Total assets	<u>461,498</u>	<u>396,032</u>
Liabilities:		
Accrued expenses	35	95
Pending cash	<u>1,616</u>	<u>2,024</u>
Total liabilities	<u>1,651</u>	<u>2,119</u>
Fiduciary net position restricted for other postemployment benefits	<u>\$ 459,847</u>	<u>393,913</u>

See accompanying notes (Note 11) to basic financial statements.

PHILADELPHIA GAS WORKS OPEB PLAN
(A Fiduciary Component Unit of the Philadelphia Gas Works)

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2024 and 2023

(Thousands of U.S. dollars)

	<u>2024</u>	<u>2023</u>
Additions:		
Contributions:		
Philadelphia Gas Works – contribution to OPEB Trust	\$ 18,500	18,500
Philadelphia Gas Works – benefits paid	<u>30,521</u>	<u>25,356</u>
Total contributions	<u>49,021</u>	<u>43,856</u>
Investment income:		
Net realized gains	5,987	3,957
Interest and dividend income	10,234	8,798
Net unrealized gains (losses)	31,394	42,192
Less: Investment management expenses	<u>(103)</u>	<u>(100)</u>
Net investment income (loss)	<u>47,512</u>	<u>54,847</u>
Total additions (reductions)	<u>96,533</u>	<u>98,703</u>
Deductions:		
Benefits paid	30,521	25,356
Administrative expenses and bank fees	<u>78</u>	<u>69</u>
Total deductions	<u>30,599</u>	<u>25,425</u>
Net increase (decrease) in fiduciary net position	65,934	73,278
Net position restricted for other postemployment benefits – beginning of year	<u>393,913</u>	<u>320,635</u>
Net position restricted for other postemployment benefits – end of year	<u>\$ 459,847</u>	<u>393,913</u>

See accompanying notes (Note 11) to basic financial statements.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Notes to Basic Financial Statements
August 31, 2025 and 2024

(1) Summary of Significant Accounting Policies

The accounting methods employed by the Philadelphia Gas Works are in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and are in conformity with reporting requirements for the City of Philadelphia (the City).

As described in note 2, the Company is accounted for as a component unit of the City, and consequently follows accounting principles promulgated by the Governmental Accounting Standards Board (GASB) as they apply to business type activities. Under the Regulated Operations guidance within GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, assets or liabilities may be created by certain actions of regulatory bodies.

Philadelphia Gas Works' fiduciary activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are accounted for in a fiduciary fund with investments recorded at fair value and benefits paid directly from its general resources on a pay-as-you-go basis.

The principal accounting policies within this framework are described as follows:

(a) Regulation

Pursuant to the passage of the Pennsylvania Natural Gas Choice and Competition Act (the Act), the Company came under the regulatory jurisdiction of the Pennsylvania Public Utility Commission (PUC). Under the PUC's jurisdiction, the Company filed a restructuring plan, which among other things, provided for an unbundled tariff permitting customer choice of the commodity supplier. Under the Act, the PUC is required to follow the same ratemaking methodology and requirements that were previously applicable to the Philadelphia Gas Commission (PGC) when determining the Company's revenue requirements and approving overall rates and tariffs. Tariff rates are designed to maintain revenue neutrality and the tariff rules and regulations are designed to comport with the Pennsylvania Public Utility Code. For additional information related to PGW's tariff and base rates, see note 1(d) Base Rates.

The PGC continues to approve the Company's Operating Budget and review its Capital Budget. The Company's Capital Budget must also be approved by Philadelphia City Council.

(b) Operating Budget

On May 6, 2025, PGW filed a proposed FY 2026 Operating Budget with the PGC. The PGC Hearing Examiners conducted Informal Discovery (ID) sessions on June 2, 2025 and June 10, 2025. On June 24, 2025, an in person public hearing was convened. On July 15, 2025, a recommended decision was rendered by the Hearing Examiners, which proposed adjustments to the Operating Budget as filed. On August 12, 2025, the PGC approved, with adjustments, PGW's FY 2026 Operating Budget. PGW filed a Compliance Budget with the PGC on August 21, 2025.

On May 14, 2024, PGW filed a proposed FY 2025 Operating Budget with the PGC. The PGC Hearing Examiners conducted ID sessions on May 23, 2024 and on June 7, 2024. On June 27, 2024, a public hearing was convened via Zoom. On July 23, 2024, a recommended decision was rendered by the

(Continued)

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)

Notes to Basic Financial Statements

August 31, 2025 and 2024

Hearing Examiners, which proposed adjustments to the Operating Budget as filed. On August 13, 2024, the PGC approved, with adjustments, PGW's FY 2025 Operating Budget. PGW filed a Compliance Budget with the PGC on August 28, 2024.

(c) Capital Budget

On January 2, 2025, PGW filed with the PGC its proposed FY 2026 Capital Budget in the amount of \$186.0 million. After a due diligence review and related ID process on January 15, 2025 and February 4, 2025, a public hearing was held on February 18, 2025. The PGC's review culminated in the endorsement at a public hearing on April 15, 2025 of a FY 2026 Capital Budget in an amount not to exceed \$185.2 million. The endorsed budget was approved by City Council on June 12, 2025 and signed by the Mayor on June 13, 2025. On June 26, 2025, PGW filed a resolution amending FY 2026 Capital Budget for funding of new project, bringing the total Capital Budget to \$215.2 million. PGW is awaiting the approval by City Council and by the Mayor.

On January 2, 2024, PGW filed with the PGC its proposed FY 2025 Capital Budget in the amount of \$196.3 million. After a due diligence review and related ID process on January 23, 2024, and February 7, 2024, a public hearing was held on February 27, 2024. The PGC's review culminated in the endorsement at a public hearing on April 9, 2024 of a FY 2025 Capital Budget in an amount not to exceed \$194.4 million. The endorsed budget was approved by City Council on June 13, 2024, and signed by the Mayor on June 26, 2024. On August 30, 2024, PGW filed a resolution approving FY 2025 Capital Budget reauthorization of spending for certain FY 2023 projects, to allow for project completion, and PGW requested additional funding of two projects. On February 26, 2025 PGW filed a resolution amending FY 2025 Capital Budget for supplemental funding of an existing project, bringing the total Capital Budget to \$204.6 million. The amended budget was approved by City Council on June 12, 2025 and signed by the Mayor on June 13, 2025.

(d) Base Rates

On February 27, 2025, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$105.0 million, or 15.73%, in additional annual operating revenues based upon a twenty- year normal weather assumption. The filing sought to also recover \$7.8 million in Distribution System Improvement Charge (DSIC) under collections for the year ended December 31, 2024, over the course of two years, requested to increase the fixed monthly customer charge component as well as the volumetric delivery charge component of base rates, and proposed a new rate recovery mechanism, a Revenue Normalization Adjustment (RNA).

On August 11th, 2025, PGW filed a Joint Petition for Settlement in which all rate case parties joined or did not oppose. The Settlement Agreement provided PGW with a general rate increase of \$62.0 million for service rendered on or after November 28, 2025 and the continuation of the Weather Normalization Adjustment (WNA). The RNA was not included in the Settlement Agreement. The Settlement Agreement also provided PGW with a temporary increase in the DSIC of an additional \$3.9 million a year for two years, for a total DSIC rate of 8.3%. Settlement agreements with reduced revenue requirements are typical in PUC Base rate proceedings and are the product of compromise between the parties' diverse interest. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.

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(e) Weather Normalization Adjustment Clause

The WNA Clause was approved by the PUC. The purpose of the WNA Clause is to neutralize the impact of weather on the Company's revenues. This allows the Company to achieve the recovery of appropriate costs as authorized by the PUC. The WNA Clause results in neither a rate increase nor a rate decrease but acts as a billing adjustment. The main benefits of the WNA Clause are the stabilization of cash flow and the reduction of the need for short-term borrowing from year to year. The WNA Clause adjustment is applied to customer invoices rendered during the period of October 1 through April 30 of each year for each billing cycle. The WNA Clause adjustment for the years ended August 31, 2025 and 2024 was an increase in billings of \$11.9 million and \$25.6 million, respectively.

On April 27, 2023, PGW filed an Emergency Petition to revise its Gas Service Tariff, effective May 1, 2023, eliminating all May 2023 usage for residential and commercial customers from the WNA calculation. On April 28, 2023, the PUC approved the Emergency Petition to allow PGW to remove May 2023 usage from the formula used currently for the Company's approved WNA clause. As a result of the PUC ruling, no WNA charges or credits were assessed on residential and commercial customers relating to May 2023 usage.

(f) Gas Cost Rate

The Company's single greatest operating expense is the cost of natural gas. The rate charged to the Company's customers to recover these costs is called the Gas Cost Rate (GCR). The GCR reflects the increases or decreases in natural gas costs and other applicable GCR costs. This GCR mechanism provides the flexibility to rapidly reflect current conditions without the time delay inherent in full base rate alteration. The intent is to achieve an annual balance between the costs incurred for fuel and their pass-through to customers.

At the end of the fiscal year, costs recovered through the GCR and surcharges are compared to the actual cost of fuel and other applicable costs. Customers are then credited or charged for the over recovery or under recovery of costs. The GCR and surcharges charge or credit may be updated quarterly or in the subsequent fiscal year to reflect the under recovery or over recovery. Changes in the GCR impact the reported amounts of gas revenues but do not affect operating income or net income because they are passed through to the customer without markup as of August 31, 2025 and 2024, approximately \$10.0 million and \$31.4 million was recorded in other current liabilities for the over

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recovery of the GCR and surcharges. The GCR comprises the purchased gas costs plus the gas adjustment charge minus the interruptible revenue credit.

GCR Effective Dates and Rates

(Amounts in U.S. dollars)

Effective date	GCR rate per Mcf*	Change
December 1, 2025	\$ 5.8136	0.4824
September 1, 2025	5.3312	(0.1606)
June 1, 2025	5.4918	0.3610
March 1, 2025	5.1308	1.3307
December 1, 2024	3.8001	0.5509
September 1, 2024	3.2492	(0.0886)
June 1, 2024	3.3378	(0.5018)
March 1, 2024	3.8396	(0.1634)
December 1, 2023	4.0030	0.4974
September 1, 2023	3.5056	(0.0460)

*Mcf – thousand cubic feet

(g) Utility Plant

Utility plant is stated at original cost. The cost of additions, replacements, and betterments of units of property is capitalized and included in the utility plant accounts in the balance sheets. The cost of property sold or retired is removed from the utility plant accounts and accumulated depreciation. Normal repairs, maintenance, the cost of minor property items, and expenses associated with retirements are charged to operating expenses as incurred.

In a previous rate order, the PGC disallowed the accrual of the net negative salvage component in depreciation. Cost of removal in the amounts of \$0.1 million and \$7.2 million was charged to expense as incurred in FY 2025 and FY 2024, respectively, and is included in depreciation in the statements of revenues and expenses and changes in net position. Depreciation is calculated on an asset-by-asset basis on the estimated useful lives of plant and equipment on a straight-line method. The composite rate for FY 2025 and FY 2024 was 2.0%. The composite rates are supported by a depreciation study of utility plant as of August 2020. The effective composite depreciation rates, as a percentage of cost, for FY 2025 were as follows:

Production plant	1.4 %
Transmission, distribution, and storage	1.9 %
General plant	3.3 %

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The most recent depreciation study was completed in FY 2025 for the plant activity subsequent to the last depreciation study and through FY 2024. It is anticipated that PGW will complete the next depreciation study in FY 2030 for the plant activity subsequent to the last depreciation study and through FY 2029.

The following is a summary of utility plant activity for the fiscal years ended August 31, 2025 and 2024 (thousands of U.S. dollars):

	August 31, 2025			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets not being depreciated:				
Land	\$ 5,595	—	—	5,595
Under construction	213,317	166,563	(119,292)	260,588
Total capital assets not being depreciated	218,912	166,563	(119,292)	266,183
Other capital assets:				
Distribution and collection systems	2,401,828	92,788	(2,743)	2,491,873
Buildings and equipment (including software)	588,194	26,504	(6,499)	608,199
Lease assets - buildings	77,952	—	—	77,952
Lease assets - equipment	2,795	—	(186)	2,609
Software subscription assets	10,387	9,506	(6,956)	12,937
Total other capital assets	3,081,156	128,798	(16,384)	3,193,570
Less accumulated depreciation for:				
Distribution and collection systems	(1,123,357)	(46,700)	2,798	(1,167,259)
Buildings and equipment (including software)	(264,117)	(15,291)	8,937	(270,471)
Lease assets - buildings	(4,677)	(3,118)	—	(7,795)
Lease assets - equipment	(1,278)	(665)	186	(1,757)
Software subscription assets	(6,596)	(3,300)	6,956	(2,940)
Total accumulated depreciation	(1,400,025)	(69,074)	18,877	(1,450,222)
Utility plant, net	\$ 1,900,043	226,287	(116,799)	2,009,531

* Cost of removal of approximately \$0.1 million was charged to depreciation as incurred in FY 2025 and is not included in accumulated depreciation.

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	August 31, 2024			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets not being depreciated:				
Land	\$ 5,595	—	—	5,595
Under construction	161,751	149,110	(97,544)	213,317
Total capital assets not being depreciated	167,346	149,110	(97,544)	218,912
Other capital assets:				
Distribution and collection systems	2,310,535	93,639	(2,346)	2,401,828
Buildings and equipment (including software)	586,339	3,906	(2,051)	588,194
Lease assets - buildings	77,952	—	—	77,952
Lease assets - equipment	2,399	696	(300)	2,795
Software subscription assets	8,135	2,948	(696)	10,387
Total other capital assets	2,985,360	101,189	(5,393)	3,081,156
Less accumulated depreciation for:				
Distribution and collection systems	(1,078,462)	(45,493)	598	(1,123,357)
Buildings and equipment (including software)	(251,216)	(14,728)	1,827	(264,117)
Lease assets - buildings	(1,559)	(3,118)	—	(4,677)
Lease assets - equipment	(929)	(649)	300	(1,278)
Software subscription assets	(5,071)	(2,221)	696	(6,596)
Total accumulated depreciation	(1,337,237)	(66,209)	3,421	(1,400,025)
Utility plant, net	\$ 1,815,469	184,090	(99,516)	1,900,043

* Cost of removal of approximately \$7.2 million was charged to depreciation as incurred in FY 2024 and is not included in accumulated depreciation.

(h) Revenue Recognition

The Company is primarily a natural gas distribution company. Operating revenues include revenues from the sale of natural gas to residential, commercial, and industrial heating and non-heating customers. The Company also provides natural gas transportation services on behalf of outside natural gas providers. Appliance and other revenues primarily consist of revenue from the Company's parts and labor repair program. Revenue from this program is recognized on a monthly basis for the life of the individual parts and labor plans. Additional revenue is generated from collection fees, reconnection

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charges, and bulk liquefied natural gas sales contracts. Other operating revenues primarily consist of finance charges assessed on delinquent accounts, third party sales, off system sales, LNG sales, and capacity release.

Non-operating revenues are generated outside of the Company's principal operation as a natural gas distribution company. Non-operating revenues primarily consist of interest and dividend from restricted and nonrestricted funds, grants, gains on investments, and merchandising and jobbing.

In 2012, Act 11 was enacted by the Pennsylvania Legislature, which permitted public utilities to file a request with the PUC for the implementation of a DSIC. A DSIC permits natural gas distribution companies to recover the costs related to main and service replacement not already recovered in base rates. This legislation provides utility companies with a supplemental recovery mechanism for costs related to incremental/accelerated distribution system repair, improvement, and replacement. Act 11 permits gas utilities to recover 5.0% of their nongas revenues via the recovery mechanism and permits greater percentage increases if the PUC approves. The Company started billing customers a 5.0% DSIC surcharge as of July 1, 2013. On September 1, 2015, PGW proposed an increase in the DSIC from 5.0% to 7.5% of distribution revenues and to levelize and annualize the DSIC. The PUC issued an Order and Opinion granting PGW's request to increase its DSIC to 7.5% on January 28, 2016 which went into effect on February 1, 2016. In FY 2025 and FY 2024, the Company billed customers \$38.6 million and \$35.0 million for the DSIC surcharge, respectively. The DSIC surcharge is fully reconcilable on a calendar year basis.

The Company bills customers for the cost of natural gas and the related costs incurred through the processing, distribution, and delivery of natural gas to residential, commercial, and industrial heating and non-heating customers.

Revenues include amounts related to gas that customers have used but has not yet been billed. Revenues are recognized as gas is distributed. Estimated revenues from gas distributed and unbilled, less estimated uncollectible amounts are accrued and included in operating revenues on the statements of revenues and expenses and changes in net position and were \$12.2 million and \$8.9 million for the years ended August 31, 2025 and 2024, respectively.

(i) Operating Expenses

The Company recognizes costs incurred as part of the Company's regular business activities on the statements of revenues and expenses and changes in net position as operating expenses. These costs include field operations, marketing, gas processing, and other similar costs.

Costs incurred that do not involve normal business operations are recognized as nonoperating expenses.

(j) Provision for Uncollectible Accounts

The Company estimates its accumulated provision for uncollectible accounts based on a financial analysis and a collectability study performed as of the fiscal year end. For FY 2025 and FY 2024, management has provided an accumulated provision for uncollectible accounts in excess of the

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collectability study results based on its analysis of historical aging data. The actual results of the Company's collection efforts could differ significantly from the Company's estimate.

Due to the seasonal nature of the business, the Company carries credit balances in accounts receivable primarily as a result of prepayment by budget customers. Credit balances of \$21.8 million and \$20.9 million as of August 31, 2025 and 2024, respectively, have been reclassified to accounts payable in the balance sheets.

(k) Gas Inventories, Materials, and Supplies

Gas inventories, materials, and supplies, consisting primarily of fuel stock, gas stored to meet peak demand requirements, and spare parts, are stated at average cost as of August 31, 2025 and 2024, as follows (thousands of U.S. dollars):

	<u>2025</u>	<u>2024</u>
Gas inventory	\$ 42,218	50,126
Material and supplies	<u>14,607</u>	<u>17,264</u>
Total	<u>\$ 56,825</u>	<u>67,390</u>

(l) Unamortized Bond Insurance Costs, Debt Discount, and Premium

Discounts or premiums and bond insurance costs arising from the sale of revenue bonds are amortized using the interest method over the term of the related bond issue. Other costs of bond issuance are expensed as incurred.

(m) Unamortized Losses on Bond Refunding

Gains and losses on bond refunding are recorded as deferred inflows of resources and deferred outflows of resources, respectively, and amortized, using the interest method, to interest expense over the shorter of the life of the refunding bond issue or the remaining original amortization period.

(n) Pensions and Postemployment Benefits

As described in note 10, the City sponsors a single employer defined benefit pension plan, the Philadelphia Gas Works Pension Plan (the Pension Plan), to provide pension benefits for certain current and former PGW employees and their beneficiaries. As described in note 11, PGW sponsors a single employer defined benefit healthcare plan, the Philadelphia Gas Works OPEB Plan (the OPEB Plan), to provide postemployment healthcare and life insurance benefits to substantially all current and former PGW employees and their beneficiaries.

In May 2010, the PUC approved a surcharge proposed by PGW to fund its OPEB liability resulting in charges to customer bills of \$16.0 million annually, and required PGW to use that \$16.0 million and an additional \$2.5 million of its resources to contribute \$18.5 million to the Trust in each of the years 2011 through 2015. The Trust, which is irrevocable, was established on July 13, 2010 to receive these and other contributions from PGW. In July 2015, the PUC approved the continuance of the OPEB surcharge beyond August 31, 2015. The Trust is managed by five Trustees, consisting of the City of

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Philadelphia Director of Finance; the Chief Finance Officer of PGW; the Vice President of Human Resources of PGW; the Chair of the Finance Committee of the Philadelphia Facilities Management Corporation Board (PFMC), which serves as the Board of Directors for PGW; and the President of Gas Works Employees Union of Philadelphia, Local 686, representing the majority of PGW's bargaining unit employees. The Trust exists to accumulate assets for the Plan, and the Trust does not independently have the capacity to raise funds. Responsibility for determining and funding the benefits rests with PGW management.

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Pension and OPEB Plans, and the Pension and OPEB Plans' expense, information about the fiduciary net position of the Pension Plan and OPEB Plan, and additions to or deductions from the Pension and OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the Pension and OPEB Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. With the exception of deferred outflows of resources related to employer contributions made after the measurement date, deferred inflows and outflows of resources related to the Pension and OPEB Plans are amortized over a closed five-year period or the average remaining service life of employees in the pension plan. Deferred outflows of resources related to employer contributions made after the measurement date will be recognized as a reduction of the net liability in the next fiscal year.

(o) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity or involvement.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

The categorization of a financial instrument within the hierarchy is based upon pricing transparency and is not necessarily an indication of the Company's perceived risk of that instrument.

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The following is a description of the valuation methodologies used for investments measured at fair value:

- Treasury obligations – The fair value of treasury obligations are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 1 inputs.
- U.S. government agencies – The fair value of U.S. government agencies are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 2 inputs.
- Corporate obligations – The fair value of corporate obligations are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 2 inputs.
- Foreign obligations – The fair value of foreign obligations are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 2 inputs.
- Commercial paper – The fair value of commercial paper are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 1 inputs.
- Money market mutual fund – The fair value of money market are based on institutional bond quotes and evaluations based on various market and industry inputs and are primarily considered Level 1 inputs.

(p) Cash, Cash Equivalents, and Short-Term Investments

For the purpose of reporting cash and cash equivalents, all highly liquid investments with original maturities of three months or less are considered cash equivalents, except those held for long-term purposes in the Sinking Fund Reserve, Workers' Compensation Escrow Fund, and Capital Improvement Fund as described in note 3.

(q) Reserve for Injuries and Damages

The Company is principally insured through insurance carriers. However, the Company is required to cover settlement of claims, which are excluded under the provisions of such insurance policies. An estimated liability has been established, in accordance with PGC regulations, for settlements to be paid by the Company in the next fiscal year.

Estimated losses from claims for occurrences not covered by insurance, which will not be paid in the next fiscal year, have been accrued. Such liabilities have been established based upon Company history and consultation with counsel. Such expenses are expected to be recovered through future rates. Reductions to the reserve are made as claims are settled.

(r) Segment Information

All of the Company's assets and operations are employed in only one segment, local transportation, and distribution of natural gas in the City.

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(s) *Pollution Remediation*

The Company estimates its pollution remediation obligation using the expected cash flow method, in which measurement is based on the outlays expected to be incurred as a sum of probability weighted amounts in a range of possible estimated amounts. The Company's liability is based on a combination of internal and external cost estimates for the specific remediation activities agreed to as part of Pennsylvania Act 2, Land Recycling and Environmental Remediation Standards Act of 1995 and Pennsylvania Act 32, Storage Tank and Spill Prevention Act of 1989.

Estimated site liabilities are determined based upon existing remediation laws and technologies, specific site consultants' engineering studies, or by extrapolating experience with environmental issues at comparable sites. Estimates may change substantially as additional information becomes available regarding the level of contamination at specific sites, available remediation methods, and changes in price, technology, proposed land use, or applicable regulations.

(t) *Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the Company's financial statements include the accumulated provision for uncollectible accounts, the fair value of interest rate swap agreements, the self-insurance liability, the valuation of total pension and OPEB liabilities, compensated absences liabilities, and the present value of the lease obligations and subscription-based information technology arrangements.

(u) *Pronouncements Effective in the Current Year*

GASB Statement No. 101, *Compensated Absences* (GASB 101), establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (the Company's fiscal year ending August 31, 2025). The Company adopted GASB Statement No. 101 in FY 2025 and the accompanying FY 2024 financial statements have been restated to reflect its implementation. The adoption of GASB 101 required the Company to recognize compensated absences as liabilities when earned. As a result, the financial statement balances were restated to show increases in other current and noncurrent liabilities, reductions in accrued interest, taxes, and wages due to reclassification, and a corresponding decrease in unrestricted net position.

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As of and for the year ended August 31, 2024, previously reported amounts on the balance sheet changed as a result of the implementation of GASB 101 as follows (thousands of U.S. dollars):

	Originally reported, August 31, 2024	As adjusted, August 31, 2024
Other current liabilities	\$ 35,170	44,836
Accrued interest, taxes, and wages	11,832	6,821
Other noncurrent liabilities	34,662	55,901
Unrestricted net position	(103,675)	(129,569)

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued. This Statement defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The Company adopted this Statement during the fiscal year ending August 31, 2025 (see note 16).

(v) Pronouncements Effective in Future Years

(i) Effective for the Year Ending August 31, 2026

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (the Company's fiscal year ending August 31, 2026). The Company is currently evaluating the impact of GASB 103 on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, it also requires additional disclosures for capital assets held for sale and be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (the Company's fiscal year ending August 31, 2026). The Company is currently evaluating the impact of GASB 104 on its financial statements.

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(w) Accounting Policy Change

Effective FY 2025, PGW implemented an accounting policy change regarding capacity release revenue. The accounting policy change enhances transparency and more appropriately reflects the revenue gained from sales of capacity release on PGW's financial statements. Capacity release is a transaction where PGW agrees to lease a portion of PGW's firm rights on the interstate pipeline to a third party. Historically, PGW recorded only 25% of the total capacity release revenue on its income statement as Other operating revenues. The remaining 75% was credited directly to Natural gas expenses. PGW has revised its policy to record 100% of the gross capacity release revenue within Other operating revenues on the income statement. Concurrently, Natural gas expenses are increased by 75% of the total capacity release amount. This adjustment has a net zero impact on net income. The accounting policy change was retroactively applied to FY 2024.

(2) Ownership and Management and Related-Party Transactions and Balances

The Company is accounted for as a component unit of the City. As of January 1, 1973, under the terms of a two-year agreement automatically extended for successive two-year periods unless canceled upon 90 days' notice by the City, the Company is being managed by the Philadelphia Facilities Management Corporation (PFMC). The agreement, as amended, provides for reimbursement to PFMC of actual costs incurred in managing the Company, not to exceed a total of the prior fiscal year's maximum amount adjusted to reflect the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) All Items Index, Philadelphia, Pennsylvania, United States Department of Labor, Bureau of Labor Statistics, as most recently published and available to the Director of Finance of the City on March 1 of each such fiscal year. In FY 2025 and FY 2024, the applicable maximum amount was calculated to be \$1.8 million and \$1.7 million, respectively. The agreement requires the Company to make annual payments of \$18.0 million to the City. In FY 2025 and FY 2024, the Company made the annual payment of \$18.0 million to the City.

The Company engages in various transactions with the City and related parties. The Company provides gas service to the City and its component units. Operating revenues include \$23.9 million and \$22.5 million in FY 2025 and FY 2024, respectively, relating to sales to the City and its component units. Net amounts receivable from the City and its component units were \$2.3 million and \$3.0 million as of August 31, 2025 and 2024, respectively. Water and sewer services and licenses are purchased from a component unit of the City. Such purchases totaled \$2.0 million and \$1.6 million in FY 2025 and FY 2024, respectively.

Certain activities of the PGC are paid for by the Company. Such payments totaled \$1.0 million and \$0.9 million in FY 2025 and FY2024, respectively.

(3) Cash, Cash Equivalents, and Short-Term Investments

(a) Cash, Cash Equivalents, and Short-Term Investments

Cash and cash equivalents consist primarily of bank deposits, money market accounts, and investments purchased through various brokerage relationships. Bank balances of such deposits, accounts, and investments as of August 31, 2025 and August 31, 2024 were \$83.2 million and \$116.1 million, respectively. Book balances of such deposits and accounts as of August 31, 2025 and August 31, 2024 were \$82.5 million and \$115.6 million, respectively. Short-term investments with a carrying amount (at fair value) of \$75.1 million and \$98.4 million as of August 31, 2025 and August 31,

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2024, respectively, are included in the balances presented above. Federal depository insurance on these balances as of August 31, 2025 and August 31, 2024 was \$0.4 million each year. The remaining balances are not insured. Investments are primarily in Treasury obligations, U.S. government agencies, corporate obligations (short-term investments), and commercial paper.

The following is a schedule that details the Company's short-term investments and investment maturities (thousands of U.S. dollars):

Investment type	2025 Investment Maturities (In Years)	
	Fair value	<1
Treasury obligations	\$ 40,520	40,520
U.S. government agencies	15,826	15,826
Corporate obligations	18,797	18,797
Commercial paper	—	—
Total fair value of investments	\$ 75,143	75,143

Investment type	2024 Investment Maturities (In Years)	
	Fair value	<1
Treasury obligations	\$ 79,145	79,145
U.S. government agencies	6,485	6,485
Corporate obligations	—	—
Commercial paper	12,730	12,730
Total fair value of investments	\$ 98,360	98,360

The following table is a schedule that details the fair value hierarchy of the Company's short-term investments (thousands of U.S. dollars):

Investment type	August 31, 2025			
	Total Fair Value	Level 1	Level 2	Level 3
Treasury obligations	\$ 40,520	40,520	—	—
U.S. government agencies	15,826	—	15,826	—
Corporate obligations	18,797	—	18,797	—
Total fair value of investments	\$ 75,143	40,520	34,623	—

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Investment type	August 31, 2024			
	Total Fair Value	Level 1	Level 2	Level 3
Treasury obligations	\$ 79,145	79,145	—	—
U.S. government agencies	6,485	—	6,485	—
Commercial paper	12,730	12,730	—	—
Total fair value of investments	\$ 98,360	91,875	6,485	—

(b) Sinking Fund Reserve, Capital Improvement Fund, and Workers' Compensation Escrow

The investments in the Company's Sinking Fund Reserve, Capital Improvement Fund and Workers' Compensation Escrow Fund consist primarily of treasury obligations, U.S. government agencies, corporate obligations, foreign obligations, commercial paper, and money market mutual funds. These investments are maintained by the City or in the Company's name by its agent.

The Sinking Fund Reserve is required by bond ordinance to hold an amount equal to the greatest amount of debt service required by bonds secured by the Sinking Fund Reserve in any fiscal year. The balance of the Company's Sinking Fund Reserve as of August 31, 2025 and 2024 was \$121.5 million and \$116.1 million, respectively. Interest income on these funds, to the extent not drawn, is reflected as an increase in the Sinking Fund Reserve and approximated \$5.4 million in FY 2025 and \$4.8 million in FY 2024.

The balance in the Capital Improvement Fund as of August 31, 2025 and 2024 was \$245.2 million and \$0.0 million, respectively. Interest income on these funds, to the extent not drawn, is reflected as an increase in the Capital Improvement Fund and was approximately \$9.0 million in FY 2025 and \$0.3 million in FY 2024. PGW withdrew \$80.0 million and \$43.9 million during FY2025 and FY 2024, respectively.

Pursuant to the Pennsylvania Department of Labor and Industry Bureau of Workers' Compensation Self-Insurance policy, the Company has established and maintained a restricted trust account. As of August 31, 2025 and 2024, the trust account balances were \$3.1 million and \$2.9 million, respectively.

Investments are recorded at fair value except for certain money market funds recorded at amortized cost. The adjustment to the fair value for the Sinking Fund Reserve, Capital Improvement Fund, and Workers' Compensation Escrow Fund resulted in gains of \$0.9 million and \$1.6 million in FY 2025 and FY 2024, respectively.

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The following schedules detail the Company's investments and investment maturities in the Sinking Fund Reserve (thousands of U.S. dollars):

Investment type	2025 Investment Maturities (In Years)		
	Fair value	<1	1-5
Treasury obligations	\$ 54,495	13,542	40,953
U.S. government agencies	26,472	21,123	5,349
Corporate obligations	17,179	11,198	5,981
Foreign obligations	17,007	12,565	4,442
Commercial paper	5,885	5,885	—
Money market mutual funds	447	N/A	N/A
Total fair value of investments	\$ 121,485	64,313	56,725

Investment type	2024 Investment Maturities (In Years)		
	Fair value	<1	1-5
Treasury obligations	\$ 19,442	4,981	14,461
U.S. government agencies	54,246	30,146	24,100
Corporate obligations	15,137	11,137	4,000
Foreign obligations	16,202	5,072	11,130
Commercial paper	10,743	10,743	—
Money market mutual funds	375	N/A	N/A
Total fair value of investments	\$ 116,145	62,079	53,691

The following schedules detail the Company's investments and investment maturities in the Capital Improvement Fund (thousands of U.S. dollars):

Investment type	2025 Investment Maturities (In Years)		
	Fair value	<1	1-5
Treasury obligations	\$ 159,853	90,282	69,571
Corporate obligations	55,914	49,323	6,591
Foreign obligations	6,442	6,442	—
Money market mutual funds	23,022	23,022	—
Total fair value of investments	\$ 245,231	169,069	76,162

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The following is a schedule that details the Company's investments and investment maturities in the Workers' Compensation Escrow Fund (thousands of U.S. dollars):

Investment type	2025 Investment Maturities (In Years)	
	Fair value	<1
Money market mutual funds	\$ 3,059	3,059
Total fair value of investments	<u>\$ 3,059</u>	<u>3,059</u>

Investment type	2024 Investment Maturities (In Years)	
	Fair value	<1
Money market mutual funds	\$ 2,929	2,929
Total fair value of investments	<u>\$ 2,929</u>	<u>2,929</u>

The following schedules detail the fair value hierarchy of the Company's investments in the Sinking Fund Reserve (thousands of U.S. dollars):

Investment type	August 31, 2025			
	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 54,495	54,495	—	—
U.S. government agencies	26,472	—	26,472	—
Corporate obligations	17,179	—	17,179	—
Foreign obligations	17,007	—	17,007	—
Commercial paper	5,885	5,885	—	—
Money market mutual funds	<u>447</u>	<u>447</u>	<u>—</u>	<u>—</u>
Total fair value of investments	<u>\$ 121,485</u>	<u>60,827</u>	<u>60,658</u>	<u>—</u>

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August 31, 2024				
Investment type	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 19,442	19,442	—	—
U.S. government agencies	54,246	—	54,246	—
Corporate obligations	15,137	—	15,137	—
Foreign obligations	16,202	—	16,202	—
Commercial paper	10,743	10,743	—	—
Money market mutual funds	375	375	—	—
Total fair value of investments	\$ <u>116,145</u>	<u>30,560</u>	<u>85,585</u>	<u>—</u>

The following schedule details the fair value hierarchy of the Company's investments in the Capital Improvement Fund (thousands of U.S. dollars):

August 31, 2025				
Investment type	Total fair value	Level 1	Level 2	Level 3
Treasury obligations	\$ 159,853	159,853	—	—
Corporate obligations	55,914	—	55,914	—
Foreign obligations	6,442	—	6,442	—
Money market mutual funds	23,022	23,022	—	—
Total fair value of investments	\$ <u>245,231</u>	<u>182,875</u>	<u>62,356</u>	<u>—</u>

The following schedules detail the fair value hierarchy of the Company's investments in the Workers' Compensation Escrow Fund (thousands of U.S. dollars):

August 31, 2025				
Investment type	Total fair value	Level 1	Level 2	Level 3
Money market mutual funds	\$ 3,059	3,059	—	—
Total fair value of investments	\$ <u>3,059</u>	<u>3,059</u>	<u>—</u>	<u>—</u>

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Investment type	August 31, 2024			
	Total fair value	Level 1	Level 2	Level 3
Money market mutual funds	\$ 2,929	2,929	—	—
Total fair value of investments	\$ 2,929	2,929	—	—

(c) Interest Rate Risk

It is the policy of the City to diversify its investment portfolios. Portfolio diversification is employed as a way to control risk. Investments shall be diversified as to maturities and as to kind of investments to minimize the risk of loss, which might result from over concentration of assets in a specific maturity, in a specific kind of a security, or from a specific issuer or industry.

(d) Credit Risk

The City has adopted an investment policy relating to the investments of the Company. Per the investment policy, the Company's allowable investments are as follows:

- Bonds or notes of the U.S. government.
- U.S. Treasury obligations, including separate trading of registered interest and principal securities; receipts indicating an undivided interest in such U.S. Treasury obligations; and stripped coupons held under book entry with the New York Federal Reserve Bank.
- Investments in U.S. treasury and U.S. agency floating rate securities are allowed. The maturity limitation is two years and ten days from the trade date.
- Obligations of the following U.S. government sponsored agencies: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit System, Federal Home Loan Bank, Resolution Funding Corporation, and Tennessee Valley Authority.
- Collateralized banker's acceptances and certificate of deposit denominated in U.S. dollars and issued by a city code authorized depository. Certificates of deposit must be secured by acceptable collateral with a total market value equal to 102.0% of the deposit.
- Commercial paper with a stated maturity of 397 days or less, which is rated P1 by Moody's or A1+ by Standard & Poor's (S&P). The senior long-term debt of the commercial paper issuer, or the entity providing an explicit guarantee, must be rated not lower than A2 by Moody's or A by S&P.
- Asset backed commercial paper (ABCP), which does not have a long-term rating, is an allowable investment if it meets the short-term rating requirements but is only allowed up to the ABCP sublimit.
- General obligation bonds of corporations rated Aa2 or better by Moody's or AA or better by S&P with a final maturity of two years or less.

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- Collateralized mortgage obligations and pass-through securities directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States and with a final maturity of two years or less. The rating must be no lower than Aa2 by Moody's or AA by S&P.
- Money market mutual funds, as defined by the Securities and Exchange Commission. Such money market funds must have assets over \$15.0 billion, have the highest rating from Moody's, S&P, and Fitch, and contain only government securities.
- Repurchase agreements that are fully collateralized in bonds or notes of the U.S. government pledged to the City and held in the City's name and deposited at the time the investment is made with an entity or a third-party selected and approved by the City. The market value of the collateral shall be at least 102.0% of the funds being disbursed.
- Obligations of the Commonwealth of Pennsylvania (the Commonwealth) or any municipality or other political subdivision of the Commonwealth with a final maturity of two years or less and a rating of at least 'A' by Moody's or S&P provided that the entity has no Nationally Recognized Statistical Rating Organization (NRSRO) taking lower than 'A'.

The Company's investments as of August 31, 2025 and 2024 were in compliance with the investment policy and were at investment grade or better.

Authorized investments for Sinking Fund Portfolios are dictated by the First Class City Revenue Bond Act of the General Assembly of the Commonwealth of Pennsylvania, approved October 18, 1972. This also includes any investment vehicle permitted for any Commonwealth state agency.

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The Company's investment policy provides for the following percentage limitations of authorized investments, valued at market:

	Percent of portfolio allowed	Percent of portfolio per issuer	Percent of outstanding securities per issuer
U.S. government	100	100	N/A
Treasury obligations	100	100	N/A
U.S. agencies and instrumentalities	100	33	N/A
Banker's acceptances and certificates of deposit	15	3	3
Commercial paper	30	3	3
Corporate bonds	30	3	3
Collateralized mortgage obligations and pass-through securities	5	3	3
Commonwealth of PA and subdivisions of Commonwealth of PA	15	3	3
Money market mutual funds	25	10	3
Repurchase agreements	25	10	N/A

Approximately 91.0% of the Company's cash and cash equivalents as of August 31, 2025 are in the following: U.S. Treasury bills (49.1%), Corporate Bonds (22.8%), and Federal Home Loan Bank Bonds (19.2%). These investments are in accordance with the investment policy.

(e) Custodial Credit Risk

The Company has selected, as custodial bank, a member of the Federal Reserve System, to hold its investments. Delivery of the applicable investment documents to the Company's custodian is required for all investments. For secured transactions, such as repurchase agreements, either the title to or a perfected security interest in the securities, along with any necessary transfer documents, must be transferred to the custodian. Such transactions will always use delivery versus payment procedures.

(4) Recoverable Costs

In compliance with orders issued by the PGC, the cost of projects that produce benefits over an extended period is recorded on the balance sheets as a recoverable cost in other assets. There is no return on the asset being charged to the customers. The unamortized costs included in other noncurrent assets were \$0.5 million and \$0.4 million as of August 31, 2025 and 2024, respectively.

The Company has recognized the long-term portion of its environmental remediation liability as a regulatory asset, because based on available evidence, it is probable that the previously incurred costs will be recovered through rates. The Company estimates additional expenditures to be approximately \$28.1 million.

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The recoverable pandemic costs reported in other noncurrent assets were \$18.2 million and \$25.3 million as of August 31, 2025 and 2024, respectively. The Company has recognized COVID-19 pandemic expenses as a regulatory asset because the PUC has allowed it to recover these costs through rates. COVID-19 pandemic costs, provisions for uncollectible accounts, and waived reconnection and finance charges were de minimis in FY 2025 and FY 2024 and recorded on the balance sheets as a recoverable cost in other noncurrent assets. In November 2024, PGW received \$0.2 million from the Commonwealth of Pennsylvania, which was used to offset a portion of the pandemic expenses.

(5) Deferred Compensation Plan

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Company employees with at least 30 days of service, permits them to defer a portion of their salary until future years. The Company provides an annual 50.0% matching contribution of applicable wages, up to a maximum of \$1,000, that immediately vests to the employee. The Company contributed \$1.2 million in FY 2025 and in FY 2024. PGW's contributions are accounted for as part of administrative and general expenses on the statements of revenues and expenses and changes in net position.

(6) Notes Payable

Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also issue additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in both FY 2025 and FY 2024. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreement is June 16, 2026.

As of August 31, 2025, there were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) outstanding. As of August 31, 2024, there were \$35.0 million Capital Project Notes outstanding.

Capital Project Note activity for the year ended August 31, 2025 is as follows (thousands of U.S. dollars):

Year ended August 31, 2025				
	Beginning balance	Additions	Reductions	Ending balance
Capital Project Notes	\$ 35,000	—	35,000	—

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August 31, 2025 and 2024

(7) GCR Tariff Reconciliation

During the fiscal year ended August 31, 2025, the Company's actual gas costs were lower than its billed gas costs by approximately \$4.8 million. This amount was netted with other applicable costs and recorded in other current liabilities on the balance sheet as of August 31, 2025. Actual gas costs were \$34.3 million lower than billed gas costs in FY 2024. This amount was netted with other applicable costs and recorded in other current assets on the balance sheet as of August 31, 2024.

(8) Long-Term Debt and Other Liabilities

The following summary of long-term debt consists primarily of bonds issued by the City under agreements whereby the Company must reimburse the City for the principal and interest payments required by the bond ordinances for the fiscal years ended August 31, 2025 and 2024 (thousands of U.S. dollars):

	August 31, 2025			August 31, 2024		
	Current portion	Long-term	Total	Current portion	Long-term	Total
Revenue bonds	\$ 58,445	1,073,715	1,132,160	56,480	826,515	882,995
Unamortized discount	—	—	—	(4)	(36)	(40)
Unamortized premium	11,426	117,616	129,042	9,252	88,371	97,623
Total revenue bonds	\$ 69,871	1,191,331	1,261,202	65,728	914,850	980,578

The following is a summary of activity related to revenue bonds and other liabilities and the respective balances for the fiscal years ended August 31, 2025 and 2024 (thousands of U.S. dollars):

	Year ended August 31, 2025				
	Beginning balance	Additions	Reduction	Ending balance	Due within one year
Revenue bonds	\$ 882,995	424,250	(175,085)	1,132,160	58,445
Other liabilities:					
Claims and judgments	\$ 8,774	107	(1,393)	7,488	3,832
Environmental cleanup	28,228	—	(129)	28,099	1,838
Interest rate swap liability	2,519	—	(727)	1,792	—
Total other liabilities	\$ 39,521	107	(2,249)	37,379	5,670

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Year ended August 31, 2024					
	Beginning balance	Additions	Reduction	Ending balance	Due within one year
Revenue bonds	\$ 943,250	—	(60,255)	882,995	56,480
Other liabilities:					
Claims and judgments	\$ 6,789	1,985	—	8,774	3,318
Environmental cleanup	23,610	4,618	—	28,228	1,542
Interest rate swap liability	1,897	622	—	2,519	—
Total other liabilities	\$ 32,296	7,225	—	39,521	4,860

(a) Principal Maturities and Scheduled Interest and Swap Payments

Principal maturities and scheduled interest payments for revenue bonds and estimated payments on the interest rate swaps are as follows (thousands of U.S. dollars):

Revenue bonds				
	Principal	Interest	Net swap amount	Total
Fiscal year ending				
August 31:				
2026	\$ 58,445	32,489	430	91,364
2027	59,295	30,622	299	90,216
2028	61,985	28,844	153	90,982
2029	45,325	27,427	—	72,752
2030	46,135	26,177	—	72,312
2031–2035	233,465	109,850	—	343,315
2036–2040	210,890	72,119	—	283,009
2041–2045	173,475	41,622	—	215,097
2046–2050	166,075	15,335	—	181,410
2051–2054	77,070	4,046	—	81,116
Total	\$ 1,132,160	388,531	882	1,521,573

This table assumes that there are no draws on letters of credit supporting variable rate debt issuances resulting in bank bonds. Bank bonds are subject to accelerated payment terms and increased interest rates. Variable rate debt issuances represent \$78.8 million of the outstanding principal as of August 31, 2025.

Future debt service is calculated using rates in effect as of August 31, 2025 for variable rate bonds, which ranged from 1.70% to 2.79% in the month of August. The variable bond rate was 2.44% as of

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August 31, 2025. The variable rate received under the swaps is 70% of one month Secured Overnight Financing Rate (SOFR) plus 0.0801% until maturity, which was 3.13% as of August 31, 2025.

(b) Bond Issuances – Refunding of Bonds and Defeasance of Bonds

Seventeenth Series Bonds (1998 Ordinance)

On September 18, 2024, the City issued Gas Worked Revenue Bonds, Seventeenth Series A (1998 Ordinance) and Seventeenth Series B (1998 Ordinance) in the par amount of \$315.0 million and \$109.3 million, respectively.

The Seventeenth Series A Bonds, with fixed interest rates that range from approximately 5.0% to 5.3%, have maturity dates through 2054. The proceeds from the sale of the Seventeenth Series A Bonds were issued to finance portion of PGW's ongoing Capital Improvement Program, pay the costs of issuing the bonds, and repayment of notes payables of \$35.0 million.

The Seventeenth Series B Bonds, with fixed interest rates of 5.0%, have maturity dates through 2034. The proceeds from the sale of the Seventeenth Series B Bonds were issued to refund the Fifth Series Bonds and partially refund \$88.6 million principal of the Thirteenth Series Bonds. The refunding removed the need for LOC fees related to the Fifth Series Bonds. The gain on the refunding component was \$2.0 million, which will be amortized over the life of the Seventeenth Series B Bonds.

The Company's Eight Series B variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of August 24, 2024. On July 21, 2022, this letter of credit was extended for an additional four-year term from the original stated expiration date resulting in a new stated expiration date of August 12, 2028.

The Company's Eight Series C variable rate bonds are backed by an irrevocable letter of credit. The existing letter of credit was scheduled to expire on September 1, 2022. On July 21, 2022, a replacement letter of credit was issued with an expiration date of August 12, 2028.

The Company's Eight Series D variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of August 12, 2023. On July 21, 2022, this letter of credit was extended for an additional five-year term from the original stated expiration date resulting in a new stated expiration date of August 12, 2028.

The Company's Eight Series E variable rate bonds are backed by an irrevocable letter of credit, which had an original stated expiration date of August 1, 2024. On July 21, 2022, this letter of credit was extended for an additional four-year term from the original stated expiration date resulting in a new stated expiration date of August 12, 2028.

In the event that the letter of credit agreements supporting the Eighth Series bonds are not extended or replaced prior to their expiration dates, a mandatory tender of the then outstanding bonds will occur. If such mandatory tender results in draws on the letters of credit, the bonds will become bank bonds subject to accelerated payment terms and increased interest rates.

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Interest rates and maturities of the outstanding revenue bonds are detailed as follows (thousands of U.S. dollars):

	Interest rates	Maturity date (fiscal year)	Balance outstanding August 31	
			2025	2024
5th Series A-2	Variable *	2035	\$ —	30,000
8th Series B	Variable *	2028	17,565	22,650
8th Series C	Variable *	2028	17,470	22,530
8th Series D	Variable *	2028	26,210	33,800
8th Series E	Variable *	2028	17,565	22,650
13th Series	3.00%–5.00%	2034	—	101,225
14th Series	2.00%–5.00%	2038	162,785	174,295
15th Series	2.00%–5.00%	2047	229,885	235,505
16th Series A	4.00%–5.00%	2050	192,210	196,120
16th Series B	4.00%–5.00%	2040	44,220	44,220
17th Series A	5.00%–5.30%	2054	314,960	—
17th Series B	5.00%	2034	109,290	—
			<u>\$ 1,132,160</u>	<u>882,995</u>

* As of August 31, 2025, the SOFR based rate was 3.13%.

(c) Debt Coverage and Sinking Fund Requirements

Under the terms of both general ordinances, the City is required to maintain rates to allow the Company to satisfy 1975 and 1998 revenue bond debt coverage ratio requirements. Upon issuance of the Thirteenth Series Bonds, no debt under the 1975 General Ordinance remains outstanding.

Also provided by both general ordinances is the establishment of a Revenue Bond Sinking Fund Reserve into which deposits are made in an amount equal to the maximum annual debt service requirement on the bonds of each respective general ordinance in any fiscal year.

Funds in the Revenue Bond Sinking Fund Reserve are to be applied to the payment of debt service if, for any reason, other funds in the Sinking Fund, which operates as a debt service payment fund into which debt service payments are deposited as they come due, should be insufficient.

The revenue bonds are, and will be, equally and ratably collateralized by a security interest in all of the Company's project revenues, as defined in the general ordinances, and monies in the Sinking Fund, including the Sinking Fund Reserve.

Portions of certain revenue bonds were issued as zero-coupon securities. Interest on these securities is accrued and compounded on the payment dates of the current interest bonds within the issue. The accrued interest in the amount of \$7.2 million and \$6.4 million in FY 2025 and FY 2024, respectively, is reported as a component of accrued accounts.

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(d) Interest Rate Swap Agreements

Objective – In January 2006, the City entered into a fixed rate pay or floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

Terms – The swaps had an original termination date of August 1, 2031, which was subsequently amended to August 1, 2028. The swaps require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one month SOFR plus 0.0801% until maturity.

In August 2016, the underlying variable rate bonds maturing in FY 2017 through FY 2023 were refunded with fixed rate bonds and the related portions of the swaps, totaling \$102.7 million in notional amount, were terminated. PGW made a termination payment of \$13.9 million to fund this partial termination of the swaps which is included in unamortized loss on bond refunding on the Company's balance sheet.

As of August 31, 2025, the swaps had a notional amount of \$78.8 million and the associated variable rate debt had a \$78.8 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$17.6 million and the associated variable rate bonds had a \$17.6 million principal amount.
- The Series C swap had a notional amount of \$17.4 million and the associated variable rate bonds had a \$17.4 million principal amount.
- The Series D swap had a notional amount of \$26.2 million and the associated variable rate bonds had a \$26.2 million principal amount.
- The Series E swap had a notional amount of \$17.6 million and the associated variable rate bonds had a \$17.6 million principal amount.

The final maturity date for all swaps is August 1, 2028.

Fair Value – As of August 31, 2025, the swaps had a combined negative fair value of approximately \$1.8 million. The fair values of the interest rate swaps were estimated using the zero-coupon method and are classified as Level 2 within the fair value hierarchy as described in note 1. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Risks – As of August 31, 2025, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard International Swaps and Derivatives Association, Inc. master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A – (Moody's/S&P), unless the counterparty has (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii)

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executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the City of Philadelphia Gas Works Revenue Bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month SOFR plus 0.0801% received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or if marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month SOFR plus 0.0801% received on the swap.

The impact of the interest rate swaps on the financial statements as of and for the years ended August 31, 2025 and 2024 is as follows (thousands of U.S. dollars):

	<u>Interest rate swap liability</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Balance, August 31, 2024	\$ (2,519)	—	(3,162)
Change in fair value through August 31, 2025	727	—	(727)
Amortization of terminated hedge	—	—	1,420
Balance, August 31, 2025	<u>\$ (1,792)</u>	<u>—</u>	<u>(2,469)</u>

	<u>Interest rate swap liability</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Balance, August 31, 2023	\$ (1,897)	—	(5,204)
Change in fair value through August 31, 2024	(622)	—	622
Amortization of terminated hedge	—	—	1,420
Balance, August 31, 2024	<u>\$ (2,519)</u>	<u>—</u>	<u>(3,162)</u>

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight line basis to expense over the life of the hedge.

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The interest rate swap liability is included in other noncurrent liabilities on the balance sheets.

There are no collateral posting requirements associated with the swap agreements.

(9) Leases and software subscriptions

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset, as specified in the contract for a period of time in an exchange or exchange-like transaction. PGW leases nonfinancial assets such as land, buildings, office equipment, vehicles, and machinery.

A software subscription, also known as subscription-based information technology arrangements (SBITAs), is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The related obligations are presented in the amounts equal to the present value of the lease/software subscription payments, payable during the remaining lease and software subscription term. As the lessee, the lease and software subscription assets and the respective liabilities are recognized on PGW's balance sheets. In addition, the interest and depreciation expenses changes are recognized on PGW's statement of revenues and expenses and changes in net position.

There are no variable payment clauses in any of PGW's lease and software subscription agreements. Lease and software subscription payments are discounted using a fixed interest rate if implicit in the contract. In instances where an interest rate was not readily implicit in the contract, PGW used a fixed long-term borrowing rate of 4.4% and 4.6% to determine the present value of the lease and software subscription obligations in FY 2025 and FY 2024, respectively.

PGW did not incur expenses related to its leasing and software subscription activities related to residual value guarantees, termination penalties, or losses due to impairment. PGW did not enter into any lease and software subscription arrangements with third parties in which PGW was a sublessee. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

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As of August 31, 2025, PGW had minimum principal and interest payment requirements for its leasing activities, with a remaining term greater than one year, as follows (thousands of U.S. dollars):

		Lease liability				
		Beginning balance	Principal payments	Interest payments	Total payments	Ending balance
Fiscal year ending						
August 31:						
2025	\$	59,239	1,534	3,094	4,628	57,705
2026		57,705	1,586	3,015	4,601	56,119
2027		56,119	1,183	2,933	4,116	54,936
2028		54,936	1,189	2,870	4,059	53,747
2029		53,747	1,241	2,805	4,046	52,506
2030-2034		52,506	8,045	12,867	20,912	44,461
2035-2039		44,461	11,852	10,267	22,119	32,609
2040-2044		32,609	16,914	6,522	23,436	15,695
2045-2048		15,694	15,694	1,534	17,228	—
Total	\$		59,238	45,907	105,145	

As of August 31, 2025, PGW had minimum principal and interest payment requirements for its software subscription activities, with a remaining term greater than one year, as follows (thousands of U.S. dollars):

		Software subscription liability					
		Beginning balance	Additions	Principal payments	Interest payments	Total payments	Ending balance
Fiscal year ending							
August 31:							
2025	\$	1,489	9,506	3,822	69	3,891	7,173
2026		7,173	—	3,287	318	3,605	3,886
2027		3,886	—	2,640	171	2,811	1,246
2028		1,246	—	1,246	55	1,301	—
Total	\$			10,995	613	11,608	

Currently there are no leasing and software subscription agreements where PGW is the lessor.

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(10) Defined Benefit Pension Plan

(a) Plan Description

The single employer Pension Plan provides pension benefits for all eligible employees of PGW and other eligible class employees of PFMC and PGC.

The Pension Plan provides retirement payments for vested employees at age 65 or earlier under various options, which includes a disability pension provision, a preretirement spouse or domestic partner's death benefit, a reduced pension for early retirement, various reduced pension payments for the election of a survivor option, and a provision for retirement after thirty years of service without penalty for reduced age. In accordance with Resolutions of the PGC, Ordinances of City Council, and as prescribed by the City's Director of Finance, the Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, which serves as the Trustee. Management believes that the Pension Plan is in compliance with all applicable laws.

(b) Benefits Provided

Normal Retirement Benefits: The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60.0% of the highest annual earnings during the last ten years of credited service, or
- 2.0% of total earnings received during the period of credited service plus 22.5% of the first \$1,200 annual amount, applicable only to participants who were employees on or prior to March 24, 1967.

Death Benefits: Before retirement, the death beneficiary of deceased active participants or of deferred vested participants are entitled to vested benefits provided such participants died after having attained age 45 and completed at least fifteen years of Credited Service and whose age plus years of credited service equals at least 65 or whom have completed at least fifteen years (effective May 15, 2015 – formerly twenty years) of Credited Service regardless of age. The benefit is payable for the death beneficiary's remaining lifetime equal to the amount the participant would have received had the participant retired due to a disability on the day preceding his/her death and elected the 100% contingent annuitant option.

Disability Benefits: Disability benefits are the same as the Normal Retirement Benefits and are based on Final Average Compensation and Credited Service as of the date of disability.

Final Average Earnings are the employee's average pay, over the highest five years of the last ten years of credited service. Employees with fifteen years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with thirty years of service may retire without penalty for reduced age.

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Except as noted in the following paragraph, covered employees are not required to contribute to the Pension Plan.

In December 2011, the Pension Plan was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined-benefit plan. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. The defined-benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

(c) Employees Covered by Benefit Terms

At June 30, 2025, the date of the most recent actuarial valuation, the Pension Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	2,532
Participants:	
Vested	808
Nonvested	334
Total participants	1,142
Total membership	3,674

(d) Contributions

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined amounts that are sufficient to accumulate assets to pay benefits when due considering employee contributions required for new hires after December 2011 who elect to participate in the Pension Plan. The employer contribution is determined using the Projected Unit Credit actuarial funding method. For the fiscal years ended August 31, 2025 and 2024, the actuarially determined employer contribution was \$24.9 million and \$25.9 million, respectively. For each of the fiscal years ended August 31, 2025 and 2024, PGW contributed \$30.0 million. The contributions for fiscal years ended August 31, 2025 and 2024 were based on the direction of the City of Philadelphia Director of Finance. Employee contributions were approximately \$3.0 million and \$2.6 million in the plan year ended June 30, 2025 and June 30, 2024, respectively.

(e) Net Pension Liability

The Company's net pension liability as of August 31, 2025 and 2024 was measured as of June 30, 2025 and 2024 based on an actuarial valuation as of June 30, 2025 and June 30, 2024, respectively.

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The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	<u>2025</u>	<u>2024</u>
Inflation	2.00 %	2.00 %
Investment rate of return	7.00 %	7.00 %
Salary increases:		
Years of service		
0	8.86	8.86
1	8.59	8.59
2	8.31	8.31
3	8.04	8.04
4	7.77	7.77
5	7.49	7.49
6	7.22	7.22
7	6.94	6.94
8	6.67	6.67
9	6.39	6.39
10	6.12	6.12
11	5.84	5.84
12	5.57	5.57
13	5.29	5.29
14	5.02	5.02
15	4.74	4.74
16	4.54	4.54
17	4.33	4.33
18	4.12	4.12
19	3.91	3.91
20 or more	3.71	3.71

Mortality rates: Mortality rates for FY 2025 and FY 2024 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2021.

Long-term rate of return: The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by

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expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2025 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0 %	55.0 %	41.5 %	7.5 %
International equity	10.0	30.0	18.5	7.6
Fixed income	25.0	45.0	32.5	4.9
Alternatives	—	10.0	7.5	—
Cash equivalents	—	10.0	—	—
			100.0 %	

Discount rate: The discount rate used to measure the total pension liability at June 30, 2025 and 2024 was 7.0% in each year. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total Pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2024	\$ 841,654	654,983	186,671
Changes for the year:			
Service cost	9,755	—	9,755
Interest	57,461	—	57,461
Differences between expected and actual experience	6,156	—	6,156
Change of Assumptions	10,193	—	10,193

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Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total Pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a)-(b)
Contributions – employer	\$ —	30,000	(30,000)
Contributions – employee	—	3,000	(3,000)
Net investment income	—	77,274	(77,274)
Benefit payments, including refunds of employee contributions	(62,116)	(62,116)	—
Administrative expenses	—	(362)	362
Net changes	21,449	47,796	(26,347)
Balances at August 31, 2025	\$ 863,103	702,779	160,324

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total Pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2023	\$ 833,566	604,133	229,433
Changes for the year:			
Service cost	9,256	—	9,256
Interest	56,901	—	56,901
Differences between expected and actual experience	2,859	—	2,859
Contributions – employer	—	30,000	(30,000)
Contributions – employee	—	2,642	(2,642)
Net investment income	—	79,630	(79,630)
Benefit payments, including refunds of employee contributions	(60,928)	(60,928)	—
Administrative expenses	—	(494)	494
Net changes	8,088	50,850	(42,762)
Balances at August 31, 2024	\$ 841,654	654,983	186,671

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Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability, in thousands of U.S. dollars, of the Company at June 30, 2025, calculated using the discount rate of 7.00%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 252,177	160,324	82,585

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability, in thousands of U.S. dollars, of the Company at June 30, 2024, calculated using the discount rate of 7.00%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 276,401	186,671	110,737

Pension Plan's fiduciary net position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report. Requests for additional information should be addressed to Chief Investment Officer, Philadelphia Board of Pensions and Retirements, 1500 John F. Kennedy Boulevard, Two Penn Center Plaza, 17th Floor, Philadelphia, PA 19102.

(f) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2025 and 2024, the Company recognized pension expense of \$9.4 million and \$25.3 million, respectively. At August 31, 2025 and 2024, the Company reported

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deferred outflows of resources and deferred inflows of resources related to the pension from the following sources (thousands of U.S. dollars):

	August 31, 2025		August 31, 2024	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 6,157	—	4,480	—
Changes of assumptions	7,496	—	237	—
Net difference between projected and actual earnings on pension plan investments	—	34,823	—	20,160
Contributions made after measurement date	6,396	—	6,396	—
Total	<u>\$ 20,049</u>	<u>34,823</u>	<u>11,113</u>	<u>20,160</u>

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2025 will be recognized as a reduction of the total pension liability in FY 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:	
2026	\$ 11,041
2027	(14,934)
2028	(10,786)
2029	<u>(6,491)</u>
	<u>\$ (21,170)</u>

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(g) Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of June 30, 2025 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ —	69,486	—	69,486
Common and preferred stock	464,824	15	2	464,841
U.S. government securities	68,251	67,736	—	135,987
Financial agreements	—	9,672	—	9,672
Asset backed securities	1,346	—	—	1,346
Municipal obligations	—	364	—	364
	<u>\$ 534,421</u>	<u>147,273</u>	<u>2</u>	<u>681,696</u>

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of June 30, 2024 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ —	62,488	—	62,488
Common and preferred stock	437,095	—	2	437,097
U.S. government securities	58,199	67,416	—	125,615
Financial agreements	—	11,541	—	11,541
Asset backed securities	1,186	—	—	1,186
Municipal obligations	—	245	—	245
	<u>\$ 496,480</u>	<u>141,690</u>	<u>2</u>	<u>638,172</u>

(11) Other Postemployment Benefits

(a) Plan Description

The Company sponsors a single employer defined benefit healthcare plan, which provides postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in accordance with their retiree medical program.

The OPEB Plan comprises of (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries

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designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

(b) Benefits Provided

Medical Benefits: For pre-65 retirees, a choice of plans is offered through Independence Blue Cross, including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMOs. Employees who retired after December 1, 2001 and prior to September 1, 2007 are provided the Keystone 5 Plan at PGW's expense, and they can buy up to a more expensive plan. Employees who retired on or after September 1, 2007 and prior to September 1, 2011 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired after August 31, 2011 and prior to May 15, 2022 are provided the Keystone 15 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired on or after May 15, 2022 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Management employees who retired after August 31, 2011 are provided the Keystone 10 Plan as the base plan, and they can buy up to a more expensive plan. Union employees who retired between January 1, 2024 and August 31, 2024 were provided the Keystone 10 plan at PGW's expense, and they can buy up to a more expensive plan. Management employees who retired after August 31, 2011 continued to receive the Keystone 10 as the base plan and can buy up to a more expensive plan. The base plan after August 31, 2024 is Keystone 15.

Reinsurance provides specific stop-loss coverage of \$0.4 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums.

Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of \$1,500 per year for single coverage and \$3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

Prescription Drug Benefits: Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a \$2 copay for generic drugs, a \$2 copay for brand name drugs when no generic drugs are available, and a \$15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a \$5 copay for generics and a \$10 copay for brand drugs. Employees who retire on or after September 1, 2007 have a \$5 copay for generics and a \$15 copay for brand drugs.

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Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

Dental Benefits: For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

Death Benefits: Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for fifteen years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first \$75,000 of coverage. Retirees in this category pay \$0.35 per \$1,000 per month for coverage in excess of \$75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for five years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay \$0.35 per \$1,000 of coverage per month and PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive two years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for five years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW. Dependents are entitled to receive health coverage up to age 19 or age 23 for full-time students.

Contributions: The OPEB Plan pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided the Keystone 5, Keystone 10, or Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced medical, dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

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(c) Participants Covered

At December 31, 2024, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	<u>Number</u>
Retirees	1,459
Beneficiaries	384
Active employees – Union	1,088
Active employees – Management	<u>539</u>
Total number of participants	<u><u>3,470</u></u>

(d) Contributions

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2024, PGW contributed \$30.5 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources. For the OPEB Plan year ended December 31, 2023, PGW contributed \$25.4 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

(e) Net OPEB Liability

The Company's net OPEB liability as of August 31, 2025 and 2024 was measured as of December 31, 2024 and 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024 and 2023, respectively. The valuation and measurement date was December 31, 2024.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the entry age, level percent of pay actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- *Benefit assumptions:* the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.

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- *Demographic assumptions:* including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.

The demographic assumptions are set by the prior actuary. The actuaries monitor demographic experience by decrement annually and have not observed significant gains or losses related to the demographic assumptions.

- *Economic assumptions:* the discount rate and health care cost trend rates.

Benefit assumptions:

- *Per capita claims:* Using actuarial standards, specifically Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, the annual age specific per capital claims cost rate were projected at the following assumed trend rates for future years (whole U.S. dollars):

Age	Medical		
	Medical	Prescription drug	Dental
50	\$ 6,432	3,528	272
55	8,184	4,488	272
60	10,248	5,628	272
64	12,336	6,768	272
65	2,448	5,184	272
70	2,352	4,980	272
75	2,520	5,328	272

- *Life insurance:* The claims cost for life insurance is based on the actuarial present value of projected life insurance claims.

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- *Morbidity:* The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased or decreased usage as a result of aging:

<u>Ages</u>	<u>Blended Medical/Rx</u>
50–54	4.99 %
55–59	4.80
60–64	4.65
65–69	(0.99)
70–74	1.10
75–79	1.68
80–84	1.88
85+	—

Demographic assumptions:

- *Mortality rates:* Mortality rates for FY 2025 is assumed to follow:

Preretirement Mortality – Pri-2012 Total Employee Headcount Weighted Table, projected with SOA Scale MP-2021.

Postretirement Mortality – Pri-2012 Total Retiree Headcount Weighted Table, projected with SOA Scale MP-2021.

- *Salary scale:* Salary scale is based on years of service as follows:

<u>Years of service</u>	<u>Annual increase</u>	<u>Years of service</u>	<u>Annual increase</u>
0	8.86 %	11	5.84 %
1	8.59	12	5.57
2	8.31	13	5.29
3	8.04	14	5.02
4	7.77	15	4.74
5	7.49	16	4.54
6	7.22	17	4.33
7	6.94	18	4.12
8	6.67	19	3.91
9	6.39	20 or more	3.71
10	6.12		

- *Retirement rates:* Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

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Age	Service < 30	Service > 30	Age	Service < 30	Service > 30
50	— %	15.00 %	61	10.00 %	15.00 %
51	—	15.00	62	10.00	40.00
52	—	15.00	63	10.00	25.00
53	—	15.00	64	10.00	25.00
54	—	15.00	65	20.00	25.00
55	5.00	15.00	66	20.00	40.00
56	5.00	15.00	67	20.00	40.00
57	10.00	15.00	68	20.00	40.00
58	10.00	15.00	69	20.00	40.00
59	10.00	15.00	70+	100.00	100.00
60	10.00	15.00			

- *Withdrawal rates:* Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

Age	Service < 1 year	1 year of service	2 years of service	3 years of service	4 years of service	Service > 5 years
18–37	25.00 %	15.00 %	12.00 %	10.00 %	7.00 %	3.00 %
38	23.00	15.00	12.00	9.00	6.60	2.80
39	21.00	15.00	12.00	8.00	6.20	2.60
40	19.00	15.00	12.00	7.00	5.80	2.40
41	17.00	15.00	12.00	6.00	5.40	2.20
42	15.00	15.00	12.00	5.00	5.00	2.00
43	14.00	14.00	10.60	4.60	4.60	3.00
44	13.00	13.00	9.20	4.20	4.20	3.00
45	12.00	12.00	7.80	3.80	3.80	3.00
46	11.00	11.00	6.40	3.40	3.40	3.00
47	10.00	10.00	5.00	3.00	3.00	3.00
48	10.00	10.00	5.00	2.80	2.80	3.00
49	10.00	10.00	5.00	2.60	2.60	3.00
50	10.00	10.00	5.00	2.40	2.40	3.00
51	10.00	10.00	5.00	2.20	2.20	3.00
52+	10.00	10.00	5.00	2.00	2.00	3.00

- *Participation rate:* Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare plans upon retirement.

(Continued)

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Disability rates vary by age with illustrative rates as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Age</u>	<u>Males</u>	<u>Females</u>
18–27	0.03 %	0.03 %	47	0.23 %	0.33 %
28	0.03	0.04	48	0.28	0.37
29	0.03	0.04	49	0.31	0.40
30	0.03	0.04	50	0.37	0.45
31	0.03	0.06	51	0.43	0.49
32	0.03	0.06	52	0.51	0.55
33	0.03	0.07	53	0.59	0.60
34	0.03	0.07	54	0.68	0.66
35	0.04	0.08	55	0.77	0.71
36	0.04	0.09	56	0.86	0.77
37	0.06	0.10	57	0.96	0.83
38	0.07	0.11	58	1.06	0.89
39	0.08	0.13	59	1.17	0.95
40	0.09	0.14	60	1.28	1.00
41	0.10	0.17	61	1.40	1.07
42	0.11	0.19	62	1.54	1.13
43	0.13	0.21	63	1.68	1.17
44	0.16	0.25	64	1.83	1.22
45	0.18	0.27	65+	—	—
46	0.20	0.30			

Economic assumptions:

- *Long-term rate of return:* The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of returns (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected 10-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on

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published capital market assumptions). The target allocation for each major asset class as of December 31, 2024 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	6.7 %
Domestic equity small cap	10.0	15.0	12.5	6.9
Emerging market equity	5.0	10.0	7.5	7.2
International equity	15.0	20.0	17.5	8.1
Fixed income	20.0	40.0	30.0	4.9
Commodities/real assets	—	10.0	—	3.8
Cash equivalents	—	5.0	—	2.4
			100.0 %	

- *Inflation Rate: 2.5%*
- *Healthcare cost trend:*

Year	Medical (Pre-65)	Medical (Post-65)	Prescription drugs	Dental/Vision
2025	7.50 %	5.50 %	10.00 %	4.25%/3.00%
2026	7.00	5.00	9.50	4.25/3.00
2027	6.50	4.75	9.00	4.25/3.00
2028	6.00	4.50	8.50	4.25/3.00
2029	5.80	4.50	7.50	4.25/3.00
2030-2034	5.50	4.50	6.50	4.25/3.00
2035-2044	4.70	4.50	6.00	4.25/3.00
2045-2054	4.60	4.50	5.50	4.25/3.00
2055-2074	4.50	4.50	4.50	4.25/3.00
2075+	4.00	4.00	4.00	4.25/3.00

- *Discount rate:* The discount rate used for determining the total OPEB liability is the long-term expected rate of return on plan investments of 7.0% as of December 31, 2024 and December 31,

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2023, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2024	\$ 507,621	393,914	113,707
Changes for the year:			
Service cost	6,392	—	6,392
Interest	34,931	—	34,931
Differences between expected and actual experience	12,079	—	12,079
Assumption changes	12,852	—	12,852
Benefit payments	(30,522)	—	(30,522)
Contributions-employer	—	49,022	(49,022)
Projected investment return over the year	—	28,211	(28,211)
Plan asset gain/(loss)	—	19,301	(19,301)
Benefit payments	—	(30,522)	30,522
Administrative expenses and bank fees	—	(78)	78
Net changes	35,732	65,934	(30,202)
Balances at August 31, 2025	\$ 543,353	459,848	83,505

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Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2023	\$ 529,342	320,636	208,706
Changes for the year:			
Service cost	6,030	—	6,030
Interest	36,604	—	36,604
Differences between expected and actual experience	(72,157)	—	(72,157)
Assumption changes	33,158	—	33,158
Benefit payments	(25,356)	—	(25,356)
Contributions-employer	—	43,856	(43,856)
Projected investment return over the year	—	23,084	(23,084)
Plan asset gain/(loss)	—	31,763	(31,763)
Benefit payments	—	(25,356)	25,356
Administrative expenses and bank fees	—	(69)	69
Net changes	(21,721)	73,278	(94,999)
Balances at August 31, 2024	\$ 507,621	393,914	113,707

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2024, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease	Current	1% Increase
	6.00%	discount rate	8.00%
		7.00%	
Net OPEB liability	\$ 156,076	83,505	23,865

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2023, as well as what the

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Net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current</u> <u>discount rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
Net OPEB liability	\$ 183,341	113,707	56,800

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2024, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>healthcare cost</u> <u>trend rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 24,439	83,505	155,926

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability, in thousands of U.S. dollars, of the Company at December 31, 2023, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>healthcare cost</u> <u>trend rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 57,465	113,707	183,108

OPEB Plan's fiduciary net position: Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia, Pennsylvania 19122.

(f) OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2025 and 2024, the Company recognized OPEB expense of \$8.7 million and \$1.1 million, respectively. At August 31, 2025 and 2024, the Company reported deferred

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outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	August 31, 2025		August 31, 2024	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 10,515	58,481	467	80,078
Changes of assumptions	39,158	1,570	42,492	2,076
Difference between projected and actual earnings on OPEB plan investments	—	2,181	16,491	—
Contributions made after measurement date	30,788	—	32,133	—
Total	\$ <u>80,461</u>	<u>62,232</u>	<u>91,583</u>	<u>82,154</u>

The \$30.8 million and \$32.1 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2024 and 2023, respectively, will be recognized as a reduction of the total OPEB liability in FY 2026 and FY 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:	
2026	\$ (49)
2027	3,632
2028	(13,297)
2029	(6,132)
2030	2,100
Thereafter	<u>1,187</u>
	\$ <u>(12,559)</u>

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(g) Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of December 31, 2024 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity mutual funds	\$ 225,131	—	—	225,131
International equity mutual funds	106,488	—	—	106,488
Corporate bonds	—	514	—	514
U.S. treasuries	7,261	—	—	7,261
U.S. government agency	—	1,563	—	1,563
Bond mutual funds	94,838	—	—	94,838
Municipal bonds – mutual funds	23,923	—	—	23,923
Total investments, at fair value	<u>\$ 457,641</u>	<u>2,077</u>	<u>—</u>	<u>459,718</u>

The following table sets forth by level, within the fair value hierarchy described in note 1(o), the plan's assets at fair value as of December 31, 2023 (thousands of U.S. dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity mutual funds	\$ 186,010	—	—	186,010
International equity mutual funds	98,054	—	—	98,054
Corporate bonds	—	515	—	515
U.S. treasuries	7,715	—	—	7,715
U.S. government agency	—	1,535	—	1,535
Bond mutual funds	79,911	—	—	79,911
Municipal bonds – mutual funds	20,132	—	—	20,132
Total investments, at fair value	<u>\$ 391,822</u>	<u>2,050</u>	<u>—</u>	<u>393,872</u>

Mutual funds consist of open-end mutual funds that are registered with the SEC and are valued daily using quoted prices in active markets as provided by the pricing vendor for these securities (Level 1 inputs).

Fixed income consists of corporate bonds, U.S. Government and agency securities, and mortgage/asset backed securities. The fair values of these investments are determined using third party pricing services using quoted prices in active markets (Level 1 inputs) or prices derived from observable market inputs such as benchmark curves, broker/dealer quotes, and other industry and economic factors (Level 2 inputs).

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(h) Investment Policy

Trust's investment policy in regard to the allocation of invested assets is defined in its Statement of Investment Guidelines (the Guidelines) developed in conjunction with the Trust's Board and its financial advisors. The long-term goals of the Guidelines are to manage the assets in a manner in the best of interest of participants, produce investment return that meets the actuarially assumed rate, and to produce consistent performance to protect against excessive volatility. There has not been any significant change in the Trust's investment policy during the reporting period.

The asset allocation strategy was as follows (as adjusted in February 2019):

	<u>Target</u>	<u>Actual</u>
Domestic equity large cap	32.5 %	35.6 %
Domestic equity small cap	12.5	13.2
Emerging market international equity	7.5	7.1
Developed market international equity	17.5	16.0
Fixed income	30.0	27.8
Cash and cash equivalents	—	0.3

(i) Rate of Return

For the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.76% and 16.64%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(ii) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

(iii) Custodial Credit Risk

The assets of the Plan are held by the Trust.

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to the Trust. The cash and cash equivalents held by the Trust at December 31, 2024 and 2023 were not covered by federal deposit insurance.

Custodial credit risk for investments is the risk that, in the event of a failure to a counterparty to a transaction, the value of the investment or collateral securities that are in possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Trust, or are held by either the counterparty or the counterparty's trust department or agent but not in the Trust's name. The Trust's investments are

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not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust.

(iv) *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The Trust's investment policy does not specifically address limitations on the maturities of investments.

(v) *Investment Concentration Risk*

Investment concentration risk is the risk that the investment portfolio is disproportionately exposed to market changes in specific sectors or securities. As of December 31, 2024 and 2023, the Trust held the following investments in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europe Growth R6 Fund, Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Index Fund, Baird Core Bond Fund, Causeway Emerging Markets Fund and MainStay MacKay High Yield Fund.

(12) Defined Contribution Pension Plan

PGW contributes to a defined contribution pension plan for all employees hired after May 21, 2011 (Union) or December 8, 2011 (Nonunion) who elect not to contribute to the defined benefit plan. The Defined Contribution Plan (DC) is administered by the PGW Investment Committee. Benefit terms, including contribution requirements, for the DC Plan are established and may be amended by Ordinance of the City. For each employee in the DC Plan, the Company is required to contribute annually 5.5% of applicable wages to an individual employee account. Employees are not required to make contributions to the plan. For the years ended August 31, 2025 and 2024, the Company recognized pension expense of \$2.5 million and \$2.0 million, respectively, related to contributions to the DC Plan.

Participants are immediately vested in Company contributions and earnings on Company contributions.

The Company had no accrued liabilities for contributions payable to the DC Plan as of August 31, 2025 and 2024.

The DC Plan is a "tax-qualified" 401 (a) plan that is designed to comply with appropriate federal tax laws under the Internal Revenue Code (Tax Code). The DC Plan is a "defined contribution" plan as defined by the Tax Code. It is considered a "defined contribution" plan because the benefit consists of a defined contribution made by PGW for the benefit of the employee. The defined contribution is calculated as an amount equal to five and one-half percent (5.5%) of the employee's applicable wages. These amounts are deposited into an account for the benefit of the employee under the guidelines of the plan. The Company contributed \$2.5 million and \$2.0 million in FY 2025 and FY 2024, respectively. PGW's contributions are accounted for as part of administrative and general expenses in the statements of revenues and expenses and changes in net position.

(13) Pollution Remediation Obligation

The pollution remediation obligations as of August 31, 2025, and 2024 were \$28.1 million and \$28.2 million, respectively, which reflect the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

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The Company recorded a decrease in the total liability for pollution remediation obligations of \$0.1 million in FY 2025 and an increase in the total liability for pollution obligations of \$4.6 million in FY 2024. The pollution remediation liability is reflected in other noncurrent and current liabilities in the balance sheets. In accordance with U.S. GAAP for regulated entities, the Company has also recognized the long-term portion of its environmental remediation liability as a regulatory asset. Based on available evidence, it is probable that the previously incurred costs will be recovered through rates. The regulatory asset is reflected in regulatory asset – environmental on the balance sheets.

(14) Risk Management

The Company is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. While self-insured for many risks, the Company purchases insurance coverage where appropriate. The Company's real and personal property is insured against the risk of loss or damage in the amount of \$250.0 million, subject to a \$0.3 million per accident deductible at the Richmond and Passyunk Plants and a \$0.1 million per accident deductible at all other locations. There are separate sub-limits for flood and earth movement at select locations. The Company's Property Insurance includes coverage for damage incurred from a terrorist attack. In addition, the Company maintains Blanket Crime, which is a form of Property Insurance.

The Company maintains \$210.0 million in liability (including terrorism) coverage, insuring against the risk of damage to property, or injury to the public with a \$1.0 million per occurrence self-insured retention.

The Company maintains statutory limits for Workers' Compensation (including terrorism) with a \$0.5 million per occurrence self-insured retention.

The Company maintains a \$30.0 million Public Officials Liability (Directors and Officers Liability) policy with a \$0.5 million retention as well as a \$60.0 million Fiduciary Liability policy with a \$0.2 million self-insured retention.

The Company maintains \$5.0 million in coverage for liability arising from nonowned Disposal Sites subject to each incident deductible of \$0.1 million. During FY 2025, the Company maintained Cyber (Privacy) Liability coverage, with a limit of \$11 million with a \$0.3 million retention covering costs arising from a data or security breach through August 31, 2025.

The Company maintains a medical stop-loss insurance program for its self-insured healthcare plans. The coverage provides for a \$0.4 million deductible per covered participant.

The Company has evaluated all open claims as of August 31, 2025 and has appropriately accrued for these claims on the balance sheets.

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Claims and settlement activity for occurrences excluded under the provisions of insurance policies for injuries and damages are as follows (thousands of U.S. dollars):

	<u>Beginning of year reserve</u>	<u>Current year claims and adjustments</u>	<u>Claims settled</u>	<u>End of year reserve</u>	<u>Current liability amount</u>
Fiscal year ended August 31:					
2025	\$ 8,774	107	(1,393)	7,488	3,832
2024	6,789	5,285	(3,300)	8,774	3,318
2023	8,253	1,207	(2,671)	6,789	3,769

(15) Commitments and Contingencies

Commitments

Commitments for major construction and maintenance contracts were approximately \$57.1 million and \$117.0 million, as of August 31, 2025 and 2024, respectively.

The Company, in the normal course of conducting business, has entered into long-term contracts for the supply of natural gas, firm transportation, and long-term firm gas storage service. The Company's cumulative obligations for demand charges for all of these services are approximately \$6.5 million per month in perpetuity.

The Company has entered into long-term and seasonal contracts with suppliers providing the Company with natural gas. The Company has the ability to fix the price of the purchase of natural gas with these contracts.

The Company's FY 2026 Capital Budget was approved by City Council in the amount of \$185.2 million. Within this approval, funding was provided to continue the implementation of an Eighteen-mile CIMR Program. The cost for this program in FY 2026 is expected to be \$63.7 million. The total Six-year cost of the CIMR Program is forecasted to be \$341.6 million. In addition to the Eighteen-mile CIMR Program, the FY 2026 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2026 is expected to cost \$36.2 million. The total Six-year cost of this incremental program is forecasted to be \$229.5 million. The FY 2026 Capital Budget also includes \$5.1 million for PGW's initial implementation of Advanced Metering Infrastructure (AMI), which will replace the Automatic Meter Reading (AMR) devices. The total 6-year cost of this program to replace AMR units is approximately \$79.3 million.

Contingencies

The Company's material legal proceedings are as described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. PGW records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. Management has assessed the following matters based on current information and made a judgment concerning their potential outcomes, considering the nature of the claim, the amount and nature of damages sought, and the probability of

(Continued)

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success. The Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities.

Philadelphia Gas Works, Petitioner v. Pennsylvania Public Utility Commission and SBG Management Services, et. al., Respondents, Pennsylvania Supreme Court Docket No. 14 EAP 2020; Pennsylvania Commonwealth Court Docket Nos. 1291 CD 2018, 1405 CD 2018 and 1404 CD 2018. These are an appeal by PGW dated October 19, 2018 from the Orders of the PUC issued (a) December 8, 2016, and the related Opinions and Orders denying reconsideration that were issued on May 18, 2018 and on August 23, 2018; (b) September 20, 2018; and (c) October 4, 2018.

Eight complaints were filed by landlords and by SBG Management Services, Inc. (collectively, SBG), the property management company that manages the day-to-day operations of certain residential properties owned by the landlords. The complaints which challenged amounts owed by SBG to PGW that, inter alia, were subject to late payment charges by PGW were divided into three groups by the Commission. The Commission's Regulations and PGW's Commission approved tariff authorizes PGW to charge interest (in the form of a late payment charge) at the rate of 1.5% per month on the overdue balance of a utility bill. In addition, if a customer does not pay for natural gas services provided by PGW, a municipal lien (which is created by operation of the Pennsylvania Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, et. seq. (MCTLL)) may be docketed with the appropriate local court. The Commission held that it lacks jurisdiction over unpaid amounts for natural gas service provided by PGW when a municipal lien is docketed under the MCTLL. Based upon that conclusion, the Commission determined that once a lien is docketed, PGW may not apply rules set forth in its Commission-approved tariff to the arrearage amount giving rise to the lien and may not show that arrearage amount on its monthly bills to nonpaying customers. The PUC assessed civil penalties in the total amount of approximately \$0.1 million against PGW, ordered PGW to refund sums totaling approximately \$1.0 million to the complainants, correct its practices in the assessment of late payment charges on unpaid balances, and modify the payment application sequence associated with partial payments. This would require PGW to make changes to PGW's billing system.

In response to the PUC's determination, PGW filed timely appeals with the Pennsylvania Commonwealth Court from the PUC's decision in each group of complaints. Oral argument took place on November 12, 2019.

On December 9, 2019, the Pennsylvania Commonwealth Court reversed the orders of the PUC related to amounts owed by SBG Management Services, Inc. to PGW that, inter alia, were subject to late payment charges by PGW.¹ The Commonwealth Court found that (i) the PUC committed an error of law in holding that it lacked jurisdiction over gas charges subject to docketed liens, (ii) the PUC committed an error of law in holding that PGW could not continue to impose late fees of 1.5% per month on delinquent accounts once the City docketed a lien, and (iii) the PUC erred in imposing penalties, ordering refunds of previously imposed late fees, and directing billing changes relating to charges subject to docketed liens.

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On January 8, 2020 SBG petitioned the Pennsylvania Supreme Court ("PA Supreme Court") to reverse the decision of the Commonwealth Court. On June 23, 2020, the PA Supreme Court granted SBG's petition for appeal. On December 1, 2020, the parties presented oral arguments before the PA Supreme Court. On April 29, 2021, the PA Supreme Court reversed the order of the Commonwealth Court, and held that liens filed of record under Section 7106(b) of the Municipal Claims and Tax Lien Law (53 P.S. § 7106(b)) have the effect of judgments, and accordingly accrue interest at the "lawful rate" of post-judgment interest of 6% per annum. (See 42 Pa.C.S. §8101; 41 P.S. § 202) (see <https://casetext.com/case/phila-gas-works-v-pa-pub-util-commn-3>).

On May 13, 2021 PGW filed an "Application for Reargument" with the PA Supreme Court. In its Application, PGW requested that the PA Supreme Court grant reargument on a number of grounds, including due to PGW's assertion that the determination of the interest rate on liens was not properly the subject of the appeal before the PA Supreme Court.

On June 15, 2021, Philadelphia Gas Works' Application for Reargument was granted in part by the PA Supreme Court. The case was remanded to the Commonwealth Court for consideration of any outstanding issues. (PGW's Application for Relief (including the request for reargument) was denied in all other respects.) On August 3, 2021, the Commonwealth Court issued an order establishing a Supplemental Briefing Schedule for the matter on remand, and also fixed the questions on remand.² The parties' briefs were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022,

¹ PGW did not appeal the decision of the PUC regarding partial payment application. This matter was independently resolved per a settlement agreement reached with the Office of Consumer Advocate, and approved by the PUC on June 13, 2019, as part of a prior PGW's base rate case. Per the settlement, PGW agreed to modify its partial payment allocation practices so that no priority is given to the satisfaction of late payment charges.

² Questions on remand: 1. Whether the PA Supreme Court's opinion and order in Appeal of: SBG Management Services, 249 A.3d 963 (Pa. No. 14 EAP 2020, filed April 29, 2021), applies retroactively to the case at bar; 2. Whether the [Commission's] orders violate [PGW's] constitutional rights to due process by, without prior notice, announcing, applying and enforcing a new legal interpretation against [PGW] in the context of individual consumer complaints; 3. Whether substantial evidence of record supports the Commission's imposition of a civil penalty and whether the Commission abused its discretion and acted arbitrarily and capriciously in imposing penalties; 4. Whether the Commission's mandate for system-wide modifications is arbitrary and capricious and an abuse of the Commission's discretion; and 5. Whether a remand is appropriate to the Commission for a determination of [PGW]'s compliance with the mandate for system-wide modifications or for imposition of a new period in which [PGW] must comply.

(Continued)

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The Commonwealth Court held that PGW II applies retroactively only to the parties of PGW II as well as other proceeding pending at the time PGW II was decided on April 28, 2021. The Commonwealth Court remanded the proceeding to the Commission for a determination of the correct amounts.

Upon remand to the Commission, PGW filed a motion to dismiss the issue related to the amounts due on docketed liens. PGW argued that the amount due on docketed liens (which are judgments according to *PGW II*) are outside of the Commission's jurisdiction. In response, SBG argued that it is proper for the Commission to determine how much SBG was overcharged. The motion was argued before the Administrative Law Judge (the "ALJ") on November 8, 2022. An evidentiary hearing was held on March 23, 2024. The ALJ issued an initial decision on July 26, 2024. Exceptions to the initial decision were separately filed by PGW and SBG on August 16, 2024. Replies to the Exceptions were filed on August 26, 2024.

The initial decision (along with the Exceptions and Replies) were reviewed by the full Commission. The Commission entered its Opinion and Order on January 23, 2025. The January 2025 Order directed PGW to provide credits (a) of \$59,679.29, plus interest, to SBG's accounts based on recalculations of how partial payments impacted SBG's debts; and (b) \$333,462.59 to remove all late payment charges (1.5% per month) from amounts that were secured by docketed liens (judgments). On March 6, 2025, PGW credited SBG's accounts (totaling \$408,861.15) as directed by the Commission..

SBG filed an appeal with the Commonwealth Court (215 CD 2025) arguing that the Commission should have provided a different and greater recovery of damages to them. PGW filed a cross-appeal with the Commonwealth Court (282 CD 2025) arguing that the Commission exceeded its statutory jurisdiction by providing damages to SBG for overcharged interest on judgments (obtained by docketing liens). The Commonwealth Court consolidated the appeals. The appeals have been briefed. Oral argument has not been scheduled at this time. It is not clear when the Commonwealth Court will decide the appeals.

SBG Management Services, Inc. Et Al. v. City of Philadelphia c/o Philadelphia Gas Works

In a separate, but related matter to the SBG matter described above, various and several new SBG entities filed a Praecipe for Writ of Summons against "the City of Philadelphia c/o PGW" in the Philadelphia Court of Common Pleas on April 29, 2021, and docketed a complaint on August 24, 2021. The complaint sets forth a cause of action for "recoupment" (Count I), a claim for unjust enrichment (Count II), a cause of action for fraud (Count III), and a claim for violation of the UTPCPL (Count IV). Under SBG's view of the decision of the Pennsylvania Supreme Court (*PGW v. PUC*, 249 A.3d 963 (Pa. 2021)) in the above-described litigation, SBG is entitled to damages based on the amounts paid by them to satisfy the judgments (docketed municipal liens) against them for unpaid gas service. In their complaint, Plaintiffs allege they have incurred hundreds of millions of dollars in damages from PGW's billing practices since at least 2004 and are seeking a refund of late payment charges paid to PGW in excess of \$10,245,000, as well as other substantial (including punitive and treble) damages, interest, costs, fees and penalties based upon allegations of unjust enrichment, fraud, and unfair trade practices arising from PGW's late payment charges. PGW filed its response to the complaint in September 2021, wherein it raised objections and defenses to all of the causes of action raised in the complaint. Additionally, on September 13, 2021 PGW filed Preliminary Objections with the Court. On January 20, 2022, the Court issued an order in response to PGW's Preliminary Objections, dismissing two of SBG's claim with prejudice (fraud and unfair trade practices), and dismissing a third claim (breach of contract) without prejudice, and leave to SBG to amend

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its complaint. SBG has subsequently filed multiple amended complaints including a Third Amended Complaint ("TAC"). The TAC asserts claims of breach of contract (Count 1) and unjust enrichment (Count II). PGW responded by filing preliminary objections to the TAC. On August 10, 2022, the Court sustained one of PGW's preliminary objections and dismissed the nine other property owners. PGW's other preliminary objections were overruled. PGW filed an answer with new matter on August 30, 2022. SBG's reply was filed on September 23, 2022. PGW also filed a motion for summary judgment on the grounds that all or most of SBG's claims are barred by the applicable statutes of limitations. That motion was denied by the Court on September 3, 2024. Under the Court's Order entered November 25, 2025, the jury selection will be on March 27, 2026 with the trial starting on March 30, 2026.

SBG Management Services, et. al., Plaintiffs v. City of Philadelphia c/o Philadelphia Gas Works, et al., Defendant, Philadelphia Court of Common Pleas Docket No. 231101740; Commonwealth Court Docket No. 380 CD 2024.

SBG Management Services, Inc., the five landlords with active gas accounts who are involved in the previously described litigation (Pennsylvania Supreme Court Docket No. 14 EAP 2020, *et al.*) (collectively "SBG") instituted this new litigation in the Philadelphia Court of Common Pleas via a Complaint in Equity on November 15, 2023 ("Injunction Action"). The Complaint alleges that PGW wrongfully terminated gas service to the landlords based upon disputed outstanding balances. At the same time, SBG filed a Petition for Temporary Injunctive Relief. That Petition seeks to enjoin PGW from enforcing shut-off notices for allegedly unpaid outstanding balances.

On November 17, 2023, the Court held a hearing on the Petition for Temporary Injunctive Relief. PGW restored gas to all five properties as of 10:00 p.m. on November 17, 2023. The Court entered an order on November 17, 2023 directing, among other things, that the parties engage in mediation. On February 25, 2024, the Court entered another Order prohibiting PGW from terminating gas service at the Landlord properties that were Plaintiffs in the Injunction Action until further order of the Court.

PGW subsequently exercised its right to appeal the Common Pleas Court's February 25th Order to the Commonwealth Court (Docket No. 380 CD 2024) alleging that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. PGW's main brief was filed on July 23, 2024. SBG's main brief was dated August 23, 2024. PGW's reply brief is due on September 5, 2024. Argument has not been scheduled by the Commonwealth Court. By motion of PGW, which was not opposed by the Plaintiffs, the Court stayed all further proceedings in the Injunction Action pending the outcome of the Commonwealth Court appeal.

The pleadings remain open. PGW filed preliminary objections to the Complaint in the Injunction Action on December 6, 2023. The preliminary objections allege, among other things, that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. SBG's response to the preliminary objections was filed on March 18, 2024. The Court's decision on the preliminary objections is stayed pending the outcome of the Commonwealth Court appeal, as noted.

As part of the Injunction Action, SBG has alleged it is owed an unquantified amount of damages for alleged constitutional violations and violations of the Public Utility Code. Additionally, the relief requested by SBG is that PGW be enjoined from terminating service to SBG for non-payment in the future, and as such PGW would be forced to forgo terminating service to the subject properties in an effort to collect unpaid gas bills.

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PGW has not filed an Answer to the Injunction Action, since PGW's preliminary objections are pending, as noted.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2019-3013933.

On December 19, 2019, an explosion occurred on the 1400 Block of South Eighth Street in Philadelphia that resulted in two fatalities. The Commission's Bureau of Investigation and Enforcement ("BI&E") conducted an investigation, leading to a formal complaint being filed on July 15, 2022. Following partial litigation of the matter, a settlement was reached with BI&E that resulted in no civil penalty, but included the creation of Residential Methane Detector Pilot Program where PGW agreed to commit \$800,000 towards the implementation. The settlement also included various other actions by PGW, such as coordination and training with the excavator community that will create some additional but unquantified expenses. The settlement was approved by the Commission on September 15, 2025.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2024-3052277.

On November 30, 2021, an explosion occurred at 815 Jackson Street in Philadelphia which resulted in no fatalities or reported injuries. It is estimated that approximately \$100,000 in property damage occurred, but there were no civil claims associated with the event. On November 25, 2024, The Commission's Bureau of Investigation and Enforcement ("BI&E") filed a formal complaint alleging violations of the Public Utility Code, Pennsylvania Code, and Code of Federal Regulations and seeking relief including a \$300,000 civil penalty, creation of email distribution of safety materials to excavators, trainings to be offered to Excavators by PGW, expansion of the Methane Detector Pilot Program, and other relief. BI&E granted PGW an extension to file an Answer to the Complaint.

PGW filed its answer responding to the formal complaint on January 29, 2025, denying the allegations of the Formal Complaint. An evidentiary hearing was held as scheduled on October 17, 2025. On November 18, 2025, the Administrative Law Judge issued a Briefing Order, setting forth a briefing schedule in January and February 2026.

(16) Risk Disclosure

PGW has evaluated known concentrations and constraints that warrant disclosure as of year-end.

(a) Concentrations:

PGW's operations are subject to concentration risks in the following areas:

- **Customer Base** A substantial portion of PGW's revenue is derived from residential customers within the City of Philadelphia. Economic downturns, demographic shifts, or regulatory changes affecting this population may materially impact revenue collections.
- **Fuel Supply** PGW relies on a limited number of pipeline suppliers for natural gas delivery. Disruptions due to geopolitical events, infrastructure failures, or regulatory constraints could affect supply continuity and cost stability. PGW's cost of purchased gas is a major expense and is sensitive to fluctuations in regional gas markets. PGW adjusts its GCR quarterly to better align recovered fuel costs with actual costs.

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- **Labor Force** PGW's workforce is predominantly unionized, represented by the Utility Workers Union of America. Labor agreements are negotiated with this bargaining unit. Any prolonged labor disputes or changes in labor market conditions could adversely affect service delivery and operational efficiency.
- **Capital Program Funding** PGW's long-term capital investment plan is significant. It intends to invest approximately \$650 million in infrastructure improvements over future years. Failure to secure adequate funding or mismatch between capital plan and rate recovery could strain PGW's liquidity. PGW monitors its capital program and sequences projects to manage funding needs and maintain flexibility.

(b) Constraints:

PGW is subject to various legal, regulatory, and contractual constraints that may limit its ability to respond to emerging risks:

- **Rate Regulation** PGW's rates are subject to approval by the Pennsylvania Public Utility Commission. These regulatory frameworks may constrain PGW's ability to adjust rates in response to cost fluctuations or capital needs. PGW's ability to recover its costs is regulated by the Pennsylvania Public Utility Commission (PUC). In its most recent rate filing, PGW is proposing to increase base revenues from \$468 million to \$523 million to cover inflation, wages, health benefits, and capital improvement needs. Because of this reliance on regulatory approval, any decision by the PUC to disallow certain cost recovery, delay rate approval, or reduce authorized returns would materially affect PGW's margins. The PUC may impose limits on how much cost can be passed to customers, timing of cost recovery (lag, deferrals), or disallow certain expenses (e.g. efficiency, environmental, or non-recognized costs). These constraints can reduce flexibility in funding operations and capital. However, PGW seeks to justify and recover capital, operational, and inflation-driven cost increases.
- **Debt and Bond Covenant Constraints** PGW's outstanding debt obligations include covenants that restrict certain financial and operational activities. These covenants may limit flexibility in responding to adverse financial conditions. PGW may have constraints in existing financing or revenue bond covenants that require certain coverage ratios, minimum margins, or restrict additional debt if financial performance declines.
- **Environmental Compliance** PGW is subject to federal, state, and local environmental regulations. Changes in compliance requirements or enforcement actions may result in increased costs or operational limitations.
- **Municipal and Political Constraints** As a city-owned utility, PGW is subject to political, public policy, or municipal constraints (e.g. resistance to rate increases, mandates for low-income assistance programs, constraints on cross-subsidies) that may limit rate flexibility or transfer of funds.

(c) Assessment of Risk

As of August 31, 2025, PGW has not identified any specific concentration or constraint that is more likely than not to result in a significant adverse impact within the next 12 months. PGW continues to monitor these exposures and maintains contingency plans to mitigate potential disruptions.

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(17) Subsequent Events

On November 9, 2025, the PUC entered its Order and Opinion in the rate case, which approved the Settlement Agreement without modification. Thereafter, PGW made its Compliance Tariff filing on November 24, 2025. The new rates approved by the Settlement Agreement became effective on December 1, 2025. The Settlement Agreement also provides PGW with a temporary increase in the DSIC which will terminate on November 30, 2027.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
(Thousands of U.S. dollars)

	Fiscal year ending									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:										
Service cost	\$ 9,755	9,256	8,713	7,152	7,178	6,400	6,554	6,103	5,823	5,399
Interest cost	57,461	56,901	56,413	55,276	55,454	56,893	57,241	55,718	55,443	55,903
Differences between expected and actual experience	6,156	2,859	1,923	9,665	2,057	(3,034)	(12,089)	15,706	2,182	(8,840)
Changes in assumptions	10,193	—	—	1,481	22,923	(24,891)	(1,834)	(3,864)	(7,952)	26,748
Benefit payments	(62,116)	(60,928)	(60,313)	(58,502)	(56,647)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
Net change in total pension liability	21,449	8,088	6,736	15,072	30,965	(19,693)	(4,021)	21,036	4,120	28,763
Total pension liability (beginning)	841,654	833,566	826,830	811,758	780,793	800,486	804,507	783,471	779,351	750,588
Total pension liability (ending)	863,103	841,654	833,566	826,830	811,758	780,793	800,486	804,507	783,471	779,351
Plan fiduciary net position:										
Contributions – employer	30,000	30,000	30,000	30,043	29,728	29,414	28,570	29,143	27,918	21,123
Contributions – employee	3,000	2,642	2,215	1,854	1,607	1,520	1,249	1,078	852	602
Net investment income (loss)	77,274	79,630	66,844	(80,989)	155,840	14,286	34,260	44,310	61,003	2,872
Benefit payments	(62,116)	(60,928)	(60,313)	(58,502)	(56,647)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
Administrative expense	(362)	(494)	(361)	(200)	(217)	(168)	(192)	(184)	(129)	(1,611)
Net change in fiduciary net position	47,796	50,850	38,385	(107,794)	130,311	(10,009)	9,994	21,720	38,268	(27,461)
Plan fiduciary net position (beginning)	654,983	604,133	565,748	673,542	543,231	553,240	543,246	521,526	483,258	510,719
Plan fiduciary net position (ending)	702,779	654,983	604,133	565,748	673,542	543,231	553,240	543,246	521,526	483,258
Net pension liability (ending)	\$ 160,324	186,671	229,433	261,082	138,216	237,562	247,246	261,261	261,945	296,093
Net position as a percentage of pension liability	81.42 %	77.82 %	72.48 %	68.42 %	82.97 %	69.57 %	69.11 %	67.53 %	66.57 %	62.01 %
Covered payroll for the year ended June 30,	\$ 112,581	108,177	102,709	97,435	97,959	95,934	98,453	101,271	94,767	90,860
Net pension liability as a percentage of covered payroll	142.41 %	172.56 %	223.38 %	267.96 %	141.10 %	247.63 %	251.13 %	257.98 %	276.41 %	325.88 %

Notes to schedule:

The amounts presented in each fiscal year were determined as of the June 30 that occurred within the fiscal year.

Historical information:

The Company has presented the information noted above for those years for which information is available.

Ten-year trend information will be presented prospectively.

Changes in assumptions:

Demographic assumptions updated in FY 2025 and in FY 2020.

Investment Rate of Return: 7.00% in 2025-2021 and 7.30% in 2020-2016.

Mortality Rates Adopted:

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2021 in FY 2025, FY 2024, FY 2023 and FY 2022.

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2020 in FY 2021 and FY 2020.

RP-2014 static mortality table in FY 2016 generationally projected with scale MP-2018 in FY 2019, MP-2017 in FY 2018, MP-2016 in FY 2017, and MP-2015 in FY 2016.

RP-2000 static mortality projected to the year of valuation prior to FY 2018.

Unaudited - see accompanying independent auditors' report.

PHILADELPHIA GAS WORKS
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Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
(Thousands of U.S. dollars)

Fiscal year ending	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 24,870	25,937	26,084	26,151	23,492	26,844	28,797	28,395	29,260	26,476
Contributions made	30,000	30,000	30,000	30,000	30,000	29,227	28,797	28,395	29,260	26,476
Contribution deficiency/(excess)	<u>\$ (5,130)</u>	<u>(4,063)</u>	<u>(3,916)</u>	<u>(3,849)</u>	<u>(6,508)</u>	<u>(2,383)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered payroll for the year ended August 31,	\$ 111,009	109,677	99,076	92,374	93,601	94,634	99,494	97,431	91,176	87,416
Contributions as a percent of covered payroll	27.02 %	27.35 %	30.28 %	32.48 %	32.05 %	30.88 %	28.94 %	29.14 %	32.09 %	30.29 %

Notes to schedule:

Actuarial Valuation Date: July 1 for FY 2025-2016.

Methods and assumptions used to determine contributions:

Actuarial Cost Method: Projected Unit Credit.

Asset Valuation Method: Assets smoothed over a five-year period beginning in FY 2016 and Market Value in FY 2015 and prior periods.

Amortization Method: Based on greater of 20-year level dollar open amortization method or 30-year level dollar closed amortization method.

Salary Increases:

Varies by participant years of service (see Note 10(e)).

4.5% in 2019 and prior periods.

General Inflation: 2.00%.

Investment Rate of Return: 7.00% in FY 2025-2021 and 7.30% in FY 2020-2016.

Mortality Rates:

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2021 in FY 2025, FY 2024, FY 2023, and FY 2022.

PRI-2012 mortality tables projected generationally from the central year using Scale MP-2020 in FY 2021 and FY 2020.

RP-2014 static mortality table in FY 2016 generationally projected with scale MP-2018 in FY 2019, MP-2017 in FY 2018, MP-2016 in FY 2017, and MP-2015 in FY 2016.

RP-2000 static mortality projected to the year of valuation prior to FY 2018.

Unaudited - see accompanying independent auditors' report.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net OPEB Liability and Related Ratios
(Thousands of U.S. Dollars)

	Fiscal year ending								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:									
Service cost	\$ 6,392	6,030	6,597	5,762	4,999	5,867	6,268	5,180	5,315
Interest cost	34,931	36,604	35,641	36,577	35,387	37,374	40,262	38,182	39,961
Differences between expected and actual experience	12,079	(72,157)	695	(25,286)	(30,648)	(16,787)	(64,606)	(5,345)	(30,973)
Changes in assumptions	12,852	33,158	(3,089)	15,652	31,995	(24,572)	7,707	61,382	(6,481)
Benefit payments	(30,522)	(25,356)	(25,677)	(25,197)	(27,636)	(28,845)	(28,729)	(29,747)	(30,370)
Net change in total OPEB liability	35,732	(21,721)	14,167	7,508	14,097	(26,963)	(39,098)	69,652	(22,548)
Total OPEB liability (beginning)	507,621	529,342	515,175	507,667	493,570	520,533	559,631	489,979	512,527
Total OPEB liability (ending)	\$ 543,353	507,621	529,342	515,175	507,667	493,570	520,533	559,631	489,979
Plan fiduciary net position									
Contributions - employer	\$ 49,022	43,856	44,177	43,697	46,136	47,345	47,229	48,247	48,870
Investment income	47,512	54,847	(63,740)	41,417	42,258	42,444	(14,754)	22,669	10,710
Benefit payments	(30,522)	(25,356)	(25,677)	(25,197)	(27,636)	(28,845)	(28,729)	(29,747)	(30,370)
Administrative, investment management expenses and bank fees	(78)	(69)	(68)	(52)	(40)	(37)	(36)	(49)	(30)
Net change in plan fiduciary net position	65,934	73,278	(45,308)	59,865	60,718	60,907	3,710	41,120	29,180
Plan fiduciary net position (beginning)	393,914	320,636	365,944	306,079	245,361	184,454	180,744	139,623	110,443
Plan fiduciary net position (ending)	459,848	393,914	320,636	365,944	306,079	245,361	184,454	180,743	139,623
Net OPEB liability (ending)	\$ 83,505	113,707	208,706	149,231	201,588	248,209	336,079	378,888	350,356
Plan fiduciary net position as a percentage of the total OPEB liability	84.63%	77.60%	60.57%	71.03%	60.29%	49.71%	35.44%	32.30%	28.50%
Covered employee payroll as of December 31,	135,469	129,835	121,467	115,798	127,907	125,270	120,132	118,636	109,440
Net OPEB liability as a percentage of covered employee payroll	61.64%	87.58%	171.82%	128.87%	157.61%	198.14%	279.76%	319.37%	320.14%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the calendar-year end that occurred within the fiscal year.

Historical information:

The Company has presented the information noted above for those years for which information is available.

Ten-year trend information will be presented prospectively.

Changes in assumptions:

Salary Increases: Varies by participant years of service (see Note 11(e)) in FY 2025-2021; and 4.5% in FY 2020-2015.

Discount rate: 7.00% in FY 2025-2022; 7.30% in FY 2021-2017.

Inflation Rate: 2.5% in FY 2025-2023; 2.0% in FY 2022-2017.

Trends and per capita claim cost assumptions are reviewed annually to determine whether they continue to represent the best estimate of future results or should be revised to reflect any changes in long-term trend expectations.

Mortality Rates:

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 2023 and 2022.

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 2023 and 2022.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 2023 and 2022.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Health Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2020 in 2023 and 2022.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Health Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2019 in 2021 and 2020.

Adopted the sex-distinct U.S. Public Pension General (PUB-G) Employee, Healthy Annuitant and Disabled Retiree Mortality Tables in 2019.

Adopted the sex-distinct RP-2014 Employee, Healthy Annuitant and Disabled Retiree in 2018 and 2017.

Mortality Tables: (head-count weighted) projection with scale MP-2021 in 2024, 2023 and 2022, MP-2020 in 2021 and 2020, MP-2019 in 2019, MP-2018 in 2018 and MP-2017 in 2017.

See accompanying independent auditors' report.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Required Supplementary Information (Unaudited)
Schedule of OPEB Contributions
(Thousands of U.S. Dollars)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 13,920	16,003	23,271	19,085	22,541	25,972	33,405	37,638	37,639	41,782
Contributions made	47,676	45,806	45,044	42,248	44,880	47,104	47,548	47,114	48,065	49,551
Contribution deficiency/(excess)	<u>\$ (33,756)</u>	<u>(29,803)</u>	<u>(21,773)</u>	<u>(23,163)</u>	<u>(22,339)</u>	<u>(21,132)</u>	<u>(14,143)</u>	<u>(9,476)</u>	<u>(10,426)</u>	<u>(7,769)</u>
Covered employee payroll as of August 31,	156,716	153,053	140,442	136,105	135,243	131,595	128,642	130,171	119,667	112,956
Contributions as a percent of covered employee payroll	30.42%	29.93%	32.07%	31.04%	33.18%	35.79%	36.96%	36.19%	40.17%	43.87%

Notes to schedule:

Actuarial Valuation Date: December 31, 2024, 2023, 2022 and 2021 for fiscal year 2025, 2024, 2023, and 2022 respectively, September 1 (beginning of each fiscal year) in prior periods.

Methods and assumptions used to determine contributions:

Actuarial Cost Method: Entry Age Level Percent of Pay Cost Method FY 2025, FY 2024, FY 2023, and FY 2022; Entry Age Normal Cost Method for FY 2021 and prior.

Asset Valuation Method: Market Value

Per Capita Claims: ASOP Actuarial Standards

Salary Increases: Varies by participant years of service (see Note 11(e)) in FY 2025-2021; and 4.5% in FY 2020-2015.

General Inflation: 2.5% in FY 2025-2023; 2.0% in FY 2022-2020; 3.0% in prior period.

Participation Rates: Assumed 100.0% of future retirees who meet the eligibility requirements will participate in the OPEB plan. Current retirees who have opted out of coverage are assumed to continue to receive opt out payments in the future.

Life Insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims in FY 2025, FY 2024, FY 2023 and FY 2022.

Life Insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle in prior fiscal years.

Discount rate: 7.00% FY 2025-2022; 7.30% in 2021-2017; and 7.95% in FY 2016-2015.

Mortality Rates: Adopted:

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 2023 and 2022.

Preretirement Mortality is assumed to follow Pri-2012 Total Employee Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 2023 and 2022.

Postretirement Mortality is assumed to follow Pri-2012 Total Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021 in 2024, 2023 and 2022.

Disabled Retirement Mortality is assumed to use Pri-2012 Total Disabled Retiree Amount Weighted Table, Projected with SOA Scale MP-2020 in 2021.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Health Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2020 in 2023 and 2022.

Mortality is assumed to follow the sex distinct, Pri-2012 Employee, Health Annuitant, and Disabled Retiree Mortality Tables projected with scale MP-2019 in 2021 and 2020.

Sex-distinct U.S. Public Pension General (PUB-G) Employee, Healthy Annuitant and Disabled Retiree Mortality Tables in 2019.

Sex-distinct RP-2014 Employee, Healthy Annuitant and Disabled Retiree tables (head-count weighted) projection with scale MP-2018 in FY 2019, MP-2017 in FY 2018, MP-2016 in FY 2017, MP-2015 in FY 2016, and MP-2014 in FY 2015.

See accompanying independent auditors' report.



STATISTICAL SECTION

In FY 2025, Philadelphia Gas Works (PGW) invested approximately \$102.2 million to replace 37.1 miles of aging infrastructure, replacing aging cast iron with upgraded material that does not rust and corrode to ensure safety and sustainability. As a result of these investments and grants, PGW reduced pipeline emissions by 7,429

metric tons (MT) of carbon dioxide equivalent (CO₂e). PGW's goal for FY 2025 was to reduce its comprehensive greenhouse gas (GHG) emissions by 10,000 MT of CO₂e. PGW exceeded its target: GHG emissions were reduced by 12,184 MT CO₂e, in large part due to the reduced emissions through pipeline replacement.

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PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Statistical Section
Description of Schedules
August 31, 2025

This section of the Company's annual comprehensive financial report presents comparative information in order to better understand the financial statements, note disclosures, and required supplementary information and to more fully comprehend the Company's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Company's financial performance and wellbeing have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Company's revenue.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Company's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Company's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Company's financial report relates to the services the Company provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Balance Sheets
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

Assets	2025	2024	2023
Current assets:			
Cash and cash equivalents	82,557	115,612	139,302
Accounts receivable (net of provision for uncollectible accounts)	102,481	89,137	91,957
Gas inventories, materials, and supplies	56,825	67,390	79,454
Current portion of capital improvement fund	104,646	-	43,730
Workers' compensation escrow fund	3,059	2,929	2,778
Other current assets ^{(2) (3)}	17,485	14,929	15,385
Total current assets	367,053	289,997	372,606
Noncurrent assets:			
Utility plant, at original cost:			
In service	3,105,667	2,995,617	2,902,469
Lease assets ⁽²⁾	80,561	80,747	80,351
Software subscriptions ⁽³⁾	12,937	10,387	8,135
Under construction	260,588	213,317	161,751
Total	3,459,753	3,300,068	3,152,706
Less accumulated depreciation	1,437,730	1,387,474	1,329,678
Less accumulated depreciation - lease assets ⁽²⁾	9,552	5,955	2,488
Less accumulated depreciation - software subscriptions ⁽³⁾	2,940	6,596	5,071
Utility plant, net	2,009,531	1,900,043	1,815,469
Unamortized bond issuance costs	808	639	681
Capital improvement fund	140,585	-	-
Sinking fund, revenue bonds	121,485	116,145	109,581
Regulatory asset - environmental	28,099	28,228	23,610
Regulatory asset - pandemic	18,159	25,302	30,485
Other noncurrent assets	4,187	5,932	3,665
Total noncurrent assets	2,322,854	2,076,289	1,983,491
Total assets	2,689,907	2,366,286	2,356,097
Deferred outflows of resources			
Accumulated fair value of hedging derivatives	-	-	-
Unamortized losses on bond refunding	11,086	16,449	19,763
Deferred outflows related to pension	20,049	11,113	29,060
Deferred outflows related to OPEB ⁽¹⁾	80,461	91,583	100,068
Total deferred outflows of resources	111,596	119,145	148,891
Total assets and deferred outflows of resources	2,801,503	2,485,431	2,504,988

(1) During FY 2018, the Company implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB Plans, and the OPEB Plans expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the OPEB Plans. This change was retroactive to FY 2017.

(2) During FY 2022, the Company implemented GASB Statement No. 87, *Leases*, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.

Source - PGW's Audited Financial Statements

2022	2021	2020	2019	2018	2017	2016
115,637	158,265	172,267	124,145	131,051	88,535	91,743
107,001	81,991	83,681	85,989	82,611	82,028	73,563
92,876	53,373	46,706	51,691	52,364	55,414	47,891
107,822	93,600	-	68,634	61,000	55,000	-
2,667	2,740	2,736	2,711	2,646	2,616	2,603
16,191	12,738	18,485	18,143	18,002	28,714	31,017
442,194	402,707	323,875	351,313	347,674	312,307	246,817
2,810,896	2,700,055	2,585,092	2,486,973	2,394,302	2,244,731	2,178,632
1,202	2,541	-	-	-	-	-
8,438	-	-	-	-	-	-
141,469	105,321	86,349	87,826	75,953	105,393	73,531
2,962,005	2,807,917	2,671,441	2,574,799	2,470,255	2,350,124	2,252,163
1,299,288	1,239,513	1,180,021	1,123,329	1,066,299	1,012,009	967,353
855	1,696	-	-	-	-	-
4,053	-	-	-	-	-	-
1,657,809	1,566,708	1,491,420	1,451,470	1,403,956	1,338,115	1,284,810
725	784	233	258	290	322	512
4,851	91,322	-	-	50,815	110,000	-
106,188	107,684	102,824	106,509	103,255	102,202	86,652
28,871	27,572	33,758	37,102	31,593	30,010	28,425
30,674	32,497	-	-	-	-	-
4,647	5,927	7,242	6,054	9,057	11,301	6,364
1,833,765	1,832,494	1,635,477	1,601,393	1,598,966	1,591,950	1,406,763
2,275,959	2,235,201	1,959,352	1,952,706	1,946,640	1,904,257	1,653,580
-	9,117	13,888	10,332	594	7,911	14,763
23,321	27,487	31,947	36,776	42,054	47,614	57,175
68,189	24,575	24,408	14,421	24,943	39,400	88,043
62,576	71,721	61,198	91,175	81,048	33,076	-
154,086	132,900	131,441	152,704	148,639	128,001	159,981
2,430,045	2,368,101	2,090,793	2,105,410	2,095,279	2,032,258	1,813,561

(3) During FY 2023, the Company implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.

Source - PGW's Audited Financial Statements

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Balance Sheets
Fiscal Years 2016 through 2025
(Thousands of U.S.dollars)

Fund Equity and Liabilities	2025	2024	2023
Current liabilities:			
Notes payable	-	35,000	-
Current portion of revenue bonds	69,871	65,728	70,110
Accounts payable	78,694	73,357	80,632
Current portion of long-term liabilities	5,670	4,860	7,947
Customer deposits	2,277	2,396	2,653
Current portion of lease liabilities ⁽²⁾	1,586	1,534	1,329
Current portion of software subscription liabilities ⁽³⁾	3,287	727	1,838
Other current liabilities ⁽⁵⁾	28,514	44,836	47,970
Accrued accounts:			
Interest, taxes, and wages ⁽⁵⁾	7,543	6,821	13,786
Distribution to the City	3,000	3,000	3,000
Total current liabilities	200,442	238,259	229,265
Non current liabilities:			
Long-term revenue bonds	1,191,331	914,850	980,578
Long-term lease liabilities ⁽²⁾	56,119	57,705	58,642
Long-term software subscription liabilities ⁽³⁾	3,886	761	-
Other noncurrent liabilities ^{(1) (5)}	53,710	55,901	24,350
Net pension liability	160,324	186,671	229,433
Net OPEB liability ⁽¹⁾	83,505	113,707	208,706
Total noncurrent liabilities	1,548,875	1,329,595	1,501,709
Total liabilities	1,749,317	1,567,854	1,730,974
Deferred Inflows of Resources			
Deferred inflows related to gain on bond refunding	1,840	145	156
Deferred inflows related to pension	34,823	20,160	-
Deferred inflows related to OPEB ⁽¹⁾	62,232	82,154	40,372
Accumulated fair value of hedging derivatives	2,469	3,162	5,204
Total deferred inflows of resources	101,364	105,621	45,732
Total liabilities and deferred inflows of resources	1,850,681	1,673,475	1,776,706
Net position			
Excess (deficiency) of net investment in capital assets ^{(2) (3) (4)}	916,776	822,451	744,673
Restricted (debt service)	121,485	116,145	109,581
Restricted (workers' compensation)	3,059	2,929	2,778
Unrestricted ^{(1) (2) (3) (4) (5)}	(90,498)	(129,569)	(128,750)
Total net position ⁽⁵⁾	950,822	811,956	728,282
Total liabilities, deferred inflows of resources, and net position	2,801,503	2,485,431	2,504,988

(1) During FY 2018, the Company implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB Plans, and the OPEB Plans expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the OPEB Plans. This change was retroactive to FY 2017.

(2) During FY 2022, the Company implemented GASB Statement No. 87, *Leases*, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.

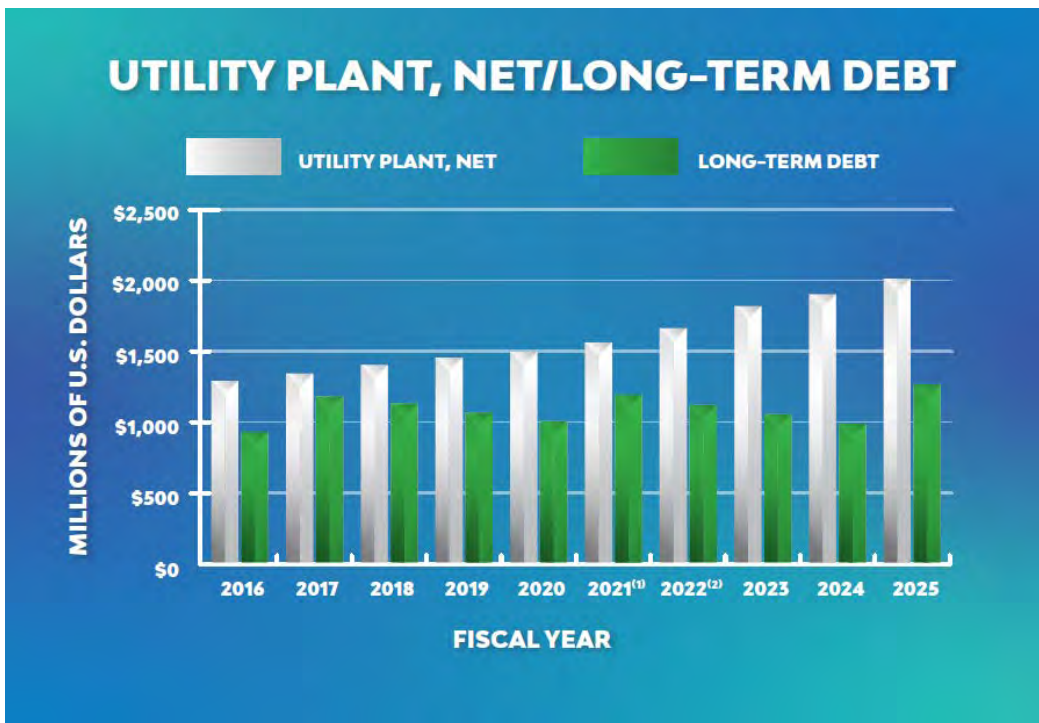
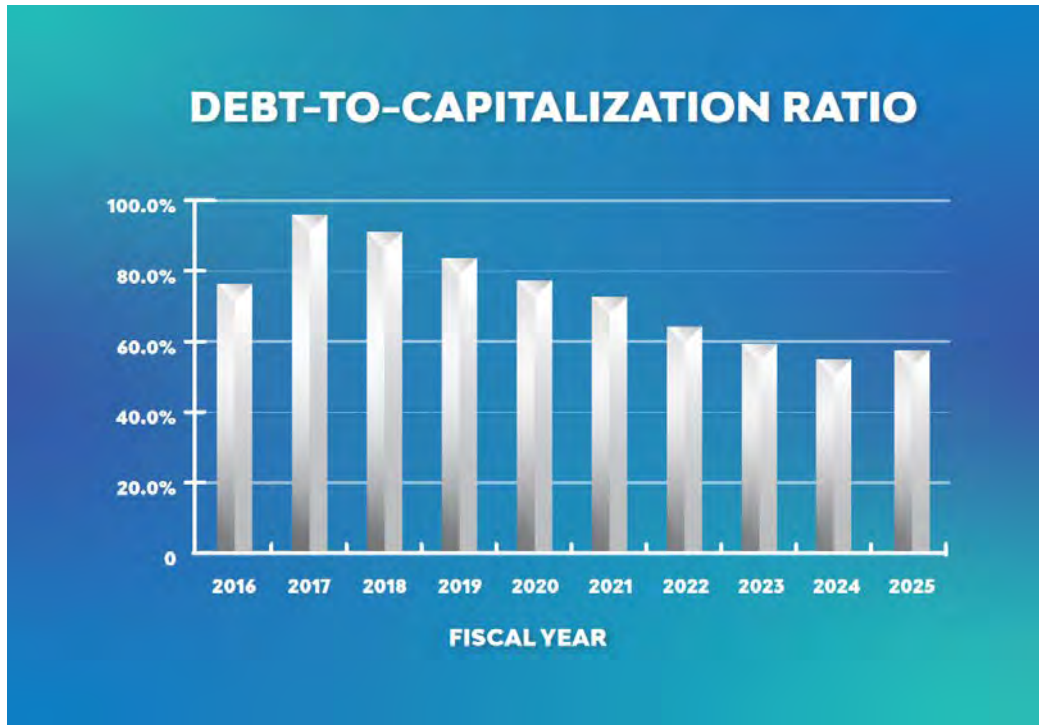
(3) During FY 2023, the Company implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.

2022	2021	2020	2019	2018	2017	2016
-	-	-	-	-	-	71,000
64,202	65,417	63,103	62,946	62,709	49,890	44,803
96,764	79,928	69,657	67,530	72,620	54,922	55,870
5,927	5,552	6,463	6,313	7,216	5,828	6,808
2,262	1,659	2,282	3,090	2,644	3,385	3,308
131	554	-	-	-	-	-
1,856	-	-	-	-	-	-
6,164	35,363	31,088	6,178	15,220	6,005	6,983
14,388	14,751	14,115	12,406	11,969	12,956	6,417
3,000	3,000	3,000	3,000	3,000	3,000	3,000
194,694	206,224	189,708	161,463	175,378	135,986	198,189
1,050,687	1,122,609	936,721	999,474	1,062,763	1,125,473	881,620
114	150	-	-	-	-	-
1,770	-	-	-	-	-	-
36,927	51,681	63,395	65,482	55,889	65,686	149,621
261,082	138,216	237,562	247,246	261,261	261,945	296,093
149,231	201,588	248,209	336,079	378,888	350,356	-
1,499,811	1,514,244	1,485,887	1,648,281	1,758,801	1,803,460	1,327,334
1,694,505	1,720,468	1,675,595	1,809,744	1,934,179	1,939,446	1,525,523
168	181	-	-	-	-	-
5,937	94,514	28,147	18,230	13,266	12,275	-
102,608	102,885	91,524	69,874	36,134	30,920	-
2,478	-	-	-	-	-	-
111,191	197,580	119,671	88,104	49,400	43,195	-
1,805,696	1,918,048	1,795,266	1,897,848	1,983,579	1,982,641	1,525,523
678,913	591,091	523,543	494,460	432,354	375,366	415,561
106,188	107,684	102,824	106,509	103,255	102,202	86,652
2,667	2,740	2,736	2,711	2,646	2,616	2,603
(163,419)	(251,462)	(333,576)	(396,118)	(426,555)	(430,567)	(216,778)
624,349	450,053	295,527	207,562	111,700	49,617	288,038
2,430,045	2,368,101	2,090,793	2,105,410	2,095,279	2,032,258	1,813,561

(4) In FY 2024, the Company corrected the components of net position (net investment in capital assets and unrestricted net position) reported in the 2023 statement of net position because lease liabilities, software subscription liabilities, capital accounts payable, and retainage payable were excluded from the calculation of net investment in capital assets.

(5) In FY 2025 the Company implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for all forms of compensated leave and associated salary related payments, including certain defined contribution pensions and defined contribution OPEB. Adoption of GASB 101 resulted in the retroactive restatement of FY 2024.

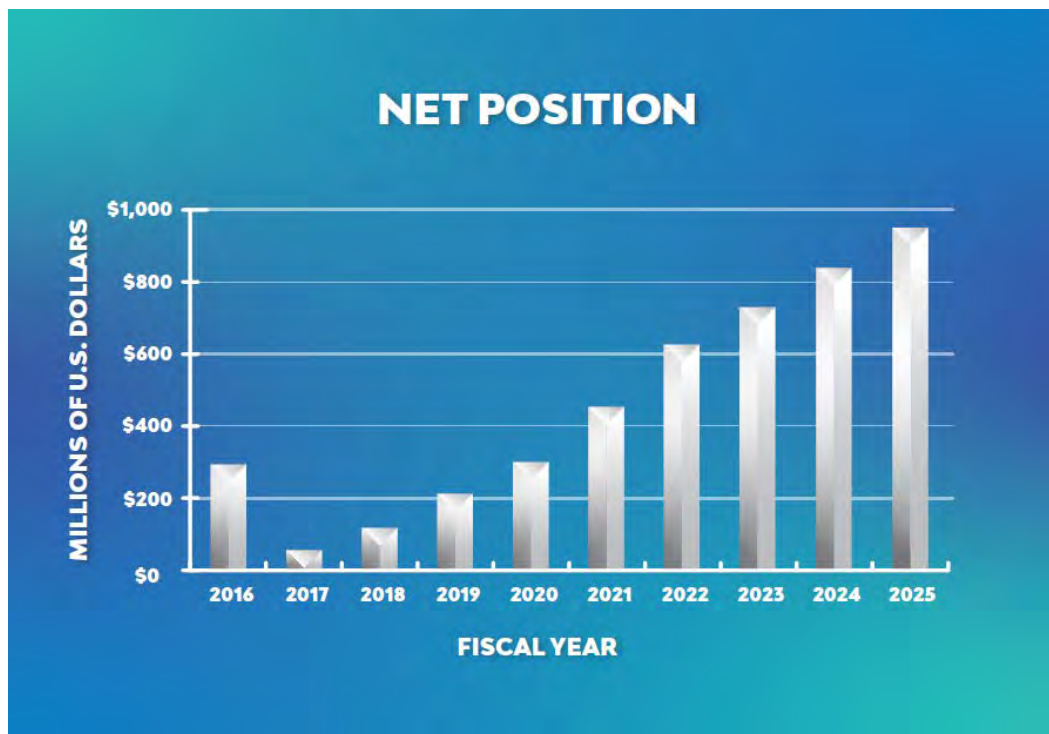
PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Debt to Total Capitalization Ratio and
Utility Plant, Net/Long-Term Debt
Fiscal Years 2016 through 2025



- (1) For FY 2021 and forward, Utility Plant, Net includes lease assets due to the implementation of GASB Statement No. 87, *Leases*.
- (2) For FY 2022 and forward, Utility Plant, Net includes software subscription assets due to the implementation of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*.

Note: The total for debt includes revenue bonds, unamortized discounts, and unamortized premiums.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Net Position
Fiscal Years 2016 through 2025



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Statements of Revenues and Expenses
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

	2025	2024	2023
Operating revenues:			
Gas revenues:			
Nonheating	22,823	21,231	25,914
Gas transport service	88,604	82,542	77,530
Heating	606,310	553,613	599,980
Provision for uncollectible accounts ⁽²⁾	(37,561)	(29,897)	(40,270)
Total gas revenues	680,176	627,489	663,154
Appliance and other revenues	6,653	7,019	7,339
Other operating revenues ⁽⁸⁾	43,164	39,937	40,533
Total operating revenues	729,993	674,445	711,026
Operating expenses:			
Natural gas ⁽⁸⁾	214,446	174,568	223,996
Gas processing ⁽⁴⁾	26,072	25,576	25,569
Field operations ^{(3) (4) (6)}	98,295	96,588	89,803
Field services ⁽³⁾	-	-	-
Distribution ⁽³⁾	-	-	-
Collection and account management ⁽⁴⁾	13,926	12,483	12,894
Customer services ^{(4) (6)}	17,265	15,995	13,962
Marketing ⁽⁴⁾	3,964	3,765	3,857
Administrative and general ^{(1) (3) (4) (6)}	78,415	81,319	66,704
Pensions	9,380	25,345	31,544
Other postemployment benefits ⁽¹⁾	8,675	1,075	4,791
Taxes	10,236	9,830	9,121
Total operating expenses before depreciation	480,674	446,544	482,241
Depreciation ^{(4) (6)}	71,322	75,293	81,962
Less depreciation expense included in operating expenses above	-	-	-
Net depreciation	71,322	75,293	81,962
Total operating expenses	551,996	521,837	564,203
Operating income	177,997	152,608	146,823
Investment gain (loss) and other income	29,228	14,467	14,000
Income before interest expense	207,225	167,075	160,823
Interest expense:			
Long-term debt and other interest expense ^{(4) (6)}	50,359	39,507	38,890
Allowance for funds used during construction ⁽⁵⁾	-	-	-
Total interest expense	50,359	39,507	38,890
Excess of revenues over expenses prior to City Payment	156,866	127,568	121,933
Distribution to the City of Philadelphia	(18,000)	(18,000)	(18,000)
Excess of revenues over expenses	138,866	109,568	103,933
Net position, beginning of the year ^{(1) (4) (6)}	811,956	728,282	624,349
Implementation of New GASB Pronouncement ^{(1) (4) (6) (7)}	-	(25,894)	-
Net position, end of the year ^{(1) (4) (6) (7)}	950,822	811,956	728,282

(1) During FY 2018, the Company implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB Plans, and the OPEB Plans expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plans' fiduciary net position are determined on the same basis as they are reported by the OPEB Plans. This change was retroactive to FY 2017.

(2) Starting in FY 2016, the Company reported provision for uncollectible accounts as a reduction of revenue as required by the GASB. Prior to FY 2016, the Company reported provision for uncollectible accounts as an expense.

(3) Presentment of the FY 2018 Statement of Revenue and Expenses was restated in FY 2019 to reflect Distribution, Field Services, and Operations Support Services (OSS) as a single line item – Field operations. Prior to FY 2019 and the FY 2018 restatement, Distribution and Field Services were reported on separate line and OSS was reported as a part of the Administrative and General line of the Statement of Revenue and Expenses.

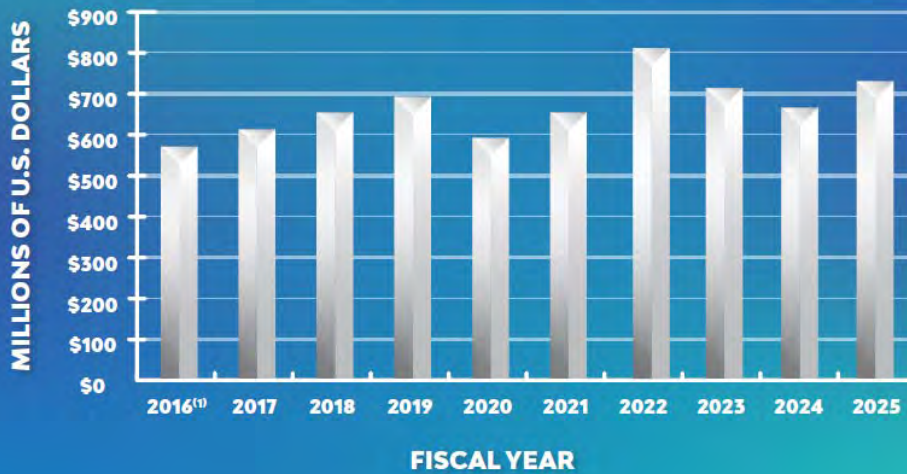
(4) During FY 2022, the Company implemented GASB Statement No. 87, *Leases*, that revises existing standards for measuring and reporting operating and capital leases. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This change was retroactive to FY 2021.

2022	2021	2020	2019	2018	2017	2016
32,064	23,122	21,599	25,065	23,492	21,694	21,873
71,710	67,907	62,846	63,565	51,724	44,370	41,008
687,142	549,982	531,436	605,437	583,864	552,342	509,467
(25,287)	(16,261)	(44,088)	(29,983)	(30,826)	(29,992)	(27,133)
765,629	624,750	571,793	664,084	628,254	588,414	545,215
6,656	6,019	6,190	7,908	8,121	8,199	7,961
33,152	15,978	6,954	12,736	11,124	9,598	10,928
805,437	646,747	584,937	684,728	647,499	606,211	564,104
272,468	163,892	146,754	206,825	186,265	179,230	146,524
24,085	23,294	24,316	22,028	21,644	16,789	17,948
79,542	79,678	78,699	79,341	88,105	-	-
-	-	-	-	-	37,715	36,277
-	-	-	-	-	41,318	37,173
13,237	13,364	12,408	12,490	11,975	11,200	10,913
12,825	13,762	13,686	13,983	13,904	13,230	12,432
4,433	4,113	3,999	4,232	3,751	3,644	3,671
64,535	61,899	65,521	67,649	63,206	59,372	99,652
20,675	(3,146)	19,473	30,268	43,159	54,826	62,336
(1,242)	(902)	10,862	28,351	32,889	28,062	9,929
8,984	8,894	8,957	8,705	8,758	7,890	7,521
499,542	364,848	384,675	473,872	473,656	453,276	444,376
72,342	69,312	64,161	68,186	63,970	54,347	51,679
-	-	-	-	7,516	6,770	6,231
72,342	69,312	64,161	68,186	56,454	47,577	45,448
571,884	434,160	448,836	542,058	530,110	500,853	489,824
233,553	212,587	136,101	142,670	117,389	105,358	74,280
(1,523)	1,322	5,594	10,788	4,634	1,989	1,393
232,030	213,909	141,695	153,458	122,023	107,347	75,673
39,597	43,914	37,590	40,891	43,293	42,416	48,739
-	(2,413)	(1,860)	(1,295)	(1,353)	(1,408)	(1,120)
39,597	41,501	35,730	39,596	41,940	41,008	47,619
192,433	172,408	105,965	113,862	80,083	66,339	28,054
(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
174,433	154,408	87,965	95,862	62,083	48,339	10,054
450,053	295,527	207,562	111,700	49,617	288,038	277,984
(137)	118	-	-	-	(286,760)	-
624,349	450,053	295,527	207,562	111,700	49,617	288,038

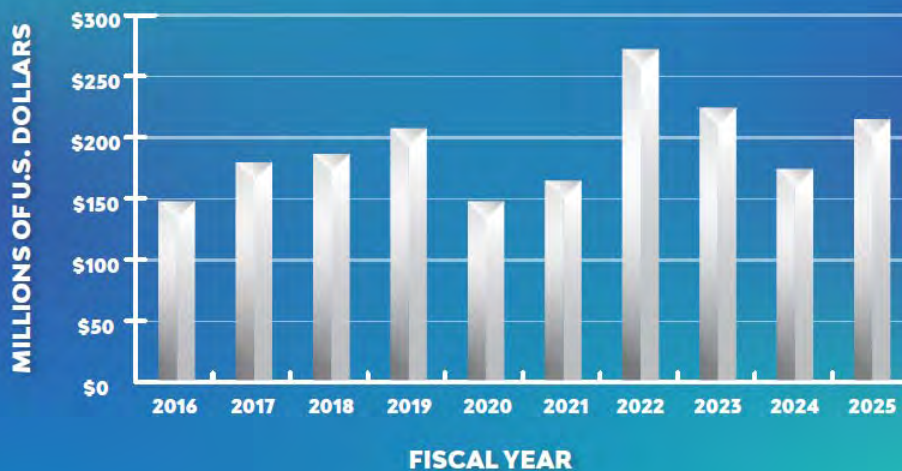
- (5) During FY 2022, the Company implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. Beginning on September 1, 2021, PGW no longer capitalizes AFUDC.
- (6) During FY 2023, the Company implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which revises existing standards for measuring and reporting software subscriptions. Under this statement, a lessee, involving software subscriptions, is required to recognize a liability and an intangible right to use asset, and a lessor, involving software subscriptions, is required to recognize a receivable and a deferred inflow of resources. This change was retroactive to FY 2022.
- (7) In FY 2025 the Company implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for all forms of compensated leave and associated salary related payments, including certain defined contribution pensions and defined contribution OPEB. Adoption of GASB 101 resulted in the retroactive restatement of FY 2024.
- (8) The Company restated FY 2024 to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Operating Revenues and Natural Gas Expenses
 Fiscal Years 2016 through 2025

OPERATING REVENUES

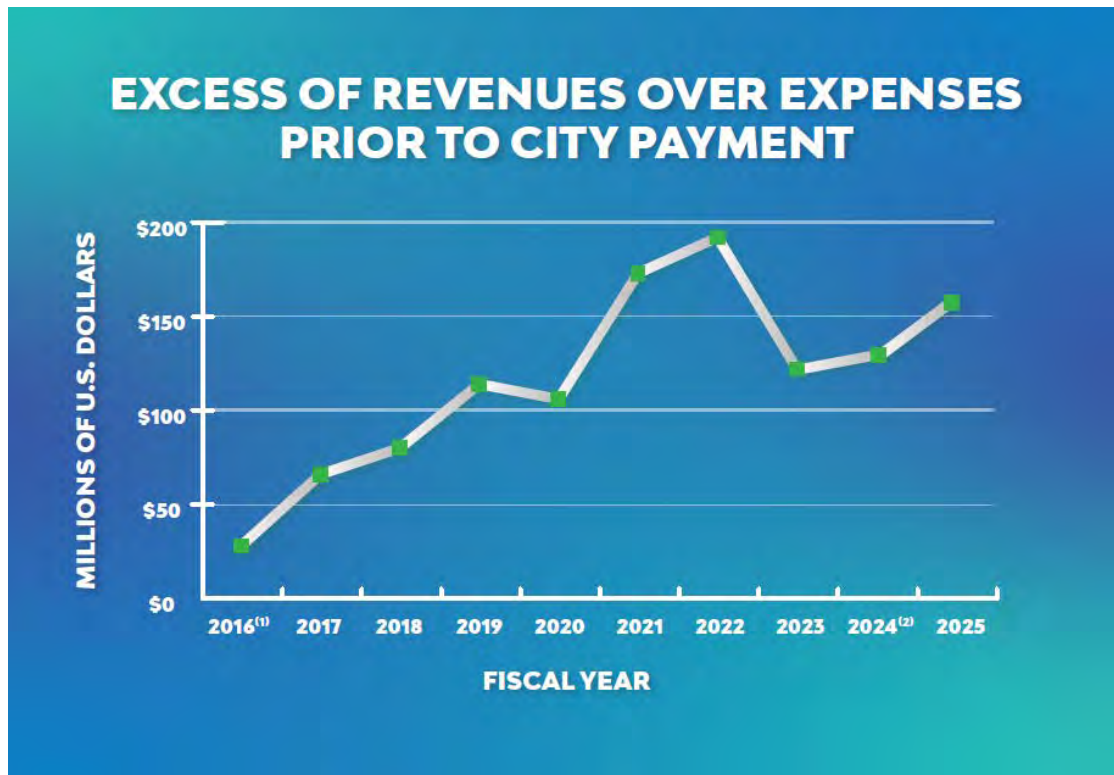


NATURAL GAS EXPENSE



- (1) Starting in FY 2016, the Company reported provision for uncollectible accounts as a reduction of revenue as required by the GASB. Prior to FY 2016, the Company reported provision for uncollectible accounts as an expense.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Excess of Revenues Over Expenses
Prior to City Payment
Fiscal Years 2016 through 2025



- (1) Starting in FY 2016, the Company reported provision for uncollectible accounts as a reduction of revenue as required by the GASB. Prior to FY 2016, the Company reported provision for uncollectible accounts as an expense.
- (2) The Company restated FY 2024 to reflect a change in the Company's accounting policy relating to the recording of capacity release revenue.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Average Number of Customers Billed by System
Fiscal Years 2016 through 2025

	2025	2024	2023
Residential	490,700	492,800	493,100
Commercial	25,000	25,000	25,000
Industrial	500	500	500
Total	516,200	518,300	518,600

Source - PGW Records



- (1) PGW's customer count increased in FY 2020 as compared to FY 2019. However, PGW was operating under the Pennsylvania Public Utility Commission's (PAPUC) requirement to extend the moratorium regarding customer shut-offs during the period April 1, 2020 through August 31, 2020. This inflated PGW's customer count at the end of FY 2020.
- (2) PGW's customer count remained consistent in FY 2021 as compared to FY 2020. PGW was operating under the PAPUC's modification of the March 13 Emergency Order by initiating phase 2 regarding customer protections until December 31, 2021.

2022	2021⁽²⁾	2020⁽¹⁾	2019	2018	2017	2016
496,400	498,300	498,300	484,300	482,300	479,300	476,300
25,000	25,000	25,000	25,000	25,000	25,000	25,000
600	700	700	700	700	700	700
<u>522,000</u>	<u>524,000</u>	<u>524,000</u>	<u>510,000</u>	<u>508,000</u>	<u>505,000</u>	<u>502,000</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Gas Revenues
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

	2025	2024	2023
Firm non-heat	19,785	19,383	22,617
Interruptible gas sales	2,221	1,448	5,057
Billed non-heating	22,006	20,831	27,674
Gas Cost Rates (GCR) non-heating adjustment	817	401	(1,761)
Total non-heating	22,823	21,232	25,913
Billed heating	572,134	517,900	622,898
GCR heating adjustment	20,548	12,760	(49,080)
Total billed heating	592,682	530,660	573,818
Weather normalization adjustment (WNA)	10,354	22,640	28,898
Total heating	603,036	553,300	602,716
Total gas sold	625,859	574,532	628,629
Firm transportation (FT) non-heat	6,569	5,611	5,698
FT heating	61,488	55,842	52,265
WNA - FT	1,506	2,921	3,498
Total heating FT	62,994	58,763	55,763
Total FT	69,563	64,374	61,461
Unbilled adjustment	3,273	312	(2,735)
Gas Transportation Service (GTS): transportation	2,276	2,685	1,230
GTS - customer/customer choice	13,367	12,502	11,884
GTS - supplier/customer choice	11	11	11
GTS - firm supplier	3,256	2,867	2,944
Interruptible Distribution System Improvement Charge (DSIC)	131	102	-
Total Gas Revenues	717,737	657,386	703,424

Source - PGW Records

2022	2021	2020	2019	2018	2017	2016
24,535	21,267	20,496	23,328	23,352	21,588	20,765
6,338	2,085	1,922	1,325	1,059	377	346
30,873	23,352	22,418	24,653	24,411	21,965	21,111
1,191	(230)	(820)	412	(919)	(271)	762
32,064	23,122	21,598	25,065	23,492	21,694	21,873
632,373	544,653	540,576	592,730	612,556	527,191	454,852
30,918	(5,392)	(21,686)	11,040	(23,933)	(4,768)	17,424
663,291	539,261	518,890	603,770	588,623	522,423	472,276
20,523	10,540	9,683	1,347	(3,848)	27,748	39,021
683,814	549,801	528,573	605,117	584,775	550,171	511,297
715,878	572,923	550,171	630,182	608,267	571,865	533,170
5,428	5,060	4,963	5,328	5,063	4,559	4,518
47,294	46,112	43,259	42,250	32,591	26,850	22,789
2,637	1,222	1,106	249	42	1,846	2,458
49,931	47,334	44,365	42,499	32,633	28,696	25,247
55,359	52,394	49,328	47,827	37,696	33,255	29,765
3,329	181	2,864	320	(911)	2,171	(1,830)
1,177	1,165	1,160	1,161	1,144	1,171	1,231
12,695	11,469	10,381	12,664	11,566	8,938	8,784
11	583	(561)	12	13	14	11
2,467	2,296	2,538	1,901	1,305	992	1,217
-	-	-	-	-	-	-
790,916	641,011	615,881	694,067	659,080	618,406	572,348

Source - PGW Records

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Sales and Transportation Volumes
Fiscal Years 2016 through 2025
(Sales in Mcf)*

	2025	2024	2023
Firm non-heat	1,205,601	1,275,040	1,231,117
Interruptible gas sales	582,792	465,975	893,017
Billed non-heating	1,788,393	1,741,015	2,124,134
Total non-heating	1,788,393	1,741,015	2,124,134
 Billed heating	 37,101,247	 34,058,389	 34,506,889
Total billed heating	37,101,247	34,058,389	34,506,889
Total heating	37,101,247	34,058,389	34,506,889
Total gas sold	38,889,640	35,799,404	36,631,023
 Firm transportation (FT) non-heat	 734,210	 652,890	 673,336
 FT heating	 6,095,880	 5,700,762	 5,387,063
Total heating FT	6,095,880	5,700,762	5,387,063
Total FT	6,830,090	6,353,652	6,060,399
 Unbilled adjustment	 (24,282)	 3,484	 (19,592)
 GTS: transportation	 13,309,175	 14,027,652	 14,005,836
GTS - customer/customer choice	11,253,348	10,676,050	10,852,841
Utility use	360,492	331,963	315,456
Unaccounted for gas	1,301,413	1,289,950	1,099,948
Less off system sales	(111,954)	(35,876)	(209,730)
Total sendout ⁽¹⁾	<u>71,807,922</u>	<u>68,446,280</u>	<u>68,736,181</u>
 Unaccounted for gas as a % of total sendout	 1.8%	 1.9%	 1.6%
Degree Days ⁽²⁾	4,030	3,809	3,740

* Mcf = Thousand cubic feet

(1) Total annual sendout excludes all off system sales.

(2) In FY 2021, the source for degree days changed from PGW's Richmond Plant to National Oceanic and Atmospheric Administration (NOAA) which is measured at the Philadelphia International Airport.

Source - PGW Records

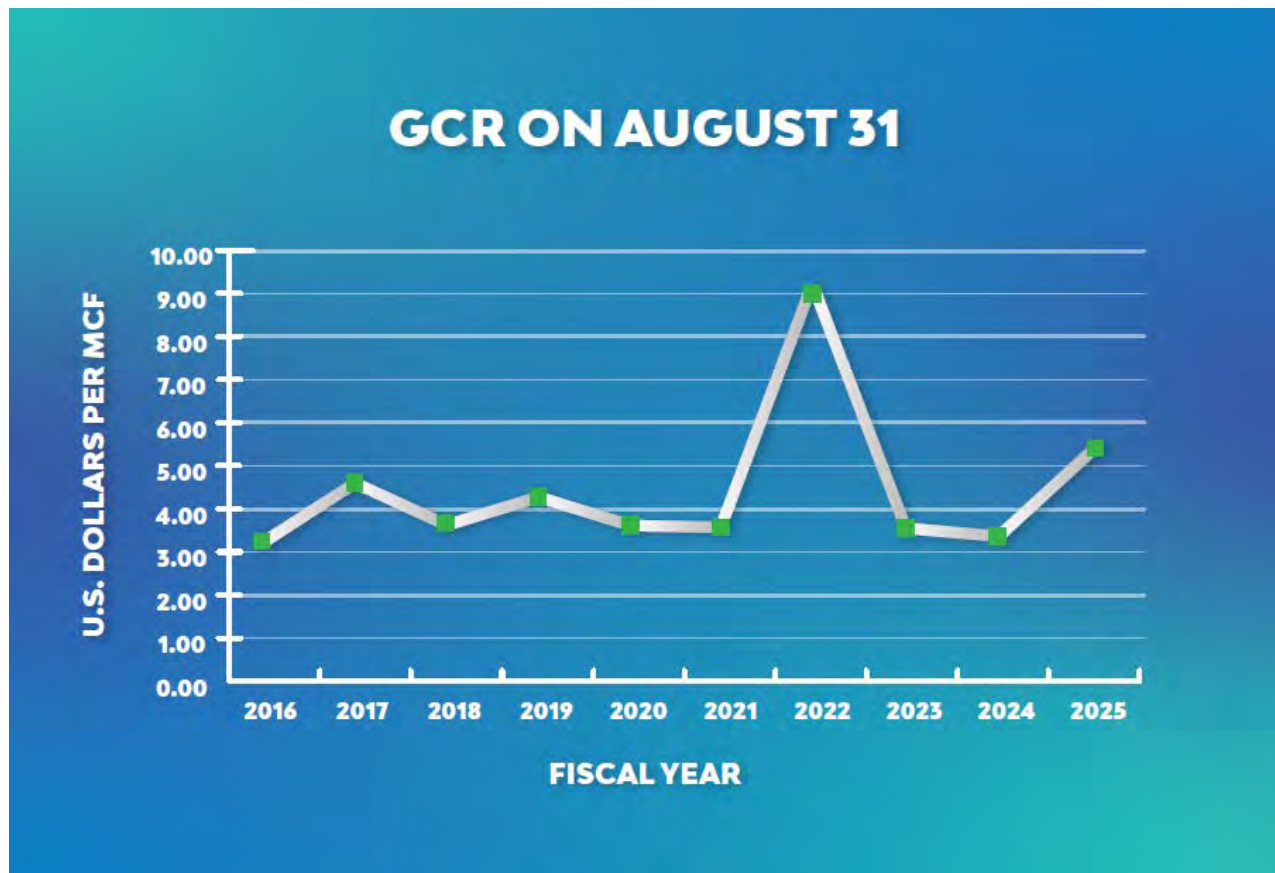
2022	2021	2020	2019	2018	2017	2016
1,443,472	1,504,008	1,416,532	1,618,792	1,592,458	1,508,362	1,568,529
1,318,917	492,120	587,757	204,951	165,808	18,420	37,909
2,762,389	1,996,128	2,004,289	1,823,743	1,758,266	1,526,782	1,606,438
2,762,389	1,996,128	2,004,289	1,823,743	1,758,266	1,526,782	1,606,438
38,515,577	38,797,073	37,583,722	41,603,356	42,925,738	38,464,325	36,115,312
38,515,577	38,797,073	37,583,722	41,603,356	42,925,738	38,464,325	36,115,312
38,515,577	38,797,073	37,583,722	41,603,356	42,925,738	38,464,325	36,115,312
41,277,966	40,793,201	39,588,011	43,427,099	44,684,004	39,991,107	37,721,750
648,034	619,706	672,219	708,321	664,696	640,312	667,248
5,070,660	5,147,806	5,312,963	5,262,884	4,242,257	3,816,219	3,456,099
5,070,660	5,147,806	5,312,963	5,262,884	4,242,257	3,816,219	3,456,099
5,718,694	5,767,512	5,985,182	5,971,205	4,906,953	4,456,531	4,123,347
(50,812)	54,480	(20,584)	27,810	521,488	(7,071)	33,433
13,391,475	13,239,471	13,167,948	13,150,399	12,926,197	12,630,935	12,796,900
11,780,092	11,633,361	11,603,620	13,843,821	12,833,659	11,612,597	11,303,602
300,196	296,018	209,460	261,766	263,681	264,016	233,115
1,557,842	1,202,717	1,487,570	1,667,421	1,351,894	1,684,675	1,738,806
(909,962)	-	-	-	-	-	-
73,065,491	72,986,760	72,021,207	78,349,521	77,487,876	70,632,790	67,950,953
2.1%	1.6%	2.1%	2.1%	1.7%	2.4%	2.6%
3,853	4,108	3,353	3,995	3,986	3,552	3,356

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Gas Cost Rate
Fiscal Years 2016 through 2025
(U.S. dollars)

	2025	2024	2023
September 1	3.2492	3.5056	8.6371
December 1	3.8001	4.0030	8.0242
March 1	5.1308	3.8396	4.9740
June 1	5.4918	3.3378	3.5516

Shown in dollars per thousand cubic feet

Source - PGW Records



2022	2021⁽¹⁾	2020	2019	2018	2017	2016
4.8745	3.4107	4.6030	3.8633	4.1523	4.2026	4.0724
6.0100	3.8484	4.7175	4.4723	4.6913	4.1577	3.6934
5.6123	3.4687	3.9009	4.8779	3.8857	4.9430	3.4946
9.0057	3.5700	3.6124	4.2724	3.6210	4.5986	3.2179

- (1) PGW's customer count remained consistent in FY 2021 as compared to FY 2020. PGW was operating under the PAPUC's modification of the March 13, 2020 Emergency Order by initiating phase 2 regarding customer protections until December 31, 2021. This continued to inflate PGW's normal customer count at the end of FY 2021.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Ratios of Outstanding Debt by Type
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

	Revenue Bonds	Unamortized Discount	Unamortized Premium	Total Revenue Bonds	Lease Liabilities
2025 ⁽⁴⁾	1,132,160	-	129,042	1,261,202	57,705
2024	882,995	(40)	97,623	980,578	59,239
2023	943,250	(44)	107,481	1,050,687	59,971
2022	997,020	(48)	117,918	1,114,890	245
2021	1,058,630	(52)	129,448	1,188,026	704
2020	911,610	(56)	88,270	999,824	-
2019	964,480	(60)	98,000	1,062,420	-
2018	1,016,300	(64)	109,236	1,125,472	-
2017	1,054,725	(68)	120,706	1,175,363	-
2016	837,830	(110)	88,703	926,423	-

(1) Debt per Customer data is presented in whole dollars.

(2) PGW's customer count increased in FY 2020 as compared to FY 2019. However, PGW was operating under the PAPUC's requirement to extend the moratorium regarding customer shut-offs during the period April 1, 2020 through August 31, 2020. This inflated PGW's customer count at the end of FY 2020.

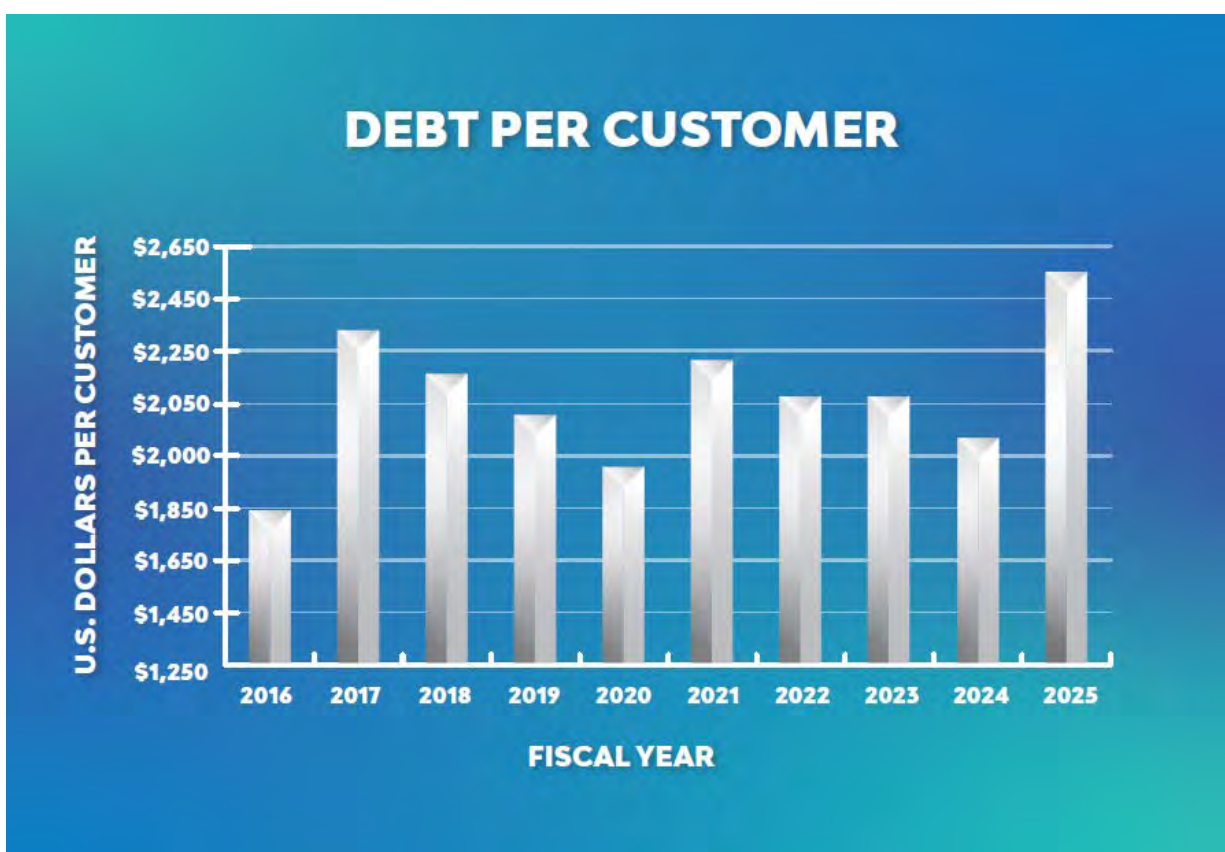
(3) PGW's customer count remained consistent in FY 2021 as compared to FY 2020. PGW was operating under the PAPUC's modification of the March 13, 2020 Emergency Order by initiating phase 2 regarding customer protections until December 31, 2021. This continued to inflate PGW's normal customer count at the end of FY 2021.

(4) On September 18, 2024, the City issued its Gas Works Revenue Bonds, Seventeenth Series A (\$315.0M, 5.0%-5.3% rates, maturity by 2054) to fund a portion of PGW's Capital Improvement Program and pay the costs of redeeming the city's outstanding Gas Works Revenue Capital Project Commercial Paper Notes. The City concurrently issued its Gas Works Revenue Refunding Bonds, Seventeenth Series B (\$109.3M, 5.0% rate, maturity by 2034) to refund certain prior bonds issued under the General Gas Works Revenue Bond Ordinance of 1998.

(5) In FY 2025, total outstanding debt was changed to include total revenue bonds, lease liabilities, and software subscription liabilities. The calculations for the ratio to operating revenue and debt per customer changed for all fiscal years shown.

Source - PGW's Audited Financial Statements and PGW Records

Software Subscription Liabilities	Total Outstanding Debt	Operating Revenue	Ratio to Operating Revenue ⁽⁵⁾	Number of Customers	Debt per Customer (1) (2) (3) (5)
7,173	1,326,080	729,993	182%	516,200	2,569
1,488	1,041,305	674,445	154%	518,400	2,009
1,838	1,112,496	711,026	156%	518,600	2,145
3,626	1,118,761	805,437	139%	522,000	2,143
-	1,188,730	646,747	184%	524,000	2,269
-	999,824	584,937	171%	524,000	1,908
-	1,062,420	684,728	155%	510,000	2,083
-	1,125,472	647,499	174%	508,000	2,215
-	1,175,363	606,211	194%	505,000	2,327
-	926,423	564,104	164%	502,000	1,845



PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Debt Service Coverage
Fiscal Years 2016 through 2025
(Thousands of U.S. dollars)

	2025	2024	2023
Funds Provided			
Total gas revenues	680,176	627,489	663,154
Other operating revenues	49,817	36,580	47,872
Total operating revenues	729,993	664,069	711,026
Other income increase (decrease) restricted funds	13,726	9,478	11,596
AFUDC (Interest) ⁽¹⁾	-	-	-
Total funds provided	743,719	673,547	722,622
Funds Applied			
Fuel costs	214,446	164,192	223,996
Other operating costs	337,550	347,269	340,207
Total operating expenses	551,996	511,461	564,203
Less: non-cash expenses ⁽²⁾	29,987	50,771	91,079
Total funds applied	522,009	460,690	473,124
Funds available to cover debt service	221,710	212,858	249,498
Funds available excluding lease costs	221,710	212,858	249,498
Net available after prior debt service	221,710	212,858	249,498
Net available after prior capital leases	221,710	212,858	249,498
1998 ordinance bonds debt service	110,077	103,704	99,144
Debt service coverage 1998 bonds ⁽³⁾	2.01	2.05	2.52
Net available after 1998 debt service	111,633	109,154	150,354

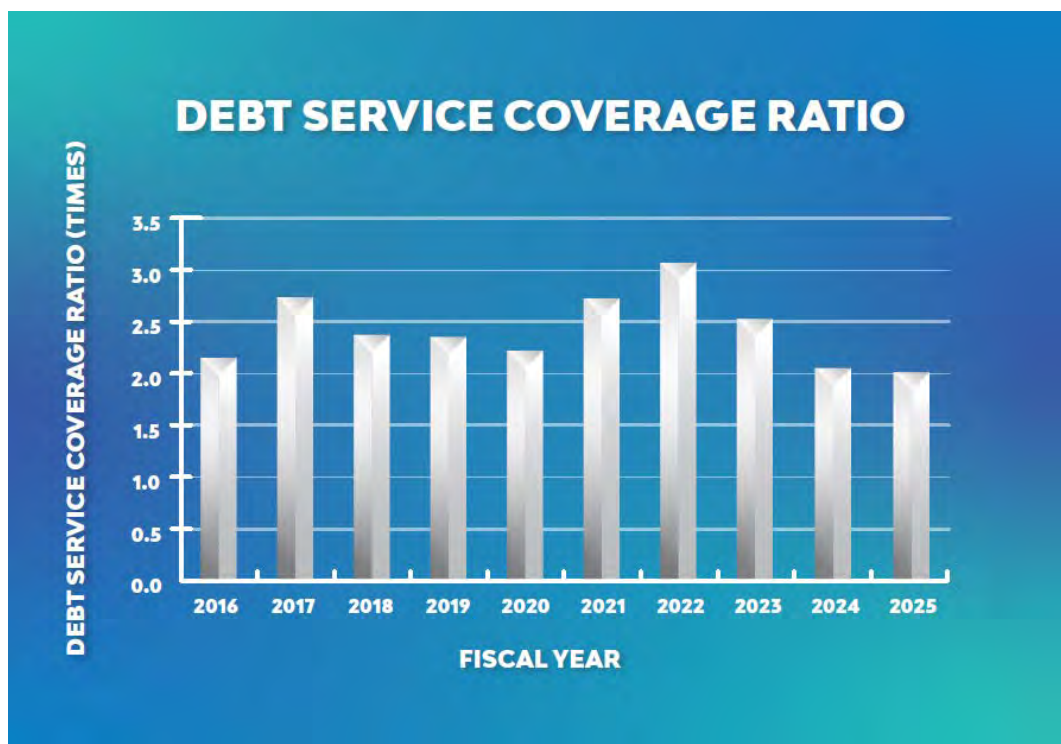
(1) During FY 2022, the Company implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Beginning on September 1, 2021, PGW no longer capitalizes allowance for funds used during construction (AFUDC).

(2) The Company has revised the Debt Service Coverage calculation. With the adoption of GASB 75, PGW included Other Post-Employment Benefit (OPEB) expenses, as shown on the income statement, in the Debt Service Coverage calculation. These expenses comprise three components: GASB 75 expense or credit, an \$18.5 million contribution to the OPEB trust, and the PAYGO health insurance costs. Starting in FY 2024, the GASB 75 expense/credit has been excluded as it is a non-cash item, and the \$18.5 million deposit to the OPEB Trust has been removed, as it is not a PGW payable.

(3) Debt service coverage ratio is not adjusted for the \$18.0 million annual City payment.

Source - PGW's Audited Financial Statements and PGW Records

2022	2021	2020	2019	2018	2017	2016
765,629	624,750	571,793	664,084	628,254	618,406	572,348
39,808	21,997	13,144	20,644	19,245	17,797	18,889
805,437	646,747	584,937	684,728	647,499	636,203	591,237
(2,139)	1,295	12,303	10,788	4,634	1,087	1,416
-	2,413	1,860	1,295	1,353	1,408	1,120
803,298	650,455	599,100	696,811	653,486	638,698	593,773
272,468	163,892	146,754	206,825	186,265	179,230	146,524
300,109	270,268	302,081	335,233	343,845	360,467	370,433
572,577	434,160	448,835	542,058	530,110	539,697	516,957
68,773	46,075	61,105	74,481	82,843	84,027	89,059
503,804	388,085	387,730	467,577	447,267	455,670	427,898
299,494	262,370	211,370	229,234	206,219	183,028	165,875
299,494	262,370	211,370	229,234	206,219	183,028	165,875
299,494	262,370	211,370	229,234	206,219	183,028	165,875
299,494	262,370	211,370	229,234	206,219	183,028	165,875
98,430	97,383	96,182	98,417	87,690	67,582	77,867
3.04	2.70	2.20	2.33	2.35	2.71	2.13
201,064	164,987	115,188	130,817	118,529	115,446	88,008



PHILADELPHIA GAS WORKS
 (A Component Unit of the City of Philadelphia)
 Demographic and Economic Statistics*
 Principal Employers
 2024 Calendar Year and Nine Years Prior

2024	2015
Children's Hospital of Philadelphia	Children's Hospital of Philadelphia
City of Philadelphia	City of Philadelphia
Comcast Corporation	Comcast Corporation
School District of Philadelphia	Drexel University
SEPTA	School District of Philadelphia
Temple University Hospital Inc	SEPTA
Temple University	Temple University
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
University of Pennsylvania	University of Pennsylvania
Hospital of the University of Pennsylvania	Hospital of the University of Pennsylvania

Listed Alphabetically

Source - City of Philadelphia

* Information is for the City, which is PGW's service area.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Demographic and Economic Statistics*
Calendar Years 2015 through 2024

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (Thousands of U.S. Dollars) (2)</u>	<u>Per Capita Personal Income (U.S. Dollars)</u>	<u>Unemployment Rate (3)</u>
2024	1,573,916	96,312,500	61,193	4.5%
2023	1,550,542	95,868,345	61,829	4.2%
2022	1,567,258	88,964,392	56,764	5.4%
2021	1,576,251	95,944,257	60,869	9.2%
2020	1,578,487	93,038,320	58,941	12.4%
2019	1,584,064	90,711,866	57,265	5.5%
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,863	88,081,991	55,718	6.2%
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%

Sources:

(1) *U.S. Census Bureau*

(2) *U.S. Department of Commerce, Bureau of Economic Analysis*

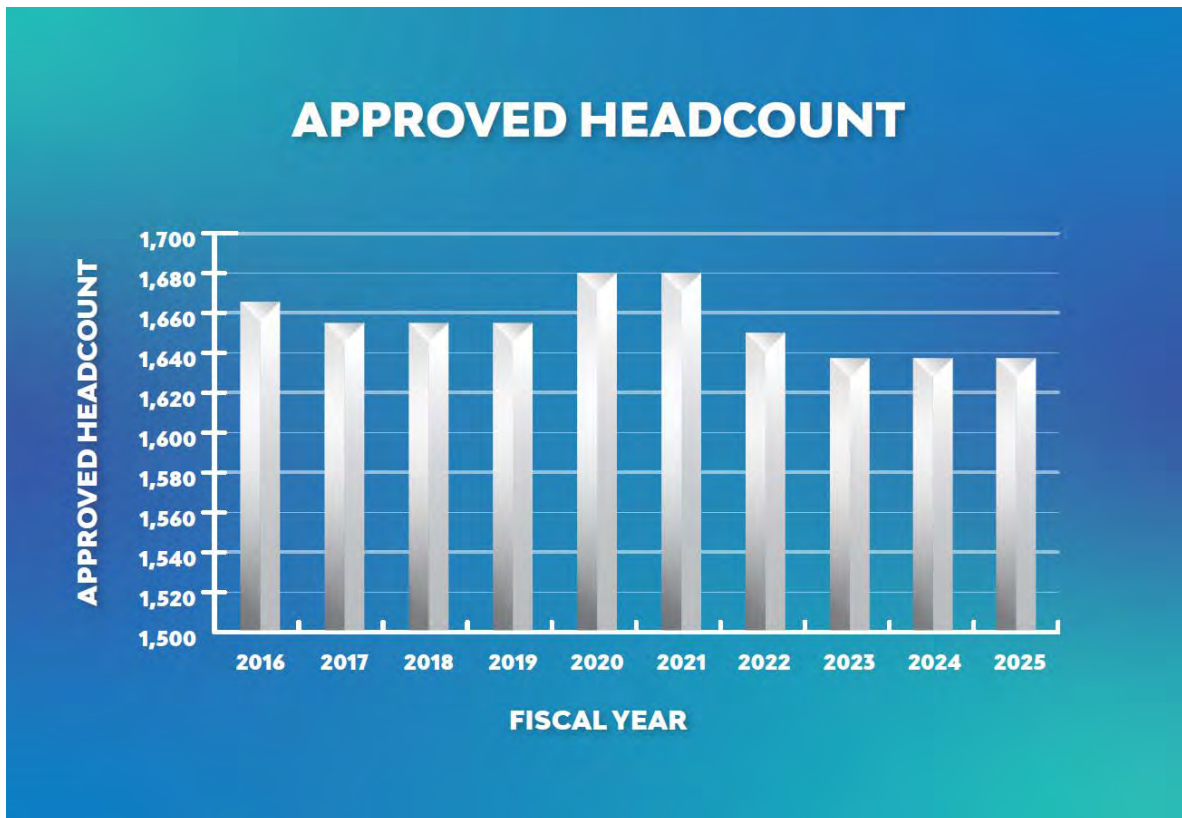
(3) *U.S. Department of Labor, Bureau of Labor Statistics*

* Information is for the City, which is PGW's service area.

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Approved Budgeted Full-Time Personnel by Department
Fiscal Years 2016 through 2025

Departments	2025	2024	2023
President & Chief Executive Officer	2	2	2
Chief Financial Officer	1	1	2
Gas processing	125	117	118
Field services	353	353	355
Distribution	494	484	481
Collection	29	26	27
Customer service	121	138	146
Marketing	28	29	29
Administrative and general	523	501	492
PGW Total	1,676	1,651	1,652
Personnel savings	(45)	(20)	(21)
Philadelphia Gas Commission	6	6	6
Grand Total	1,637	1,637	1,637

Source - PGW's Annual Operating Budget

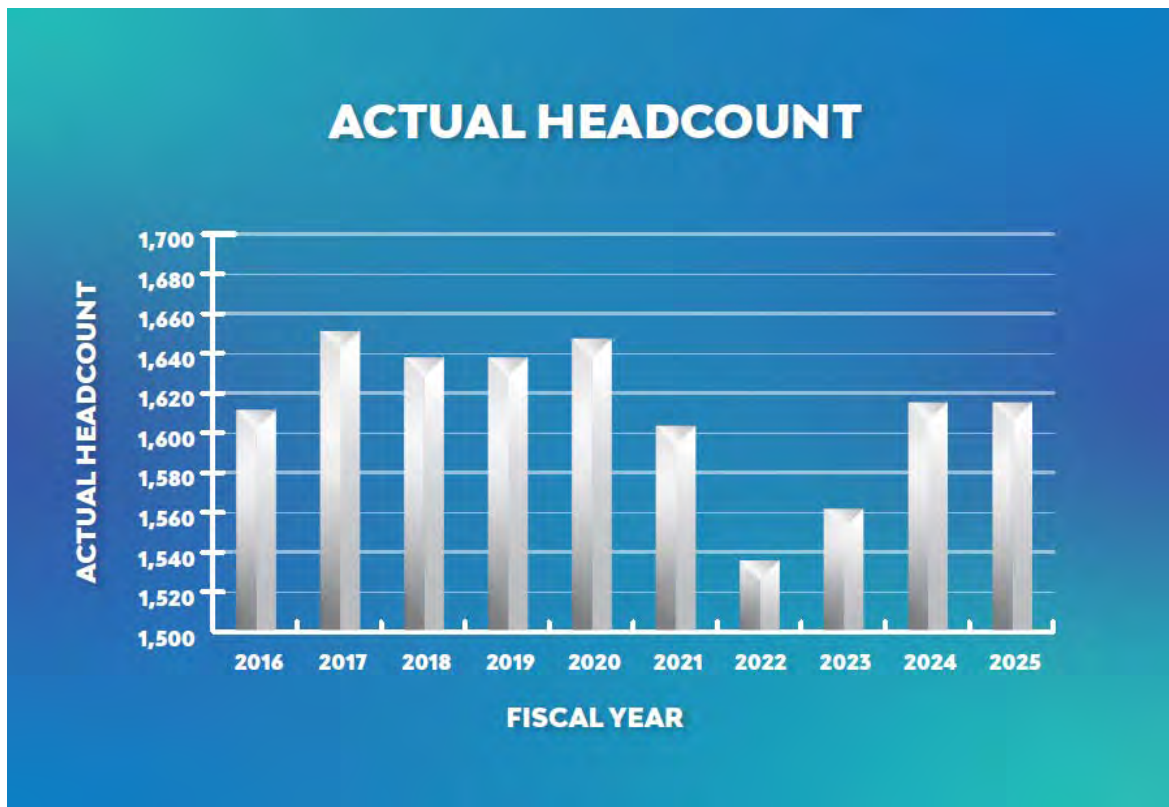


2022	2021	2020	2019	2018	2017	2016
2	2	2	2	2	2	2
2	2	2	2	2	2	2
118	115	116	115	116	116	116
355	364	365	364	372	372	374
483	483	481	483	486	486	480
27	27	28	28	29	29	29
170	177	170	169	170	170	170
29	31	32	32	32	32	32
487	511	521	497	480	480	484
1,675	1,714	1,719	1,694	1,691	1,691	1,691
(31)	(39)	(44)	(44)	(41)	(41)	(31)
6	5	5	5	5	5	5
1,650	1,680	1,680	1,655	1,655	1,655	1,665

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Actual Full-Time Personnel by Department
Fiscal Years 2016 through 2025

Departments	2025	2024	2023
President & Chief Executive Officer	2	2	2
Chief Financial Officer	1	1	1
Gas processing	118	123	116
Field services	347	353	347
Distribution	493	485	476
Collection	26	24	24
Customer service	115	119	102
Marketing	21	24	25
Administrative and general	486	478	462
PGW Total	1,609	1,609	1,555
Philadelphia Gas Commission	6	6	6
Grand Total	1,615	1,615	1,561

Source - PGW Records



2022	2021	2020	2019	2018	2017	2016
2	2	2	2	2	2	2
1	2	2	2	2	2	2
110	114	117	116	117	117	116
340	353	364	353	361	370	362
473	479	480	474	474	486	473
23	26	27	27	27	26	25
109	138	157	167	167	169	157
25	26	26	25	27	27	27
446	454	464	464	454	445	440
<u>1,530</u>	<u>1,596</u>	<u>1,641</u>	<u>1,632</u>	<u>1,633</u>	<u>1,646</u>	<u>1,606</u>
5	7	6	6	5	5	5
<u>1,535</u>	<u>1,603</u>	<u>1,647</u>	<u>1,638</u>	<u>1,638</u>	<u>1,651</u>	<u>1,611</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Operating Indicators
Fiscal Years 2016 through 2025

	2025	2024	2023
Financial			
Debt service ratio (1998 Ordinance)	2.01	2.05	2.52
Debt to total capital ratio	57.0%	54.7%	59.1%
Bad debt as a % of revenue	4.9%	4.2%	5.4%
Bad debt reserve as a % of accounts receivable	44.0%	50.1%	54.2%
Collection factor (receipts/billings)	98.2%	98.4%	97.8%
Cash balance (Thousands of U.S. dollars)	82,557	115,612	139,302
Natural Gas (NG) storage (Thousands of U.S. dollars)	42,218	50,126	65,315
Payroll			
Total payroll (Thousands of U.S. dollars) (Includes Overtime)	155,952	152,313	139,739
Overtime (Thousands of U.S. dollars)	13,642	13,429	11,599
Overtime as a % of Total Payroll	8.7%	8.8%	8.3%
Liquefied Natural Gas (LNG)			
LNG to storage (Mcf)*	1,351,173	1,248,474	1,896,921
LNG from storage (Mcf)	2,668,607	1,565,492	1,609,568
Net to (from) storage (Mcf)	(1,317,434)	(317,018)	287,353
Natural Gas Cost			
Gas utilized (Mcf)	41,337,074	37,676,591	37,979,338
Gas utilized (Thousands of U.S. dollars)	214,415	174,540	223,978
Cost per Mcf (\$)	5.19	4.63	5.90
Natural Gas Sales Information			
Firm gas sold (Mcf)	38,306,848	35,333,429	35,738,006
Interruptible gas sold (Mcf)	582,792	465,975	893,017
Total gas sold (Mcf)	38,889,640	35,799,404	36,631,023
Transportation gas - GTS (Mcf)	31,392,613	31,057,354	30,919,076
Other (Mcf)	1,525,669	1,589,522	1,186,082
Total gas sendout (Mcf)	71,807,922	68,446,280	68,736,181
Unaccounted for gas as a % of total gas sendout	1.8%	1.9%	1.6%
Transportation gas - GTS as a % of total gas sendout	43.7%	45.4%	45.0%
Firm gas sold as a % of total gas sold	98.5%	98.7%	97.6%
Degree Days ⁽¹⁾			
Fiscal Year	4,030	3,809	3,740

* Mcf = Thousand cubic feet

(1) In FY 2021, the source for degree days changed from PGW's Richmond Plant to National Oceanic and Atmospheric Administration (NOAA) which is measured at the Philadelphia International Airport.

Source - PGW Records

2022	2021	2020	2019	2018	2017	2016
3.04	2.70	2.20	2.33	2.35	2.71	2.13
64.1%	72.5%	77.2%	83.7%	91.0%	95.9%	76.3%
3.0%	2.5%	7.0%	4.2%	4.5%	4.7%	4.6%
50.3%	58.0%	49.0%	43.7%	44.5%	44.3%	50.2%
96.7%	96.1%	96.6%	96.3%	95.4%	96.5%	97.7%
115,637	158,265	172,267	124,145	131,051	88,535	91,743
81,467	40,762	35,898	41,263	41,652	46,031	38,556
135,576	134,590	130,981	128,107	129,688	119,182	112,556
12,072	10,392	9,412	11,776	13,863	11,118	11,125
8.9%	7.7%	7.2%	9.2%	10.7%	9.3%	9.9%
1,661,358	1,096,567	1,639,438	2,180,597	1,868,481	2,331,475	2,233,463
3,106,204	1,293,188	1,140,527	1,914,218	2,516,678	1,396,559	1,258,905
(1,444,846)	(196,621)	498,911	266,379	(648,197)	934,916	974,558
43,690,313	42,219,842	41,908,102	46,127,914	47,226,345	43,557,457	40,301,447
272,438	163,873	146,732	206,801	186,254	179,222	146,515
6.24	3.88	3.50	4.48	3.94	4.11	3.64
39,959,049	40,301,081	39,000,254	43,222,148	44,518,196	39,972,687	37,683,841
1,318,917	492,120	587,757	204,951	165,808	18,420	37,909
41,277,966	40,793,201	39,588,011	43,427,099	44,684,004	39,991,107	37,721,750
30,890,261	30,640,344	30,756,750	32,965,425	30,666,809	28,700,063	28,223,849
897,264	1,553,215	1,676,446	1,956,997	2,137,063	1,941,620	2,005,354
73,065,491	72,986,760	72,021,207	78,349,521	77,487,876	70,632,790	67,950,953
2.1%	1.6%	2.1%	2.1%	1.7%	2.4%	2.6%
42.3%	42.0%	42.7%	42.1%	39.6%	40.6%	41.5%
96.8%	98.8%	98.5%	99.5%	99.6%	100.0%	99.9%
3,853	4,108	3,353	3,995	3,986	3,552	3,356

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Capital Asset Information
Calendar Years 2016 through 2025

	2025	2024	2023
Gas main (Miles)	3,090	3,049	3,047
Services (Miles)	2,851	2,861	2,871
Number of meters			
Residential/Small commercial	508,782	514,393	511,470
Large diaphragm	4,123	3,783	4,046
Rotary	10,326	10,253	10,425
Turbine	267	281	277
Total	<u>523,498</u>	<u>528,710</u>	<u>526,218</u>

Source - Gas Annual Report of PGW to the Pennsylvania Public Utility Commission

2022	2021	2020	2019	2018	2017	2016
3,043	3,046	3,047	3,042	3,041	3,039	3,020
2,881	2,889	2,887	2,889	2,891	2,868	2,865
513,903	513,954	515,165	506,946	501,529	502,305	499,110
3,833	3,768	3,663	3,543	3,385	3,179	3,030
10,178	10,211	10,245	10,210	10,653	10,076	10,034
276	276	280	280	286	284	283
<u>528,190</u>	<u>528,209</u>	<u>529,353</u>	<u>520,979</u>	<u>515,853</u>	<u>515,844</u>	<u>512,457</u>

PHILADELPHIA GAS WORKS
(A Component Unit of the City of Philadelphia)
Ten Largest Customers
Fiscal Years 2025 and 2016
(Thousands of U.S. dollars)

2025		2016	
Customer 1 (A)	4,596	Customer 1 (C)	2,814
Customer 2 (B)	3,574	Customer 2 (B)	2,619
Customer 3	3,450	Customer 3 (A)	2,204
Customer 4 (C)	3,025	Customer 4	1,998
Customer 5 (D)	2,534	Customer 5 (F)	1,353
Customer 6 (E)	2,111	Customer 6 (E)	966
Customer 7 (F)	1,779	Customer 7 (G)	932
Customer 8 (G)	1,421	Customer 8 (H)	690
Customer 9 (H)	1,043	Customer 9 (D)	568
Customer 10	997	Customer 10	522
Total	<u>24,530</u>	Total	<u>14,666</u>

Note - A letter designation indicates a repeat customer from the Fiscal Year 2016 list identified on the Fiscal Year 2025 list.

Source - PGW Records

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APPENDIX B

BOOK-ENTRY ONLY SYSTEM

The information set forth herein concerning The Depository Trust Company, New York, New York (“DTC”) and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City, PGW or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds of each maturity, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Fiscal Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

THE CITY, PGW AND THE FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OR INTEREST ON THE BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS, OR (3) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE CITY, PGW NOR THE FISCAL AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE FISCAL

AGENT AS BEING A BONDHOLDER WITH RESPECT TO (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE APPLICABLE GENERAL ORDINANCE TO BE GIVEN TO BONDHOLDERS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

The City may determine to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be prepared and delivered as described in the applicable Supplemental Ordinance.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the Holders, holders, owners, or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply: (i) Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity in other authorized denominations, upon surrender thereof at the designated corporate trust office of the Fiscal Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Fiscal Agent for such purpose only upon the surrender thereof to the Fiscal Agent together with a duly executed assignment in form satisfactory to the City and the Fiscal Agent; and (iii) for every exchange or registration of transfer of Bonds, the Fiscal Agent may impose a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds.

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APPENDIX C

THE CITY OF PHILADELPHIA GOVERNMENT AND FINANCIAL INFORMATION

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OVERVIEW

The City of Philadelphia (the “City” or “Philadelphia”), located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth” or “Pennsylvania”), is the largest city in the Commonwealth and the sixth-largest city in the United States. The City is also the center of the United States’ seventh-largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE. According to the U.S. Census data, the City increased its population by 1.58% to 1.58 million residents from 2015 to 2024.

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City’s economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, healthcare, higher education, utilities, logistics, and the arts. In addition, the City is a center for health, education, research, and life science facilities with the nation’s largest concentration of healthcare resources within a 100-mile radius.

The cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas in the northeast United States. The City, as one of the country’s education centers, offers its business community a large and diverse labor pool that draws from major institutions of higher education including, within the geographical boundaries of the City, the University of Pennsylvania, Temple University, Drexel University, St. Joseph’s University, Thomas Jefferson University, LaSalle University, and the Community College of Philadelphia (“CCP”), among others.

Fiscal Health of the City

General: Beginning in 2020, when the City was faced with increased expenses related to the impact of the novel coronavirus (“COVID-19”) pandemic, various federal, state, and local recovery grants became available to the City, including recovery grants under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and the American Rescue Plan Act of 2021 (the “American Rescue Plan” or “ARPA”). The CARES Act and the American Rescue Plan included substantial federal relief funds for state and local governments, including the City, to address the impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The funds included \$276 million in Coronavirus Relief Funds (via the CARES Act) and \$1.395 billion in Coronavirus State and Local Fiscal Recovery Funds (via the American Rescue Plan), which represented the two largest allocations made to the City. The American Rescue Plan funds were obligated prior to the December 31, 2024 deadline as required by United States Treasury.

Throughout this APPENDIX C, the City outlines spending pressures and fiscal strategies to address various budgetary challenges, which are described in the Thirty-Fourth Five-Year Plan, the Fiscal Year 2026 Adopted Budget, the Fiscal Year 2027 Adopted Budget, and the Thirty-Fifth Five-Year Plan (each as defined herein), as applicable. Current estimates for Fiscal Year 2026 are sourced to the Thirty-Fifth Five-Year Plan throughout this APPENDIX C, unless otherwise noted herein. See “DISCUSSION OF FINANCIAL OPERATIONS” and Tables 1 and 2 (and the text following Table 2) for more information on the City’s historical financial operations, and the City’s projected General Fund balances for Fiscal Years 2026-2031.

Revenues. For Fiscal Year 2025, the City reported revenues of \$6.52 billion, a \$453.9 million (7.5%) increase compared to Fiscal Year 2024. For Fiscal Year 2026, the City is estimating revenues of \$6.32 billion (based on the Thirty-Fifth Five-Year Plan).

For Fiscal Year 2025, the City reported increases in tax collections, resulting in tax collections of \$4.41 billion, a \$324.6 million (7.9%) increase compared to Fiscal Year 2024. For Fiscal Year 2026, the City is estimating tax collections of \$4.59 billion (based on the Thirty-Fifth Five-Year Plan).

For more information on tax revenues, see “– Fiscal Health of the City – Tax Revenues” and “REVENUES OF THE CITY” and Table 3 herein.

Expenses. As noted above, the City received \$276 million from the CARES Act and \$1.395 billion from the American Rescue Plan for COVID-19-related costs. The City received in Fiscal Years 2020 and 2021 certain CARES Act funding in the amounts of \$100 million in the General Fund and \$176 million in the Grants Revenue Fund, respectively. Such amounts were available to be transferred periodically from the Grants Revenue Fund to the General Fund to reimburse for eligible COVID-19-related costs. In Fiscal Years 2022-2025, the City drew down on approximately \$250 million, \$335 million, \$391 million, and \$419 million, respectively, in federal COVID-19 relief funding from the American Rescue Plan. Fiscal Year 2026 is the first full fiscal year without the benefit of revenue from the American Rescue Plan.

Budgetary Challenges. The Thirty-Fourth Five-Year Plan and the Thirty-Fifth Five-Year Plan highlight two key budgetary challenges for the City – the end of the American Rescue Plan funds (as described above) and a balloon payment due on pension obligation bonds in Fiscal Year 2029 (see Table 42 herein). The City has budgeted and planned for both of these fiscal matters.

Federal Funding. There have been several federal executive orders and policy initiatives with respect to possible pauses to the disbursement of certain federal funds for various states, cities, and other local jurisdictions, including the City. The City is monitoring these developments to assess any impact on the potential availability of federal funding. In the Thirty-Fourth Five-Year Plan, the Fiscal Year 2026 Adopted Budget, the FY 2026 Third Quarter QCMR, the Fiscal Year 2027 Adopted Budget, and the Thirty-Fifth Five-Year Plan, as applicable, the City has included a Federal Funding Reserve (as defined herein), which is a budgeted reserve to help mitigate federal funding uncertainties (see “– Budgeted Reserve” herein).

The City has experienced disruptions on at least eight federal grant awards for which the City has an executed grant agreement. Three of those awards were terminated but are covered under injunctions, one rescinds unobligated funds for an infrastructure project, one rescinds unobligated funds for community-based projects, one is pending reimbursement, and two have supported activities that are being wound down.

Federal Emergency Management Agency (“FEMA”). The Department of Homeland Security, via FEMA, administers the annual \$1 billion Homeland Security Grant Program (“HSGP”), which funds state, county, and local governments’ response to terrorism. Specific grants within HSGP include the State Homeland Security Program (“SHSP”) and the Urban Area Security Initiative (“UASI”), which Pennsylvania receives and administers through the Pennsylvania Emergency Management Authority (“PEMA”). Initially, FEMA announced its annual HSGP grant funding to all 50 states at traditional levels. However, when the funds were released, there were reductions to funding levels for certain jurisdictions based on immigration policies.

In 2025, due to the proposed cuts, ten states initiated a lawsuit to require FEMA to restore funding to original levels. The states alleged that the federal government unlawfully defied Congress’ budget allocation by underfunding states with so-called “sanctuary city” policies. As an initial measure, the states secured a temporary restraining order that stopped the proposed, modified FEMA payments to allow for the court to adjudicate the proper allocation. Pennsylvania Governor Shapiro joined the case on October 24, 2025. On December 22, 2025, the federal district court entered an order granting summary judgment

in favor of the plaintiffs and ordered FEMA to restore the original funding levels. The district court further denied FEMA's request for a stay pending appeal. On January 26, 2026, FEMA filed notice that amended awards consistent with the district court's order would be issued on January 30, 2026. Although FEMA initially appealed that decision, it later withdrew that appeal. A final judgment has been issued in favor of the states. However, FEMA has not yet released required funds. The City is in close consultation with the Commonwealth on methods to enforce the court order.

The Governor has identified \$18 million in regional Philadelphia UASI funds that are at risk. The City projects that roughly \$5 million in direct funds to Philadelphia starting in 2027 would be at risk if the full funding is not restored. The Fiscal Year 2027 Adopted Budget and Thirty-Fifth Five-Year Plan includes \$24 million from FEMA for eligible World Cup-related expenses.

Budget Measures. In the Fiscal Year 2026 Adopted Budget, budget priorities were centered around investments in six key areas: (i) public safety, (ii) clean and green, (iii) access to economic opportunity for all, (iv) housing, (v) education, and (vi) core support with a continued focus on the City's long-term fiscal health. The Fiscal Year 2027 Adopted Budget and the Thirty-Fifth Five-Year Plan continue to expand upon these investments and also include new investments related economic mobility. The Fiscal Year 2027 Adopted Budget includes a \$48 million increase to the City's contribution to the School District starting in Fiscal Year 2027. The Fiscal Year 2027 Adopted Budget also approved a modification of how the Use & Occupancy Tax is applied for cellular towers to generate an additional estimated \$2.4 million annually for the School District.

General Fund Balance: As set forth in the City's audited Annual Comprehensive Financial Report for Fiscal Year 2025 (the "Fiscal Year 2025 ACFR"), the City reported that Fiscal Year 2025 ended with a cumulative adjusted year-end General Fund balance of \$1.179 billion, which at 18.1% of projected revenues meets the administration's target for the General Fund balance (plus reserves) of at least 6-8% of revenues and the GFOA recommendation of at least 17% of revenues.

The audited General Fund balance for Fiscal Year 2025 is approximately \$8 million lower than the unaudited balance reported in October 2025. This is attributable to a transfer of \$8 million from the General Fund to the Grants Fund.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2026-2031, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

Budget Stabilization Reserve Fund: In Fiscal Year 2025, \$58.3 million was deposited into the Budget Stabilization Reserve Fund. In Fiscal Year 2026, \$58.9 million was deposited into the Budget Stabilization Reserve Fund. Following the deposit for Fiscal Year 2026, the total in the Budget Stabilization Reserve Fund is \$242.8 million (including interest earnings). Amounts deposited in the Budget Stabilization Reserve Fund are not included in cumulative adjusted year-end General Fund balances.

In the Thirty-Fifth Five-Year Plan, the City projects a payment to the Budget Stabilization Reserve Fund in Fiscal Year 2027 of \$52.5 million and Fiscal Year 2028 of \$54.7 million. There can be no assurance that such payment to the Budget Stabilization Reserve Fund will occur. The Thirty-Fifth Five-Year Plan does not include any projected payments to the Budget Stabilization Reserve Fund in Fiscal Years 2029-2031. The Thirty-Fifth Five-Year Plan does not include any withdrawals from the Budget Stabilization Reserve Fund. For more information on the Budget Stabilization Reserve Fund, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve Fund" herein.

Budgeted Reserves: The Thirty-Fourth Five-Year Plan, the Fiscal Year 2026 Adopted Budget, the Fiscal Year 2027 Adopted Budget, and the Thirty-Fifth Five-Year Plan, as applicable, include budgeted reserves, certain of which are described below. The budgeted reserves are not set aside in any restricted reserve account.

Labor Reserve. The City budgets for a labor reserve for potential future labor cost increases (the “Labor Reserve”). Over the course of Fiscal Years 2026-2031, the Labor Reserve is estimated to total approximately \$605.2 million. For more information on the City’s labor contracts, see “EXPENDITURES OF THE CITY – Overview of City Employees” herein.

Federal Funding Reserve. The City is also budgeting for possible delays, reductions, or terminations of any federal funding available to the City as it navigates federal funding uncertainties (the “Federal Funding Reserve”). The Fiscal Year 2027 Adopted Budget includes \$91.0 million in the Federal Funding Reserve.

For the Labor Reserve and the Federal Funding Reserve, any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes. Information related to the foregoing reserves can be found in Tables 1 and 2 and the related footnotes in “DISCUSSION OF FINANCIAL OPERATIONS.”

Tax Revenues: Based on the data in the Fiscal Year 2025 ACFR, roughly 68% of the City’s revenues came from local taxes and approximately 89% of tax revenues came from just four taxes: Wage and Earnings Taxes, Real Estate Taxes, Business Income and Receipts Taxes (“BIRT”), and Realty Transfer Taxes, with the largest portion of such tax revenues (approximately 44%) coming from the Wage and Earnings Tax (see Table 3 and “REVENUES OF THE CITY – Wage, Earnings, and Net Profits Taxes” herein). Less than 40% of the Wage and Earnings Tax is paid by non-resident workers.

Following the pandemic and as remote work arrangements continue for certain workers, the City continues to closely monitor Wage and Earnings Taxes. Of the City’s workforce, commuters account for less than 40% of all Wage and Earnings Taxes. Non-resident workers are not required to pay this tax when their employer requires them to work from home outside the City. If the region experiences long-term or permanent shifts to required work-from-home policies, changes in consumer preferences, and population shifts, there may be a lasting negative impact on City finances. In the Thirty-Fifth Five-Year Plan, the City assumes the continuation of a permanent reduction in the non-resident tax base of 25% coming out of the pandemic, as a result of remote work arrangements. This 25% loss has already been sustained and is assumed throughout the Thirty-Fifth Five-Year Plan. In Fiscal Year 2025, the non-resident portion of the Wage and Earnings Taxes was approximately 13.5% of General Fund total revenue.

In Fiscal Year 2025, Wage and Earnings Tax collections increased by 5.1% over Fiscal Year 2024. In Fiscal Year 2026, Wage and Earnings Tax collections are projected to increase by 5.7% over Fiscal Year 2025. Wage and Earnings Tax collections for Fiscal Years 2022-2025, and projections for Fiscal Year 2026, exceed the amounts collected in Fiscal Year 2019 (pre-pandemic).

Additionally, the City remains unique among the nation’s largest cities by population in that it imposes a tax on both net income and gross receipts, the Business Income and Receipts Tax, which generated approximately 17.0% of the City’s local tax revenue in Fiscal Year 2025. For Fiscal Year 2026, the Business Income and Receipts Tax is projected to generate approximately 17.0% of the City’s local tax revenue (based on the Thirty-Fifth Five-Year Plan). Under legislation enacted during the Fiscal Year 2026 budget process, the Business Income and Receipts Tax rate on gross receipts is scheduled to be reduced each tax year through 2038 and eliminated thereafter. Under that same legislation, the Business Income and Receipts Tax rate on Net Income is projected to be cut in half over that same period. For tax year 2038,

the Business Income and Receipts Tax is scheduled to be 0.0 mills for gross receipts and 2.80% for net income. See “REVENUES OF THE CITY” and Table 3 and “REVENUES OF THE CITY – Business Income and Receipts Tax” and Table 5.

High Fixed Costs: The City’s high fixed costs consume a significant portion of the City’s budget. The largest of such costs is the City’s payment to the Municipal Pension Fund. In Fiscal Year 2025, the City’s contribution to the Municipal Pension Fund was approximately \$864.2 million, of which the General Fund’s share (including the Commonwealth contribution of \$103.1 million) was \$684.2 million. See Table 29. The Municipal Pension Fund is 67.7% funded on an actuarial basis (as of the July 1, 2025 Valuation (as defined herein)). See “PENSION SYSTEM” and Table 27 herein.

The School District of Philadelphia: While the School District of Philadelphia (the “School District”) is an independent governmental entity, the City provides direct financial contributions to the School District. In the Fiscal Year 2025 ACFR, the City reported that its direct contribution to the School District from the General Fund was \$284.1 million. In the Fiscal Year 2026 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$284.1 million (which is unchanged as the current estimate in the Thirty-Fifth Five-Year Plan). In the Fiscal Year 2027 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$332.1 million (which includes a \$48 million one-time contribution to the School District).

In addition to the direct financial contribution noted above, Real Estate Taxes (as defined herein) are divided into two portions – the City Real Estate Tax and the School District Real Estate Tax. For Fiscal Year 2025, the portions were 44% for the City Real Estate Tax and 56% for the School District Real Estate Tax. The City also collects the Liquor Tax, the School Income Tax, and the Use and Occupancy Tax, on behalf of the School District of Philadelphia.

For more information on the School District, see “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies – The School District.” For more information on Real Estate Taxes and the allocation thereof, see “REVENUES OF THE CITY – Real Property Taxes – Assessment and Collection.” For more information on the City’s historical contributions to the School District, see “EXPENDITURES OF THE CITY – City Payments to School District” and Table 21 herein.

Investigation of Overspending by the Office of Homeless Services. In Fiscal Year 2021, the City reduced the Office of Homeless Services (“OHS”) General Fund appropriations. Some of these reductions were offset by federal CARES Act funds and certain other grant funding. Despite the reduced funding, OHS service demands remained high during this period, which included the height of the COVID-19 pandemic and the emergence of several homeless encampments throughout the City.

From Fiscal Years 2021 through 2024, OHS spent and entered into contractual commitments that exceeded its budgeted authority by an estimated \$15 million. Once such overspending was uncovered, the City referred the matter to the Office of the Inspector General (“OIG”) in late 2023.

In April 2024, the OIG released a preliminary report on these OHS budget matters. While the report did not present evidence of criminal wrongdoing or self-enrichment, it illustrated that OHS officials knowingly overspent across multiple fiscal years to meet rising service demand. In particular, OHS (i) encumbered partial amounts on contracts, (ii) paid prior year invoices with current year funds, and (iii) encumbered funds across various fiscal and calendar years, all of which obscured the full picture of contractual costs incurred and contributed to a growing budget gap. These practices by OHS are still under review and it is possible that additional budgetary gaps may be identified.

In Fiscal Year 2024, the City addressed the aforementioned overspending by providing OHS with an additional \$9.6 million through a transfer ordinance. An additional \$4.7 million in prior-year overspending was covered by unspent funds from the Managing Director's Office, which has oversight responsibility for OHS.

The OIG's report included recommendations for additional financial controls and encumbrance oversight to prevent a similar situation from occurring in the future, including (i) strengthening the budget verification process, (ii) imposing stricter encumbrance rules, (iii) collecting and tracking more data from the Finance Payment Verification Unit (part of the Office of the Director of Finance) in order to intervene in a more timely manner should budgetary problems occur, (iv) evaluating the scope of the non-profit contracting exemption and the ability of OHS to contract with non-profit vendors without a competitive process, and (v) restricting the use of local funds and grant funds on a single contract. In connection with (iv), City Council passed a bill to remove the non-profit contracting exemption for OHS and a number of other departments effective in Fiscal Year 2026. The Mayor took no action on the bill and it became law on September 5, 2024. Additional legislation on the non-profit contracting exemption that modifies exceptions and provides for certain reporting and recordkeeping requirements was passed by City Council on June 12, 2025 and signed by the Mayor on June 13, 2025.

The City has also engaged an external accounting firm to supplement the OIG's work with a deeper forensic investigation. This engagement has been extended and the work is continuing. The results of this review are still pending.

Additionally, OHS has engaged a financial consultant upon receipt of the results of the investigations described above to temporarily increase capacity, implement recommendations, and train OHS staff. The City is also considering other actions to address the OIG's recommendations.

Tax Decoupling Matters and Business Income and Receipts Taxes. With the passage of PA Act 21 of 2026 into law, the City is decoupled from the federal tax provisions established under the One Big Beautiful Bill Act ("OBBBA"). This change makes Philadelphia policy consistent with that of Pennsylvania, protecting the revenue of the BIRT. The change is effective beginning with Tax Year 2025 and applies to all subsequent tax years. To the extent taxpayers filed 2025 BIRT returns following the OBBBA, rather than pursuant to the decoupled provisions, such returns will need to be amended to account for the payment of additional BIRT.

This "OVERVIEW" is intended to highlight the strategies implemented by the City to address its principal anticipated fiscal challenges, and the City continues to monitor the circumstances related thereto. The reader is cautioned to review with care the more detailed information presented in this APPENDIX C.

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

Philadelphia is the largest city in the Commonwealth of Pennsylvania, the sixth-largest city in the United States, and the center of the United States' seventh-largest metropolitan statistical area. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its strength in key industries.

In particular, as one of the country's education centers, the City offers the business community a large and diverse labor pool. The University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, La Salle University, and Community College of Philadelphia are some of the well-known institutions of higher education located in the City. Within the region, there are also other well-known colleges and universities, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

Philadelphia is a center for health, education, research, and life science facilities. In the City, there are more than 30 hospitals, including the Children's Hospital of Philadelphia, Hospital of the University of Pennsylvania, Einstein Medical Center-Philadelphia, Temple University Hospital, and Thomas Jefferson University Hospitals and Jefferson Health, among others, and schools of medicine, dentistry, pharmacy, optometry, podiatry, and veterinary medicine.

Additionally, tourism is important to the City and is driven by the City's extraordinary historic and cultural assets. The City's Historic District includes Independence Hall, the Liberty Bell, Carpenters' Hall, the Betsy Ross House, and Elfreth's Alley, the nation's oldest residential street. The Benjamin Franklin Parkway District (referred to as the "Parkway" in APPENDIX D) includes the Philadelphia Museum of Art, the Barnes Foundation, the Rodin Museum, and the newly opened Calder Gardens. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. Extending North on Broad Street, the Avenue of the Arts includes the Pennsylvania Academy of Fine Arts and the Met, a full-service musical and event venue. Philadelphia also hosts all four major sports leagues in a stadium district within city limits.

For more information on the City's demographic and economic resources and economic development initiatives, see APPENDIX D hereto.

History and Organization

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "General Assembly") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act: (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"); (ii) abolished all governments within these boundaries other than the City and the County; and (iii) consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City, provides that the City performs all functions of county government, and states that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly pursuant to the First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17, and adopted by the voters of the City (as amended and supplemented, the "City Charter"). The City Charter

provides, among other things, for the election, organization, powers and duties of the legislative branch (the “City Council”) and the executive and administrative branch, as well as the basic rules governing the City’s fiscal and budgetary matters, contracts, procurement, property, and records. Under Article XII of the City Charter, the School District operates as a separate and independent home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City’s affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the City Charter, there are two distinct principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education.

The court system in the City, consisting of Common Pleas and Municipal Courts, is part of the Commonwealth judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to be elected for no more than two successive terms. Each of the seventeen members of City Council is also elected for a four-year term, which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of City Council. Of the members of City Council, ten are elected from districts and seven are elected at-large. No more than five of the seven at-large candidates for City Council may be nominated by any one party or political body. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller is an independently elected office, with responsibilities derived from the City Charter, various City ordinances, state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants (collectively, “Generally Accepted Auditing Standards”).

The City Controller audits and reports on the City’s and the School District’s respective Annual Comprehensive Financial Reports (“ACFRs”), federal assistance received by the City, and the performance of City departments. The City Controller also conducts a pre-audit program of City expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the City Charter and other pertinent legal and contractual requirements before any funds are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City’s debt capacity and the capital nature and useful life of capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) on the reasonableness of the assumptions and estimates in the City’s five-year financial plans.

Under the City Charter, the Mayor’s Cabinet consists of the Mayor, the Managing Director, the Director of Finance, the City Solicitor, the Chief Public Safety Director, the Director of Planning and Development, the Director of Commerce, the Director of Labor, and the City Representative. Under the City Charter, the Mayor appoints each of the foregoing, as well as the Director of Aviation. With respect

to the City Solicitor and the Chief Public Safety Director, the Mayor appoints an individual to such position, with the advice and consent of a majority of City Council.

The Managing Director, in coordination with the senior officials of City departments and agencies, is responsible for supervising most of the operating departments and agencies of the City that provide the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City. Under the City Charter, the Director of Planning and Development oversees the Department of Planning and Development, which includes three divisions: (i) the Division of Development Services; (ii) the Division of Planning and Zoning; and (iii) the Division of Housing and Community Development. Such divisions represent five budgetary programs/fiscal divisions, including Executive Administration, Planning & Zoning, Development Services, Community Development, and Housing Development.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, City Council, and all of the agencies of the City government. The City Solicitor is also responsible for: (i) advising on legal matters pertaining to all of the City's contracts and bonds; (ii) assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council; and (iii) conducting litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel, which is established pursuant to the City Charter and is comprised of the President of the Philadelphia Clearing House Association, the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, and the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania. Under Mayor Parker's administration, the Director of Finance is responsible for the financial functions of the City, including: (i) development of the annual operating budget, the capital budget, and capital program; (ii) the City's program for temporary and long-term borrowing; (iii) supervision of the operating budget's execution; (iv) the collection of revenues through the Department of Revenue; (v) the oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and (vi) the supervision of the Office of Property Assessment. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Parker, her Chief of Staff, the Director of Finance, and the City Treasurer.

Cherelle L. Parker, Mayor. On November 7, 2023, Cherelle L. Parker was elected as the City's 100th Mayor. She was sworn into office on January 2, 2024 and is the first woman to lead the City and hold the office in 341 years. Mayor Parker is a lifelong Philadelphia resident and a former public school teacher. Elected to the Pennsylvania House of Representatives in 2005, Mayor Parker represented the 200th legislative district for ten years. In 2015, Mayor Parker was elected to serve as a Democratic Philadelphia City Councilmember representing the 9th District. She championed key legislation on pension reform, workforce training and small business supports, and affordable housing during her time in City Council. Building on those legislative measures, Mayor Parker's administration is also focused on a cleaner, greener, safer Philadelphia with access to economic opportunity for all. Mayor Parker holds a Bachelor of Science in English Education from Lincoln University and a Master of Public Administration from the University of Pennsylvania.

Tiffany W. Thurman, Chief of Staff. Tiffany W. Thurman was appointed Chief of Staff effective January 2, 2024. Previously, she served as Senior Vice President for Government and Community Affairs for the Greater Philadelphia YMCA, the Pennsylvania Local Government Lead at Accenture, and Chief of Staff within the Philadelphia Department of Parks and Recreation. She was also previously appointed Executive Director of the Philadelphia Delegation to the House of Representatives. She has a Master of Public Administration degree from the University of Pennsylvania and a bachelor's degree from Temple University.

Rob Dubow, Director of Finance. Mr. Dubow has served as Director of Finance since being appointed on January 7, 2008. Prior to that appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Executive Deputy Budget Secretary of the Commonwealth, from 2004 to 2005, and as Budget Director for the City, from 2000 to 2004.

Jacqueline Dunn, City Treasurer. On February 11, 2021, Ms. Dunn was appointed City Treasurer. Prior to such appointment, Ms. Dunn served as Acting City Treasurer beginning September 25, 2020, and prior to that, she served as Deputy City Treasurer beginning July 2019. As City Treasurer, Ms. Dunn (i) oversees the issuance of all notes and bonds on behalf of the City's General Fund and Enterprise Funds used to finance capital projects, (ii) manages cash collections and cash resources in the City Treasury, and (iii) serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury. Ms. Dunn also serves as the Director of Finance's designee on the Philadelphia Board of Pensions and Retirement and as a board member for the Philadelphia Municipal Authority ("PMA"). In 2014, Ms. Dunn joined the City as an Assistant Director of Finance in the Finance Department. In 2016, she was appointed Chief of Staff to the Director of Finance. Prior to joining the City, Ms. Dunn worked for Public Financial Management and the Annenberg Public Policy Center. She has a master's degree in Governmental Administration and a bachelor's degree in Political Science, both from the University of Pennsylvania.

Government Services

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of airport facilities (the "Airport System"); and (xiv) maintenance of a prison system. For information on the Water and Wastewater Systems, see APPENDIX D – "KEY CITY-RELATED SERVICES AND BUSINESSES – Water and Wastewater." For information on the Airport System, see APPENDIX D – "TRANSPORTATION – Airport System."

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. For more information on PGW, see "REVENUES OF THE CITY – PGW Annual Payments," "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," and "LITIGATION – PGW" and APPENDIX D – "KEY CITY-RELATED SERVICES AND BUSINESSES – Gas Works."

Local Government Agencies

There are a number of governmental authorities and quasi-governmental non-profit corporations that also provide services within the City. Certain of these entities are comprised of governing boards, the members of which are either appointed or nominated, in whole or part, by the Mayor, while others are independent of the Mayor's appointment or recommendation.

Mayoral-Appointed or Nominated Agencies

Philadelphia Industrial Development Corporation and Philadelphia Authority for Industrial Development. The Philadelphia Industrial Development Corporation ("PIDC") and the Philadelphia Authority for Industrial Development ("PAID"), along with the City's Commerce Department, coordinate the City's efforts to maintain an attractive business environment, attract new businesses to the City, and retain existing businesses. PIDC manages PAID's activities through a management agreement. Of the 30 members of the board of PIDC, eight are City officers or officials (the Mayor, the Managing Director, the Director of Finance, the Commerce Director, the Director of Planning and Development, the City Solicitor, and two members of City Council), nine members are designated by the President of the Chamber of Commerce of Greater Philadelphia (the "Chamber of Commerce"), and the remaining 13 members are jointly designated by the Chamber of Commerce and the Commerce Director. The five-member board of PAID is appointed by the Mayor.

Philadelphia Municipal Authority. PMA (formerly the Equipment Leasing Authority of Philadelphia) was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include any project authorized under the Municipality Authorities Act that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Philadelphia Energy Authority. The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011. PEA has all powers necessary or appropriate to carry out and effectuate its energy-related purposes, including, among other things, the powers to acquire, construct, finance, improve, maintain and operate projects. PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. PEA is governed by a seven-member board appointed by City Council from five nominations made by the Mayor and two nominations from City Council.

Philadelphia Redevelopment Authority. The Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "PRA"), supported by federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas. PRA is governed by a five-member board appointed by the Mayor.

In 2019, the PRA combined operations under the Philadelphia Housing Development Corporation to achieve certain administrative and programmatic efficiencies. Other than such efficiencies, PRA remains independent in all other respects.

Philadelphia Land Bank. The Philadelphia Land Bank (the "PLB") is an independent agency formed under the authority of City ordinance and Pennsylvania law to return vacant and tax delinquent properties to productive reuse. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members.

In 2019, the PLB combined operations under the Philadelphia Housing Development Corporation to achieve certain administrative and programmatic efficiencies. Other than such efficiencies, PLB remains independent in all other respects. For more information on the PLB, see APPENDIX D – “ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – Philadelphia Land Bank.”

Philadelphia Housing Authority. The Philadelphia Housing Authority (the “PHA”) is a public body organized pursuant to the Housing Authorities Law of the Commonwealth and is neither a department nor an agency of the City. PHA is responsible for developing and managing low and moderate income rental units and limited amounts of for-sale housing in the City. PHA is also responsible for administering rental subsidies to landlords who rent their units to housing tenants qualified by PHA for such housing assistance payments. PHA is governed by a nine-member Board of Commissioners, all of whom are appointed by the Mayor with the approval of a majority of the members of City Council. The terms of the Commissioners are concurrent with the term of the appointing Mayor. Two of the members of the Board are required to be PHA residents. For more information on PHA, see APPENDIX D – “ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – The Philadelphia Housing Authority.”

Hospitals and Higher Education Facilities Authority of Philadelphia. The Hospitals and Higher Education Facilities Authority of Philadelphia (the “Hospitals Authority”) assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority also permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Southeastern Pennsylvania Transportation Authority. The Southeastern Pennsylvania Transportation Authority (“SEPTA”), which is supported by transit revenues and federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. Two of the 15 members of SEPTA’s board are appointed by the Mayor and confirmed by City Council. SEPTA is not a department or agency of the City. For more information on SEPTA, City payments thereto, and certain fiscal and legal matters for SEPTA, see “EXPENDITURES OF THE CITY – City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA)” and APPENDIX D – “TRANSPORTATION – Southeastern Pennsylvania Transportation Authority.”

Pennsylvania Convention Center Authority. The Pennsylvania Convention Center Authority (the “Convention Center Authority”) constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom on the East Coast, and the ability to host large tradeshow or two major conventions simultaneously.

Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Director of Finance is an ex-officio member of the Board with no voting rights. The Commonwealth, the City, and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. ASM Global manages and operates the Pennsylvania Convention Center. For more information on the Convention Center Authority, see “EXPENDITURES OF THE CITY – City Payments to Convention Center Authority.”

The School District. The School District was established, pursuant to the First Class City Home Rule Education Act, by the Educational Supplement to the City Charter as a separate and independent home rule school district to provide free public education to the City’s residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the “Board of Education”), which is appointed by the Mayor and approved by City Council.

Under the City Charter, the Board of Education is required to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or City Council, in amounts sufficient to provide for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. The School District has no independent power to authorize school taxes. Certain financial information regarding the School District is included in the City’s ACFR.

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed by the separate statutes of the Commonwealth. The School District is a separate political subdivision of the Commonwealth, and the City has no property interest in or claim on any revenues or property of the School District.

In the Fiscal Year 2025 ACFR, the City reported that its direct contribution to the School District from the General Fund was \$284.1 million. In the Fiscal Year 2026 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$284.1 million (which is unchanged as the current estimate in the Thirty-Fifth Five-Year Plan). Such amounts do not include funding from taxes levied by the School District and authorized by City Council. For more information on the City’s historical contributions to the School District, see “EXPENDITURES OF THE CITY – City Payments to School District” and Table 21.

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”) in 1991 to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The Governor of Pennsylvania (the “Governor”), the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives, and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA’s board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA’s board with no voting rights.

In January 1992, the City and PICA entered into an Intergovernmental Cooperation Agreement (the “1992 PICA Agreement”), pursuant to which PICA agreed to issue bonds from time to time, at the request of the City, for the purpose of funding, among other things, deficits in the General Fund and a debt service reserve. The authority for PICA to issue bonds to fund deficits of the City has expired. See “DEBT OF THE CITY – PICA Bonds.”

Under the PICA Act, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under “DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City” and “– Quarterly Reporting to PICA.”

On July 7, 2022, an amendment to the PICA Act was signed into law by the Governor, which, among other things, (i) extends the term of existence of PICA until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA Bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture; (ii) continues all of the financial oversight

and reporting requirements of the PICA Act for the life of PICA (regardless of whether PICA Bonds are outstanding); (iii) permits on a limited basis during certain recurring three-year periods on a decennial basis, at the request of the City, the issuance of PICA Bonds for capital projects of the City; and (iv) continues the authorization and dedication of the PICA Tax for so long as PICA remains in existence (regardless of whether any PICA Bonds are outstanding). For more information on PICA Bonds, see “DEBT OF THE CITY – PICA Bonds.” In June 2023, City Council passed, and the Mayor signed, an amendment to the PICA Tax ordinance to extend its duration in response to the continued authorization of the PICA Tax pursuant to the amendments to the PICA Act. In addition, the City and PICA approved and entered into a new intergovernmental cooperation agreement (the “2023 PICA Agreement”) that reflects and implements the PICA Act as amended, and replaces the expired 1992 PICA Agreement.

The PICA Act and the 2023 PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City’s financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). Such withheld funds are held in escrow by the Commonwealth or in the applicable City account until such non-compliance is cured. A majority vote of PICA will determine when the conditions that caused the City to be certified as non-compliant have ceased to exist. Following such vote, PICA notifies the Secretary of the Budget and the withheld funds are released (together with all interest and income earned thereon during the period held in escrow).

Philadelphia Parking Authority. The Philadelphia Parking Authority (the “PPA”) is responsible for: (i) the construction and operation of parking facilities in the City and at Philadelphia International Airport (“PHL”); and (ii) enforcement of on-street parking regulations. The members of the PPA’s board are appointed by the Governor, with certain nominations from the General Assembly. PPA is not a department or agency of the City. For more information on the PPA, see “REVENUES OF THE CITY – Philadelphia Parking Authority Revenues.”

Cybersecurity

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. In recent years, various cyber incidents have occurred that resulted in proactive remediation and quarantining of computer hardware and networks. The City’s cyber policies and procedures have reduced the impact of such incidents.

The City’s Office of Innovation and Technology works to protect the City from cyber threats by adopting new technology and ensuring City systems and resident data are protected. The Office of Innovation and Technology follows industry best practices, develops City-wide security policies, provides regular security training to all City employee users, and uses security tools to mitigate, prevent, deter, and respond to incidents if and when they occur. Additionally, to identify potential vulnerabilities and proactively mitigate them, the City organizes (i) ongoing vulnerability and compliance scanning of City systems, (ii) annual, and/or as major changes occur, penetration tests of City systems and supporting

infrastructure, and (iii) ongoing audit and log monitoring of systems and users. These tests are performed by both the Office of Innovation and Technology, Departments, and third parties.

The Office of Innovation and Technology has worked to establish relationships with federal and state government, and commercial, academic, and law enforcement security experts. It is the City's expectation that such relationships will enable the City to stay informed of threats and continuing improvements to security systems.

While the City closely monitors its networks and conducts periodic tests and reviews thereof, no assurances can be given that such security and operational control measures will be successful in guarding against all future cyber threats and attacks. New technical cyber vulnerabilities are discovered in the United States daily. In addition, cyber-attacks have become more sophisticated and increasingly are capable of impacting municipal control systems and components. The techniques used to obtain unauthorized access to, or to disable or degrade, electronic networks, computers, systems and solutions are rapidly evolving and have become increasingly complex and sophisticated. As cybersecurity threats continue to evolve, the City may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. The results of any successful attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Climate Change

The City's Office of Sustainability ("OOS") works with partners around the City, both public and private, to educate and prepare the City for climate change, among other things. OOS, in coordination with departments across the City, is responsible for implementing "Growing Stronger: Toward a Climate-Ready Philadelphia," the City's first climate adaptation plan, which identifies climate vulnerability and risk and outlines a variety of initiatives to prepare the City for future climate-related challenges. OOS is in the process of updating the City's Resilience Plan and a citywide stakeholder engagement process was started in 2025.

Planning for the potential impacts of climate change in the City is challenging. The City's climate is variable and projections of future conditions range significantly depending on the emissions scenarios. However, regardless of emissions scenario, the models agree on the direction of change. Climate change impacts include rising temperatures (increasing average temperatures and extreme heat in the form of heat waves); air quality issues, which are exacerbated by temperature increases and sometimes caused by wildfires outside of the City; increased heavy precipitation events (rain or snow); rising sea levels (likely ~1.25 feet by 2050 and between three to-four feet by 2100); and storm surges and extreme wind from more intense hurricanes, tropical storms, and Nor'easters.

Under the mid-century (2050) and end-of-century (2100) analyses, Global Climate Models downscaled for Philadelphia project that it will experience a greater frequency of heavy and extremely heavy precipitation events, with the largest increase occurring in precipitation that falls during winter months. Heavy precipitation and flooding can be caused by a variety of weather systems, including tropical storms and hurricanes, cloudburst events, thunderstorms, and frontal activity. When these heavy precipitation events fall as rain, they can exceed the capacity of the City's storm sewer infrastructure causing inland (pluvial) flooding; and when they fall as snow, they require many City resources to manage. Rain and melting snow cause runoff that can cause local creeks and rivers to overtop their banks. Some of these projections are already becoming a reality, as the City has experienced an increase in the intensity and frequency of storm events over the last decade, which has on occasion resulted in significant flooding.

The sea level rising is a particularly important risk for the City, as rising seas affect water levels in the tidal rivers and creeks bordering the City, such as the Delaware and Schuylkill Rivers and the Darby-Cobbs Creek. Higher sea levels will increase the depth and extent of flooding in and around the City from storm surges during extreme events; cause the regular tide cycle to flood low-lying areas of the City (i.e., “sunny day” flooding); raise groundwater levels, which can cause new areas to flood and impact the performance of green stormwater infrastructure and nature-based solutions; decrease the drainage capacity of the stormwater system as outfalls are under water more often; and potentially impact drinking water quality due to saltwater intrusion during periods of drought.

Philadelphia sits towards the bottom of the 13,500 square mile Delaware watershed, making it particularly vulnerable to riverine (fluvial) flooding. For example, intense rain hundreds of miles outside of the City, but still in the watershed, could lead to flooding in Philadelphia. Historically, nearly 80% of all floods experienced in the City are considered riverine flood events (as opposed to coastal or inland). Low-lying areas already experience localized flooding during heavy storm events, and both municipal infrastructure and private development exist along Philadelphia’s rivers and creeks.

Because of the City’s topography and its location next to tidal rivers, many City facilities and other properties are vulnerable to sea level rise, even under conservative (low) sea level rise scenarios. For example, Philadelphia International Airport (PHL) and at least a dozen other City facilities would be exposed to flooding with two feet of sea level rise, a scenario that is likely to be exceeded this century. At under two feet of sea level rise, only one City facility (Fort Mifflin) is highly vulnerable to permanent inundation (i.e., it will flood within the tidal cycle in the absence of storms), but at under four feet of sea level rise, 19 facilities are highly vulnerable and another 12 City facilities are moderately vulnerable to permanent inundation. Hundreds of additional facilities (both City and private) are highly vulnerable to both riverine flooding and the combination of sea level rise and storm surge. Many neighborhoods and City-owned assets and infrastructure are also vulnerable to inland flooding (e.g., pluvial, urban or rainfall-driven flooding), which can occur far away from water bodies and is not included in FEMA’s flood maps.

As an example of the City’s possible susceptibility to flooding from major storms or rising sea levels, on September 1, 2021, remnants of Hurricane Ida passed through the City and surrounding areas causing heavy rainfall, major flooding, and numerous tornadoes. The Schuylkill River rose to record levels, or near record levels, in various areas and caused flooding and damage throughout parts of the City. It was estimated that the unmet needs from damages from that single event totaled over \$1.3 billion for Philadelphia alone. The City received federal relief funding and grants, including \$163 million in Community Development Block Grant Disaster Recovery grant funding from the United States Department of Housing and Urban Development (HUD), and received other aid from FEMA, to offset costs incurred in addressing the damages from the storm.

Overall, Philadelphia is warming based on annual average temperatures and this trend is expected to continue. However, this does not mean that the City and region will not experience extreme cold events. Today, Philadelphia sees 29 fewer days below freezing than it did in the 1970s and winters are on track to be milder overall. However, even if the frequency of extreme cold events is decreasing, when they do happen, they could be more intense or more persistent due to climate change. When these events occur, as they did in January and February 2026, they can cause immense operational disruptions to water, energy, and transportation systems, as well as result in substantial costs to the City. Snow removal and salting services also greatly impact the budgets of the Streets department. Melting snow can cause flooding and salt for deicing can also degrade water quality.

Financial Impact. While the financial effects of climate change are difficult to quantify, the City has developed some cost estimates related to its future fiscal impact. Climate change will increase both the risk of expensive extreme events and the regular, recurring costs of doing business, along with equally

important but less quantifiable costs to quality of life in the City. Proactive planning for climate change can help to reduce many of these costs, both public and private.

Climate change is increasing the intensity of extreme storms, and it is estimated that just one severe hurricane could cause more than \$2 billion in damage across the City. The City expects to see more frequent extreme storms with higher winds and more flooding, due in part to sea level rise combined with heavy rains and tropical cyclones. Depending on severity, each of these storms could cause an estimated \$20 million to \$900 million in damages in the City. In connection with such damages, the City could seek Commonwealth and federal funding to alleviate the burden of any disaster-related costs if any such funding becomes available. No assurances can be given that the City would receive any such requested funding if available.

In addition to increasing disaster costs, higher heat and more precipitation will increase the everyday cost of doing business for the City's government, businesses, and residents. Increased operating costs from climate change across all sectors would result in a significant economic impact in the City. Much of these costs will be borne by City departments in combination with the Commonwealth and federal government; others will fall directly on the private sector or on residents and property owners.

As the effects of climate change continue taking shape in the City, annual costs related thereto are expected to include a variety of increases ranging from energy and maintenance costs to the increasing costs of continuing to provide services to protective measures like a levee for flood mitigation. For example, the City expects climate change to (i) increase annual electricity costs due to increased demand for air conditioning; (ii) create additional roadway maintenance costs from precipitation, freeze-thaw cycles, and high temperatures; and (iii) increase the annual cost of operating warming centers during extreme cold events and cooling centers during heat emergencies. Helplines to advise callers about how to avoid heat stress and refer those in need of help to emergency services are also enacted during heat emergencies. A recent climate study estimated that in 30 years Philadelphia will need to use air conditioning an additional 11 days out of the year compared to 2024, increasing the City's electricity usage by 15%.

The City also expects to face a variety of other increased costs due to climate change, such as (i) costs associated with a variety of respiratory diseases caused by higher levels of ozone (with costs for medical treatment and lost productivity associated with these diseases approaching \$20 million by 2050), and (ii) increased regional transportation expenses (increased operational costs and damages from climate change could rise by almost \$2 million per year).

In 2016, OOS, along with a cross-departmental Climate Adaptation Working Group, issued *Growing Stronger: Toward a Climate-Ready Philadelphia* to (i) assess vulnerabilities and preparation opportunities for municipal government; (ii) identify low-barrier and high-impact internal actions that can be taken to reduce risks and decrease stressors on City infrastructure services; and (iii) guide proactive projects with benefits beyond municipal operations. The Office of Sustainability is actively working on an update to the City's Climate Resilience Plan and is developing climate services and tools to empower city staff to plan for the changes the City faces. The City recently launched a citywide public engagement process to support the plan, with the completion of the plan slated for 2027. Additionally, the City's All-Hazard Mitigation Plan update and the Comprehensive Plan update are both underway and will feature actions and priority investments to address climate change. In recent years, several important interagency working groups formed to ensure alignment and coordination on key climate hazards, including flood risk, excessive heat, and climate resilience.

OOS is also nearly complete with an updated citywide climate vulnerability assessment focused primarily on flooding and extreme heat that evaluates municipal vulnerability but also identifies community vulnerability and uses various indicators to identify vulnerable populations.

In addition to participating in planning efforts, City departments are implementing projects that aim to increase resilience on a broad array of climate issues. The Department of Public Property ensures that emergency generators in City-maintained facilities are well maintained and fueled, which is intended to allow other City departments to continue providing services during emergency situations. During heat emergencies, the Department of Public Health and the Office of Emergency Management ensure communication among City agencies, deploy environmental health teams into the community, and operate cooling centers in coordination with the Philadelphia Free Library and Philadelphia Parks and Recreation. Philadelphia Parks and Recreation also developed and implements the Philly Tree Plan with the Philadelphia Tree Coalition and works with citizen scientists to identify forest restoration practices suitable for the City's changing climate. The Philadelphia Water Department has an award-winning Climate Change Adaptation Program and adopted Climate-Resilient Planning and Design Guidance in 2022; this guidance was updated in 2024.

The Philadelphia Water Department (the "Water Department") also promotes green stormwater infrastructure, such as stormwater tree trenches, stormwater basins, permeable paving, and rain gardens, as a measure to reduce combined sewer overflows, which also has a co-benefit of shaving the peak from extreme precipitation events and potentially helping with localized inland flooding.

Regarding broader development across the City, the Philadelphia City Planning Commission (the "Planning Commission") requires new facilities located in flood zones to be raised 18 inches above the Federal Emergency Management Agency base flood elevation. This local regulation goes above and beyond what is required by the federal government. This regulation and other measures taken by various departments helped Philadelphia enter FEMA's Community Rating System in April 2026. The Community Rating System is a voluntary FEMA program that recognizes and rewards communities that take action to reduce flood risk and strengthen floodplain management beyond federal minimum standards. The City entered the program at a Class 7, which provides an automatic 15 percent discount on all eligible National Flood Insurance Program (NFIP) policies throughout the city, a measure that makes flood insurance more accessible for residents throughout Philadelphia.

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2025 ACFR and notes therein. The Fiscal Year 2025 ACFR was prepared by the Office of the Director of Finance in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units and audited by the City Controller under Generally Accepted Auditing Standards.

General

Governmental funds account for their activities using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as in the case of full accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due; however, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues, such as Real Estate Tax, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as Wage, BIRT, Net Profits and Earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue that is considered to be program revenue includes: (i) charges to customers or applicants for goods received, services rendered or privileges provided; (ii) operating grants and contributions; and (iii) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth (which includes Medicaid funds). These resources are restricted to providing managed behavioral health care to residents of the City.
- The Grants Revenue Fund accounts for the resources received from various federal, Commonwealth, and private grantor agencies, including those received by the City's Department of Human Services ("DHS"). The resources are restricted to accomplishing the various objectives of the grantor agencies.

The City also reports on permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the permanent funds that require the principal to remain intact, while only the earnings may be used for the programs.

The City reports on the following fiduciary funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The PGW Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."
- The Departmental Custodial Accounts account for funds held in custody by various departments of the City.

The City reports on the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the Water and Wastewater Systems.
- The Aviation Fund accounts for the activities of the Airport System.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenues of the Aviation Fund are charges for the use of the City's airports, PHL and Northeast Philadelphia Airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Current City Disclosure Practices

It is the City's practice to file its ACFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such information. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2025 ACFR was filed with the MSRB on February 25, 2026, through the MSRB's Electronic Municipal Market Access ("EMMA") system.

The City is also required by the City Charter to issue its unaudited Annual Financial Reports (as defined herein) within 120 days after the close of each Fiscal Year. The Annual Financial Report for Fiscal Year 2025 was released on October 28, 2025 (the "FY 2025 AFR (Unaudited)"). See "DISCUSSION OF FINANCIAL OPERATIONS – Annual Financial Reports."

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's investor information website at <http://www.phila.gov/investor> (the "City's Investor Website"). Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2025 ACFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2025 ACFR.

Budgetary Accounting Practices

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the City Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, twelve (12) Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Acute Care Hospital Assessment, Budget Stabilization Reserve Fund, Housing Trust, Demolition, and Transportation) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure

within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have City Council approval. Appropriations that are not expended or encumbered at Fiscal Year-end are lapsed.

The City's capital budget is prepared annually by the Planning Commission in cooperation with the Budget Office. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next Fiscal Year.

Schedules prepared on the legally enacted basis differ from the GAAP basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. The primary difference between the GAAP and legal (budgetary) fund balance is due to the timing of recognizing the BIRT. The legal basis recognizes BIRT revenues in the Fiscal Year they are collected. The GAAP basis requires the City to recognize the BIRT revenues (which are primarily paid in April) for the calendar year in which the BIRT taxes are due, requiring the City to defer a portion of the April payment into the next Fiscal Year. For more information on BIRT, see "REVENUES OF THE CITY – Business Income and Receipts Tax."

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

The major financial operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 20 non-major governmental funds. The City operates on a July 1 to June 30 fiscal year ("Fiscal Year") and reports on all the funds of the City, as well as its component units, in the City's ACFR. PMA's and PICA's financial statements are blended with the City's statements. The financial statements for PGW, PRA, the PPA, the School District, the Community College of Philadelphia, the Community Behavioral Health, Inc., PHA, and PAID are presented discretely.

Fund Accounting

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for specific purposes or objectives. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the Fiscal Year. The financial information presented for the governmental funds is useful in evaluating the City's short-term financing requirements.

The City maintains 23 individual governmental funds. The City's ACFRs, including the Fiscal Year 2025 ACFR, present data separately for the General Fund, Grants Revenue Fund, and Health Choices

Behavioral Health Fund, which are considered to be major funds. Data for the remaining 20 funds are combined into a single aggregated presentation.

Proprietary Funds. The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long- and short-term view of financial information. The City maintains three enterprise funds that are a type of proprietary fund – airport, water and wastewater operations, and industrial land bank.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's ACFRs, including the Fiscal Year 2025 ACFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

See "CITY FINANCES AND FINANCIAL PROCEDURES" for a further description of these governmental, proprietary, and fiduciary funds.

Budget Procedure

The City Charter provides that, at least 90 days before the end of the Fiscal Year, the operating budget for the next Fiscal Year is prepared by the Mayor and submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget. While the City Charter requires the Mayor to submit the operating budget for the next Fiscal Year to City Council at least 90 days before the end of the Fiscal Year, such submissions have occasionally been submitted after such deadline. There is no practical consequence to submitting the proposed budget after the 90-day deadline in the City Charter.

The City Charter provides that, at least 30 days before the end of the Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing Fiscal Years. If the Mayor disapproves the bills, they must be returned to City Council with the reasons for disapproval at the first meeting thereof held not less than ten days after receipt of such bills. If the Mayor does not return the bills within the time required, they become law without the Mayor's approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without the Mayor's approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the proposed Fiscal Year 2027 operating budget was submitted by the Mayor to City Council on March 12, 2026, approved by City Council on June 11, 2026, and signed by the Mayor on June 11, 2026. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter but before the end of the Fiscal Year.

The capital program is prepared by the Planning Commission staff in cooperation with the Budget Office and is voted on by the Planning Commission's members. The capital program presents the capital appropriations planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, federal, and private) estimated to be required to finance each project. The capital improvement plans for the Water Department and the Department of Aviation are included in the City's capital program. The capital program is reviewed by the Mayor and transmitted to

City Council for adoption with the Mayor's recommendation thereon. The Capital Program ordinance for Fiscal Years 2027-2032 (the "Fiscal Year 2027-2032 Capital Program") was approved by City Council on June 11, 2026, and signed by the Mayor on June 11, 2026 (see Table 48).

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from City Council appropriated funds, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

For more information on the City's budgets and five-year plans, see "– Current Financial Information" and the text following Table 2. For more information on the City's capital program, see "CITY CAPITAL PROGRAM" herein.

Budget Stabilization Reserve Fund

In April 2011, the City adopted an amendment to the City Charter that established the "Budget Stabilization Reserve Fund." Under the City Charter, if the projected General Fund balance for the upcoming Fiscal Year equaled or exceeded three percent of General Fund appropriations for such Fiscal Year, the annual operating budget ordinance was required to provide for appropriations to a Budget Stabilization Reserve Fund. Such reserve is to be created and maintained by the Director of Finance as a separate fund, which may not be commingled with any other funds of the City. City Council can appropriate additional amounts to the Budget Stabilization Reserve Fund by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor. Amounts in the Budget Stabilization Reserve Fund from the prior Fiscal Years, including any investment earnings certified by the Director of Finance, are to remain on deposit therein.

In February 2023, City Council passed a resolution to amend the City Charter to require larger contributions to the Budget Stabilization Reserve Fund in years where the projected General Fund revenues at the end of the current Fiscal Year equal or exceed certain percentages. The amendment also increases the maximum contribution to the Budget Stabilization Reserve Fund from 5.0% to 17.0%. The proposal was part of a ballot measure that was approved by City voters in May 2023. Under the amendment, the schedule of contributions to the Budget Stabilization Reserve Fund is as follows: (i) less than 3.0% of projected General Fund revenues at the end of the then current Fiscal Year – no required contribution; (ii) 3.0% or more, but less than 5.0% of projected General Fund revenues at the end of the then current Fiscal Year – a contribution of 0.75% of projected unrestricted General Fund revenues for the upcoming Fiscal Year; (iii) 5.0% or more, but less than 8.0% of projected General Fund revenues at the end of the then current Fiscal Year – a contribution of 1.0% of projected unrestricted General Fund revenues for the upcoming Fiscal Year; and (iv) 8.0% or more, but less than 17.0% of projected General Fund revenues at the end of the then current Fiscal Year – the amount that exceeds such 8.0% or 1.0% of projected unrestricted General Fund revenues for the upcoming Fiscal Year, whichever is greater. After 17%, any extra funds in the General Fund are to remain there as unrestricted fund balance. Such amended provisions became effective for Fiscal Year 2025.

Withdrawals from the Budget Stabilization Reserve Fund are permitted only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve Fund and only for the purposes set forth in such transfer ordinance and (ii) either (1) a certification by the Director of Finance that General Fund revenues actually received by the City during the prior Fiscal Year were at least one percent less than the General Fund revenues set forth in the Mayor's estimate of receipts, or (2) a certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents, and that it would be fiscally imprudent to seek emergency appropriations pursuant to the City Charter. Any

such certification must be approved either by a resolution adopted by two-thirds of all of the members of City Council or an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

Pursuant to the adopted budget for Fiscal Year 2020, the City made an initial deposit of \$34.3 million to the Budget Stabilization Reserve Fund, which was the first-ever deposit to such reserve. Pursuant to the adopted budget for Fiscal Year 2021, the City drew down on such funds and redirected them to spending.

There were no payments to the Budget Stabilization Reserve Fund in Fiscal Years 2021 or 2022. In Fiscal Year 2023, \$65.1 million was deposited into the Budget Stabilization Reserve Fund. In Fiscal Year 2024, \$42.3 million was deposited into the Budget Stabilization Reserve Fund. In Fiscal Year 2025, \$58.3 million was deposited into the Budget Stabilization Reserve Fund. In Fiscal Year 2026, \$58.9 million was deposited into the Budget Stabilization Reserve Fund. Following the deposit for Fiscal Year 2026, the total in the Budget Stabilization Reserve Fund is \$242.8 million (including interest earnings). Amounts deposited in the Budget Stabilization Reserve Fund are not included in cumulative adjusted year-end General Fund balances. Other than the withdrawal in Fiscal Year 2021 (as described above), there have been no other withdrawals from the Budget Stabilization Reserve Fund.

In the Thirty-Fifth Five-Year Plan, the City projects a payment to the Budget Stabilization Reserve Fund in Fiscal Year 2027 of \$52.5 million and Fiscal Year 2028 of \$54.7 million. There can be no assurance that such payment to the Budget Stabilization Reserve Fund will occur. The Thirty-Fifth Five-Year Plan does not include any projected payments to the Budget Stabilization Reserve Fund in Fiscal Years 2029-2031. The Thirty-Fifth Five-Year Plan does not include any withdrawals from the Budget Stabilization Reserve Fund. The foregoing projections reflect the approval of the ballot measure amending the Budget Stabilization Reserve Fund as described above.

Annual Financial Reports

The City is required by the City Charter to issue, within 120 days after the close of each Fiscal Year, a statement as of the end of the Fiscal Year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition (the "Annual Financial Reports"). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in its ACFR, which is published at a later date. The Annual Financial Reports contain financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. They also contain budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Reports are also presented. Historically, the results for General Fund balance have not materially changed between the Annual Financial Reports and the ACFRs.

The FY 2025 AFR (Unaudited) was released on October 28, 2025. See "CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices."

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA,

is required, among other things, to eliminate any projected deficits, balance the Fiscal Year budgets, and provide procedures to avoid fiscal emergencies. Under the PICA Act, each five-year plan is required to be submitted at least 100 days prior to the beginning of the next Fiscal Year or on such other date as PICA may approve upon the request of the City. It is the City's practice to submit its five-year plans to PICA after City Council approves, and the Mayor signs, the operating budget ordinance for the next Fiscal Year, which is typically after the 100-day deadline. For example, the Thirty-Fifth Five-Year Plan was submitted to PICA on June 29, 2026, after City Council approved, and the Mayor signed, the Fiscal Year 2027 Adopted Budget. PICA approved the Thirty-Fifth Five-Year Plan at a meeting on July 28, 2026. See "– Current Financial Information" and the text following Table 2.

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan. Each quarterly report is required to describe actual or current estimates of revenues, expenditures, and cash flows compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current Fiscal Year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

Under the 2023 PICA Agreement, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund (i.e., a principal operating fund) of more than 5% of the revenues budgeted for such fund for that Fiscal Year is reasonably projected to occur, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that Fiscal Year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year.

PICA may not take any action with respect to the City for variances if the City: (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current five-year plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current five-year plan; and (iv) submits monthly supplemental reports until it regains compliance with the then-current five-year plan.

A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City). The City uses its Quarterly City Managers Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City's Investor Website. The most recent Quarterly City Managers Report is the report for the period ending March 31, 2026, which was released on May 15, 2026 (the "FY 2026 Third Quarter QCMR"). The next Quarterly City Managers Report is the report for the period ending June 30, 2026, which is required to be released on or about August 17, 2026.

Summary of Operations

Table 1 presents the summary of operations for the General Fund for Fiscal Years 2023-2025, budgeted amounts and current estimates for Fiscal Year 2026, and budgeted amounts for Fiscal Year 2027. For a description of the legally enacted basis on which the City’s budgetary process accounts for certain transactions, see “CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices.” “Current Estimate,” as used in the tables and text below, refers (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2026, which were released by the City on June 11, 2026, as part of the Thirty-Fifth Five-Year Plan, unless otherwise noted herein.

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Table 1
General Fund – Summary of Operations (Legal Basis)
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD)^{(1), (2)}

	Actual 2023	Actual 2024	Actual 2025	Adopted Budget 2026 (June 13, 2025)	Current Estimate 2026 (June 11, 2026)	Adopted Budget 2027 (June 11, 2026)
Revenues						
Real Property Taxes	\$809.6	\$838.1	\$903.2	\$940.4	\$922.1	\$1,011.9
Wage and Earnings Tax	1,732.8	1,842.9	1,937.1	2,039.7	2,047.8	2,139.6
Net Profits Tax	39.0	42.6	57.4	32.3	39.1	39.2
Business Income and Receipts Tax	673.3	679.8	752.0	725.9	779.3	806.4
Sales Tax ⁽³⁾	302.2	300.0	311.3	324.0	323.2	342.0
Other Taxes ⁽⁴⁾	524.0	315.0	383.4	428.5	410.6	472.6
Philadelphia Beverage Tax ⁽⁵⁾	73.4	69.6	68.2	64.4	71.0	72.5
Total Taxes	4,154.3	4,088.0	4,412.6	4,555.2	4,593.0	4,844.3
Locally Generated Non-Tax Revenue	415.1	456.3	466.5	410.4	460.3	435.0
Revenue from Other Governments						
Net PICA Taxes Remitted to the City ⁽⁶⁾	674.3	705.5	761.1	769.3	762.7	796.9
Other Revenue from Other Governments ⁽⁷⁾	422.3	359.0	389.3	456.5	426.8	435.2
Total Revenue from Other Governments	1,096.6	1,064.5	1,150.5	1,225.8	1,189.5	1,232.1
Receipts from Other City Funds	381.0 ⁽⁸⁾	454.8 ⁽⁸⁾	488.0 ⁽⁸⁾	172.1	80.9	66.2
Total Revenue	6,047.0	6,063.6	6,517.5	6,363.5	6,323.7	6,577.6
Obligations/Appropriations						
Personal Services	1,976.6	2,038.4	2,223.4	2,346.2	2,406.0	2,474.5
Purchase of Services ⁽⁹⁾	1,207.3	1,360.4	1,451.8	1,608.2	1,578.7	1,646.0
Materials, Supplies and Equipment	167.7	189.6	165.5	177.4	171.2	175.4
Employee Benefits	1,625.0 ⁽¹⁰⁾	1,663.4 ⁽¹⁰⁾	1,625.7 ⁽¹⁰⁾	1,745.6 ⁽¹⁰⁾	1,722.9 ⁽¹⁰⁾	1,839.2 ⁽¹⁰⁾
Indemnities, Contributions, and Refunds ⁽¹¹⁾	480.8	452.5	475.0	477.0	494.3	480.8
City Debt Service ⁽¹²⁾	190.5	189.1	195.1	231.5	199.5	232.2
Payments to Other City Funds	205.0	198.9	123.2	96.2	151.2	96.9
Advances & Miscellaneous Payments ⁽¹³⁾	0.0	0.0	0.0	101.6 ⁽¹⁴⁾	15.5 ⁽¹⁴⁾	136.5 ⁽¹⁴⁾
Payment to Budget Stabilization Reserve Fund	65.1	42.3	58.3	58.9	58.9	52.5
Total Obligations/Appropriations	5,918.4	6,134.7	6,317.9	6,842.6	6,798.2	7,134.0
Operating Surplus (Deficit) for the Year	128.6	(71.2)	199.6	(479.1)	(474.5)	(556.3)
Net Adjustments – Prior Year ⁽¹⁵⁾	73.8	32.5	36.6	35.5	179.8	36.5
Cumulative Fund Balance Prior Year	779.1	981.6	942.9	914.5 ⁽¹⁶⁾	1,179.1 ⁽¹⁶⁾	884.4
Cumulative Adjusted Year End Fund Balance (Deficit)	\$981.6	\$942.9	\$1,179.1	\$471.0	\$884.4	\$364.6

⁽¹⁾ Sources: For Fiscal Years 2023-2025, the City's ACFRs for such Fiscal Years. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

⁽²⁾ Figures may not sum due to rounding.

⁽³⁾ For more information on the City Sales Tax, see "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁴⁾ Includes Amusement Tax, Realty Transfer Tax, Parking Tax, Smokeless Tobacco Tax and miscellaneous taxes. Starting in Fiscal Year 2024, Parking Tax revenues are no longer part of the General Fund. Such revenues have been reassigned to the Transportation Fund, which is accounted for as a special revenue fund.

⁽⁵⁾ The Philadelphia Beverage Tax (as defined herein) taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

⁽⁶⁾ For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds (if any) and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. There are no PICA Bonds outstanding as of June 30, 2026 and no current debt service payments. See "DEBT OF THE CITY – PICA Bonds."

⁽⁷⁾ For a detailed breakdown of "Other Revenue from Other Governments," see Table 12. "Other Revenue from Other Governments" includes state gaming revenues.

⁽⁸⁾ In Fiscal Year 2023, the City included approximately \$335 million in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2024 Adopted Budget, the City included approximately \$391 million in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2025, the City included approximately \$419 million in federal COVID-19 relief funding from the American Rescue Plan (representing the final draw down of American Rescue Plan funds).

⁽⁹⁾ Includes debt service on lease and service agreement financings.

⁽¹⁰⁾ For Fiscal Year 2023, includes \$92.1 million from Sales and Use Tax revenues for the Municipal Pension Fund. For Fiscal Year 2024, includes \$90.0 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2025, includes \$95.6 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2026 (Adopted Budget), assumes \$102.0 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2026 (Current Estimate), assumes \$101.6 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2027 (Adopted Budget), assumes \$111.0 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽¹¹⁾ Includes contributions to the School District. See also Table 21 and the accompanying text herein.

⁽¹²⁾ Includes debt service on General Obligation Debt (as defined herein) and, if issued and outstanding, interest on tax and revenue anticipation notes; excludes debt service on PICA Bonds (when issued and outstanding) and lease and service agreement financings.

⁽¹³⁾ Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

⁽¹⁴⁾ For Fiscal Year 2026 (Adopted Budget), includes \$101.6 million in the Labor Reserve and \$0.0 million in the Federal Funding Reserve. For Fiscal Year 2026 (Current Estimate), includes \$15.5 million in the Labor Reserve and \$0.0 million in the Federal Funding Reserve. As noted herein, any portion of the Labor Reserve or the Federal Funding Reserve that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

⁽¹⁵⁾ "Net Adjustments – Prior Year" includes the cancellation of commitments from previous Fiscal Years during the current Fiscal Year.

⁽¹⁶⁾ In its Fiscal Year 2026 Adopted Budget, the City projected that Fiscal Year 2025 would end with a General Fund balance of \$914.5 million. In the Fiscal Year 2025 ACFR, the City reported that Fiscal Year 2025 ended with a General Fund balance of \$1.179 billion. Such number has been included as the "Prior Year Fund Balance" in the Thirty-Fifth Five-Year Plan.

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2025, budgeted amounts and current estimates for Fiscal Year 2026, and budgeted amounts for Fiscal Year 2027.

Table 2
General Fund – Fund Balance Summary
(Amounts in Thousands of USD)⁽¹⁾

	Fiscal Year 2025 Actual ⁽²⁾ (June 30, 2025)	Fiscal Year 2026 Adopted Budget ⁽²⁾ (June 13, 2025)	Fiscal Year 2026 Current Estimate ⁽²⁾ (June 11, 2026)	Fiscal Year 2027 Adopted Budget ⁽²⁾ (June 11, 2026)
REVENUES				
Taxes	\$4,412,575 ⁽³⁾	\$4,555,182 ⁽³⁾	\$4,592,971 ⁽³⁾	\$4,844,302 ⁽³⁾
Locally Generated Non – Tax Revenues	466,483	410,440	460,334	434,983
Revenue from Other Governments	1,150,477	1,225,774	1,189,469	1,232,146
Revenues from Other Funds of City	487,953 ⁽⁴⁾	172,105	80,902	66,201
Total Revenue	\$6,517,488	\$6,363,501	\$6,323,676	\$6,577,632
OBLIGATIONS / APPROPRIATIONS				
Personal Services	\$2,223,350	\$2,346,195	\$2,405,989	\$2,474,494
Personal Services – Employee Benefits	1,625,687 ⁽⁵⁾	1,745,588 ⁽⁵⁾	1,722,866 ⁽⁵⁾	1,839,213
Purchase of Services ⁽⁶⁾	1,451,806	1,608,223	1,578,721	1,645,979
Materials, Supplies, and Equipment	165,463	177,403	171,151	175,358
Contributions, Indemnities, and Taxes	474,999	476,983	494,333	480,844
Debt Service ⁽⁷⁾	195,119	231,495	199,495	232,195
Payments to Other Funds	123,166	96,235	151,235	96,936
Advances & Miscellaneous Payments ⁽⁸⁾	0	101,577 ⁽⁹⁾	15,508 ⁽⁹⁾	136,462 ⁽⁹⁾
Payment to Budget Stabilization Reserve Fund	58,291	58,860	58,860	52,484
Total Obligations / Appropriations	\$6,317,879	\$6,842,559	\$6,798,158	\$7,133,965
Operating Surplus (Deficit)	199,607	(479,058)	(474,482)	(556,333)
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments – Prior Years ⁽¹⁰⁾	\$36,586	\$35,500	\$179,802	\$36,500
Operating Surplus/(Deficit) & Prior Year Adj.	236,195	(443,558)	(294,680)	(519,833)
Prior Year Fund Balance	942,900	914,527 ⁽¹¹⁾	1,179,095 ⁽¹¹⁾	884,415
Year End Fund Balance	\$1,179,095	\$470,969	\$884,415	\$364,582

⁽¹⁾ Figures may not sum due to rounding.

⁽²⁾ Sources: For Fiscal Year 2025, the Fiscal Year 2025 ACFR. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget

⁽³⁾ For Fiscal Year 2025, includes \$68.2 million in revenue from such tax. For Fiscal Year 2026 Adopted Budget, assumes \$64.4 million in revenue from such tax. For Fiscal Year 2026 Current Estimate, assumes \$71.0 million in revenue from such tax. For Fiscal Year 2027 Adopted Budget, assumes \$72.5 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

⁽⁴⁾ For Fiscal Year 2025, the City included approximately \$419 million in federal COVID-19 relief funding from the American Rescue Plan (representing the final draw down of American Rescue Plan funds).

⁽⁵⁾ For Fiscal Year 2025, includes \$95.6 million from Sales and Use Tax revenues for the Municipal Pension Fund. For Fiscal Year 2026 (Adopted Budget), assumes \$102.0 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2026 (Current Estimate), assumes \$101.6 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2027 (Adopted Budget), assumes \$111.0 million from such tax revenues for the Municipal Pension Fund. See “REVENUES OF THE CITY – Sales and Use Tax.”

⁽⁶⁾ Includes debt service on lease and service agreement financings.

⁽⁷⁾ Includes debt service on General Obligation Debt (as defined herein) and, if issued and outstanding, interest on tax and revenue anticipation notes; excludes debt service on PICA Bonds (when issued and outstanding) and lease and service agreement financings.

⁽⁸⁾ Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

⁽⁹⁾ For Fiscal Year 2026 (Adopted Budget), includes \$101.6 million in the Labor Reserve and \$0.0 million in the Federal Funding Reserve. For Fiscal Year 2026 (Current Estimate), includes \$15.5 million in the Labor Reserve and \$0.0 million in the Federal Funding Reserve. For Fiscal Year 2027 (Adopted Budget), includes \$45.5 million in the Labor Reserve and \$91.0 million in the Federal Funding Reserve. As noted herein, any portion of the Labor Reserve or the Federal Funding Reserve that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

⁽¹⁰⁾ “Net Adjustments – Prior Year” includes the cancellation of commitments from previous Fiscal Years during the current Fiscal Year.

⁽¹¹⁾ In its Fiscal Year 2026 Adopted Budget, the City projected that Fiscal Year 2025 would end with a General Fund balance of \$914.5 million. In the Fiscal Year 2025 ACFR, the City reported that Fiscal Year 2025 ended with a General Fund balance of \$1.179 billion. Such number has been included as the “Prior Year Fund Balance” in the Thirty-Fifth Five-Year Plan.

The following discussion of the Fiscal Year 2026 Adopted Budget, the Thirty-Fourth Five-Year Plan, the Fiscal Year 2027 Adopted Budget, and the Thirty-Fifth Five-Year Plan, as applicable, is based, in part, on estimates, projections, and forward-looking statements related to Fiscal Year 2026 and Fiscal Year 2027. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the given Fiscal Year and the completion of the related audits.

Fiscal Year 2026 Adopted Budget and Thirty-Fourth Five-Year Plan. The City's proposed Fiscal Year 2026 operating budget was submitted by the Mayor to City Council on March 13, 2025, along with the City's Proposed Five-Year Plan for Fiscal Years 2026-2030. On June 12, 2025, City Council approved the Fiscal Year 2026 operating budget ordinance, which was signed by the Mayor on June 13, 2025 (the "Fiscal Year 2026 Adopted Budget").

On June 30, 2025, the City submitted to PICA for approval its FY 2026-2030 Five Year Financial Plan (the "Thirty-Fourth Five-Year Plan"). PICA approved the Thirty-Fourth Five-Year Plan at a meeting on July 28, 2025.

General Fund Balance. In the Fiscal Year 2026 Adopted Budget, the City projected that Fiscal Year 2025 would end with a General Fund balance of \$914.5 million. In the Fiscal Year 2025 ACFR, the City reported that Fiscal Year 2025 ended with a General Fund balance of \$1.179 billion.

The audited General Fund balance for Fiscal Year 2025 is approximately \$8 million lower than the unaudited balance reported in October 2025, which is attributable to a transfer of \$8 million from the General Fund to the Grants Fund.

The impact of the General Fund balance as reported in the Fiscal Year 2025 ACFR, while higher than the estimate in the Fiscal Year 2026 Adopted Budget, should be viewed in the context of the overall financial position of the City in Fiscal Year 2026 and over the course of the Thirty-Fourth Five-Year Plan, including: (i) budget uncertainty at the state and federal level; (ii) changes in federal policy, which are creating uncertainty as to the availability of certain federal funding for the City; (iii) ongoing negotiations with labor unions that have expired contracts; and (iv) the end of federal support provided by the American Rescue Plan (the last of related funding was obligated prior to the December 31, 2024 deadline as required by United States Treasury, as further described herein).

Fiscal Year 2026 Current Estimates. The current estimates for Fiscal Year 2026 are derived from information included in the Thirty-Fifth Five-Year Plan. As such, current estimates are sourced to the Thirty-Fifth Five-Year Plan throughout this APPENDIX C, unless otherwise noted herein.

In the Thirty-Fifth Five-Year Plan, the City is estimating for Fiscal Year 2026 (i) \$6.324 billion in General Fund revenues (compared to \$6.517 billion for Fiscal Year 2025) and (ii) \$6.798 billion in General Fund obligations (compared to \$6.318 billion for Fiscal Year 2025), with a General Fund year-end balance (on the legally enacted basis) of approximately \$884.4 million (compared to \$1.179 billion for Fiscal Year 2025).

Fiscal Year 2027 Adopted Budget and Thirty-Fifth Five-Year Plan. The City's proposed Fiscal Year 2027 operating budget was submitted by the Mayor to City Council on March 12, 2026, along with the City's Proposed Five-Year Plan for Fiscal Years 2027-2031. On June 11, 2026, City Council approved the Fiscal Year 2027 operating budget ordinance, which was signed by the Mayor on June 11, 2026 (the "Fiscal Year 2027 Adopted Budget"). On June 29, 2026, the City submitted to PICA for approval its FY 2027-2031 Five Year Financial Plan (the "Thirty-Fifth Five-Year Plan"). PICA approved the Thirty-Fifth Five-Year Plan at a meeting on July 28, 2026.

PICA staff, in recommending that PICA approve the Thirty-Fifth Five-Year Plan, noted that the revenue and expenditure projections presented in such Plan were [quoting from the PICA Act] “based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied.”

The PICA staff report concluded that “[a]lthough PICA is confident that the [p]lan is based on reasonable and appropriate assumptions and includes year-end fund balances that are positive throughout the life of the [p]lan, certain factors were identified that may present risks to the [p]lan.” In particular, the PICA staff report identified “external factors, internal policies, and operational choices [that] could unbalance the [p]lan and trigger a variance that would require the City to devise and deliver a new [p]lan for PICA approval.”

The key risks to the Thirty-Fifth Five-Year Plan as highlighted in the PICA staff report include: (i) external decisions and disruptions, such as federal funding decisions and policies, economic downturns, and financial challenges of other entities; (ii) labor needs and costs, such as maintaining adequate staffing levels, new labor contracts and awards, and pension costs; (iii) budget blind spots, such as certain operating costs and incompletely scoped budgets for new initiatives, capital budget spending and repurposing, and limited oversight regarding spending on programs or services not delivered directly by the City; and (iv) navigating fiscal cliffs and unexpected budget stressors.

In addition to the foregoing risks, the PICA staff report noted positive fiscal factors regarding the financial condition of the City as it considered the Thirty-Fifth Five-Year Plan, including (a) commitment to pension plan funding; (b) deposits into the Budget Stabilization Reserve Fund; (c) decreasing operating deficits over the life of the Thirty-Fifth Five-Year Plan and operating surplus towards the end thereof; (d) stable credit ratings; and (e) maintaining the Labor Reserve.

The PICA staff report also provided certain recommendations to the City to address potential financial concerns that could impact the City’s financial condition over the course of the Thirty-Fifth Five-Year Plan: (1) allocate additional reserves; (2) improve capital budget transparency; and (3) pair major initiatives with fiscal sustainability plans.

Projected General Fund Balances in the Thirty-Fifth Five-Year Plan. For Fiscal Years 2027-2031, the Thirty-Fifth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) \$364.6 million (Fiscal Year 2027); (ii) \$133.8 million (Fiscal Year 2028); (iii) \$59.1 million (Fiscal Year 2029); (iv) \$62.3 million (Fiscal Year 2030); and (v) \$107.4 million (Fiscal Year 2031).

For information on the fiscal health of the City, see “OVERVIEW – Fiscal Health of the City.” For more information on the City’s annual budget process under the City Charter and the five-year financial plans and quarterly reporting required under the PICA Act, see “– Budget Procedure,” “– Five-Year Plans of the City,” and “– Quarterly Reporting to PICA,” above.

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REVENUES OF THE CITY

General

Prior to 1939, the City relied heavily on the Real Estate Tax as the mainstay of its revenue system. In 1932, the General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City is permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Acting under the Sterling Act and other Pennsylvania legislation, the City has taken various steps over the years to broaden its sources of income, including: (i) enacting the Wage, Earnings, and Net Profits tax in 1939; (ii) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (iii) requiring under the City Charter that the water, sewer, and other utility systems be fully self-sustaining; (iv) enacting the Mercantile License Tax (a gross receipts tax on business done within the City) in 1952, which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (renamed the Business Income and Receipts Tax in May 2012), and (v) enacting the City Sales Tax (as defined herein) for City general revenue purposes effective beginning in Fiscal Year 1992.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2023-2025, the budgeted amounts and current estimates for Fiscal Year 2026, and the budgeted amounts for Fiscal Year 2027. The following discussion of the City's revenues does not take into account revenues in the non-debt related funds.

Table 3 provides a detailed breakdown of the "Total Taxes" line from Table 1 above. Table 3 does not include "Revenues from Other Governments," which consists of "Net PICA Taxes Remitted to the City" and "Other Revenue from Other Governments." "Net PICA Taxes Remitted to the City" is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 43. "Other Revenue from Other Governments" is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 12.

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Table 3
General Fund Tax Revenues
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD) ^{(1), (2), (3)}

	Actual 2023	Actual 2024	Actual 2025	Adopted Budget 2026 (June 13, 2025)	Current Estimate 2026 (June 11, 2026)	Adopted Budget 2027 (June 11, 2026)
Real Property Taxes						
Current	\$780.3	\$803.2	\$859.3	\$897.2	\$877.1	\$972.5
Prior	<u>29.3</u>	<u>34.9</u>	<u>43.9</u>	<u>43.2</u>	<u>45.0</u>	<u>39.4</u>
Total	<u>\$809.6</u>	<u>\$838.1</u>	<u>\$903.2</u>	<u>\$940.4</u>	<u>\$922.1</u>	<u>\$1,011.9</u>
Wage and Earnings Tax⁽⁴⁾						
Current	\$1,730.1	\$1,840.2	\$1,930.9	\$2,034.3	\$2,042.4	2,134.2
Prior	<u>2.7</u>	<u>2.7</u>	<u>6.2</u>	<u>5.4</u>	<u>5.4</u>	<u>5.4</u>
Total	<u>\$1,732.8</u>	<u>\$1,842.9</u>	<u>\$1,937.1</u>	<u>\$2,039.7</u>	<u>\$2,047.8</u>	<u>\$2,139.6</u>
Business Taxes						
Business Income and Receipts Tax						
Current & Prior	<u>\$673.3</u>	<u>\$679.8</u>	<u>\$752.0</u>	<u>\$725.9</u>	<u>\$779.3</u>	<u>\$806.4</u>
Net Profits Tax						
Current	\$33.9	\$31.9	\$49.4	\$27.6	\$34.4	\$34.5
Prior	<u>5.1</u>	<u>10.7</u>	<u>8.0</u>	<u>4.7</u>	<u>4.7</u>	<u>4.7</u>
Subtotal Net Profits Tax	<u>\$39.0</u>	<u>\$42.6</u>	<u>\$57.4</u>	<u>\$32.3</u>	<u>\$39.1</u>	<u>\$39.2</u>
Total Business and Net Profits Taxes	<u>\$712.2</u>	<u>\$722.3</u>	<u>\$809.4</u>	<u>\$758.2</u>	<u>\$818.4</u>	<u>\$845.7</u>
Other Taxes						
Sales and Use Tax ⁽⁵⁾	\$302.2	\$300.0	\$311.3	\$324.0	\$323.2	\$342.0
Amusement Tax	36.1	40.8	43.4	47.4	46.2	47.3
Realty Transfer Tax	378.8	265.6	331.5	372.7	356.4	377.3
Parking Taxes ⁽⁶⁾	101.9	-	-	-	-	-
Other Taxes	<u>7.1</u>	<u>8.6</u>	<u>8.6</u>	<u>8.3</u>	<u>7.9</u>	<u>8.1</u>
Subtotal Other Taxes	<u>\$826.2</u>	<u>\$615.1</u>	<u>\$694.8</u>	<u>\$752.4</u>	<u>\$733.7</u>	<u>\$774.6</u>
Philadelphia Beverage Tax ⁽⁷⁾	73.4	69.6	68.2	64.4	71.0	72.5
TOTAL TAXES	<u>\$4,154.3</u>	<u>\$4,088.0</u>	<u>\$4,412.6</u>	<u>\$4,555.2</u>	<u>\$4,593.0</u>	<u>\$4,844.3</u>

⁽¹⁾ Sources: For Fiscal Years 2023-2025, the City's ACFRs for such Fiscal Years. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

⁽²⁾ See Table 7 in the Fiscal Year 2025 ACFR for tax rates.

⁽³⁾ Figures may not sum due to rounding.

⁽⁴⁾ Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. There are no PICA Bonds outstanding as of June 30, 2026 and no current debt service payments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

⁽⁵⁾ For more information on the City Sales Tax, see "– Sales and Use Tax" and Table 11.

⁽⁶⁾ Starting in Fiscal Year 2024, Parking Tax revenues are no longer part of the General Fund. Such revenues have been reassigned to the Transportation Fund, which utilizes the Parking Tax and certain fees and grants to support transportation activities including traffic, engineering, school crossing guards, right-of-way management, public safety enforcement officers, surveys, and street lighting. The Transportation Fund is accounted for as a special revenue fund.

⁽⁷⁾ The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

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Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising approximately 45.2% of all tax revenues in Fiscal Year 2025) is the wage, earnings, and net profits tax (the “Wage, Earnings, and Net Profits Tax”). Employers located within City limits collect and remit the Wage and Earnings Tax from all employees, with the exception of those non-residents who are required to work outside of the City. Wage Tax is also collected from all city residents regardless of work location. Philadelphia residents whose employer does not withhold and remit the Wage Tax on their behalf must pay the Earnings Tax. The Net Profits Tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits.

Table 4 sets forth the resident and non-resident Wage, Earnings, and Net Profits Tax rates for Fiscal Years 2023-2026, the annual Wage, Earnings, and Net Profits Tax receipts in Fiscal Years 2023-2025, the budgeted amount and current estimate of such receipts for Fiscal Year 2026, and the budgeted amount of such receipts for Fiscal Year 2027.

Table 4
Summary of Wage, Earnings, and Net Profits Tax Rates and Receipts
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)⁽¹⁾

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates ⁽²⁾	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD) ⁽³⁾
2023	3.79%	3.44%	\$2,446.1 (Actual)
2024	3.75%	3.44%	\$2,601.8 (Actual)
2025	3.75%	3.44%	\$2,750.3 (Actual)
2026	3.74%	3.43%	\$2,841.3 (Adopted Budget)
			\$2,849.6 (Current Estimate)
2027	3.735%	3.425%	[\$2,975.8] (Adopted Budget)

⁽¹⁾ See Table 7 in the Fiscal Year 2025 ACFR for tax rates for Fiscal Years 2023-2025. For tax rates for Fiscal Years 2026 and 2027, see the Fiscal Year 2025 tax ordinance.

⁽²⁾ Includes PICA Tax. See “DEBT OF THE CITY – PICA Bonds” for a description of the PICA Tax.

⁽³⁾ Sources: For Fiscal Years 2023-2025, the City’s ACFRs for the City’s annual Wage, Earnings, and Net Profits Tax receipts and the City’s Quarterly City Managers Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

The Thirty-Fifth Five-Year Plan includes reductions to the Wage, Earnings, and Net Profits Tax Rates for Fiscal Years 2027 to 2031 to the following levels: (i) Resident Wage, Earnings and Net Profits Tax Rates – 3.735%, 3.730%, 3.720%, 3.700%, and 3.690%, respectively, and (ii) Non-Resident Wage, Earnings and Net Profits Tax Rates – 3.425%, 3.420%, 3.410%, 3.390%, and 3.380%, respectively.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident Wage, Earnings, and Net Profits Tax rate. Gaming revenues averaged approximately \$86.3 million in Fiscal Years 2018-2022. For Fiscal Year 2023, the amount of gaming revenues was \$108.8 million. For Fiscal Year 2024, the amount of gaming revenues was \$108.8 million. For Fiscal Year 2025, the amount of gaming revenues was \$130.6 million. For Fiscal Year 2026, the budgeted amount and current estimate of gaming revenues is \$150.3 million. For Fiscal Year 2027, the budgeted amount of gaming revenues is \$150.3 million.

Business Income and Receipts Tax

Pursuant to The First Class City Business Tax Reform Act of 1984, City Council imposed a business tax generally measured by a combination of gross receipts and net income (“Business Privilege Tax”). The same year, City Council by ordinance repealed the Mercantile License Tax and the General Business Tax. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT). The BIRT allows for alternative tax computations for regulated industries, public utilities, manufacturers, wholesalers, and retailers. Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City. The City offers tax credit programs that provide companies that qualify a credit against the BIRT. Taxpayers that are subject to both the BIRT and the Net Profits Tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the Net Profits Tax to the maximum of the Net Profits Tax liability for that tax year.

Significant tax legislation, passed in 2011, incorporated several changes intended to help small and medium sized businesses and lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City, including the following: (i) the fee for a Commercial Activity License for all businesses was eliminated in 2014; (ii) business taxes for the first two years of operations for all new businesses with at least three employees in their first year and six employees in their second year were eliminated beginning in 2012; and (iii) across the board exclusions on the gross receipts portion of the BIRT were provided for all businesses phased in over a three-year period beginning in 2014 and eventually excluding the first \$100,000 of gross receipts, along with proportional reductions in the net income portion of the BIRT. The legislation also provided for implementation of single sales factor apportionment in 2015, which enables businesses to pay BIRT based solely on sales in the City, rather than on sales, property, and payroll.

In addition, legislation was enacted, effective for tax year 2019, to (i) eliminate the requirement for new businesses to make an estimated business tax payment when filing a return for their first tax year of business operations and (ii) allow such estimated payments in the second year to be made in quarterly installments.

BIRT Lawsuits. In August 2024, a lawsuit was filed against the City by a taxpayer challenging its BIRT liability, claiming that (i) the Revenue Commissioner’s adoption of single sales factor apportionment is not statutorily authorized and (ii) the small business exemption of the first \$100,000 of receipts from the BIRT violates the Uniformity Clause of the Pennsylvania Constitution because it results in different tax rates for businesses. That suit was settled, and in the Fiscal Year 2026 Adopted Budget, the City eliminated the small business exemption for Tax Year 2025 and going forward, which will increase BIRT collections and require more small businesses in the City to file a BIRT return. The City, through the Department of Commerce, has expanded certain programs that support small businesses in Fiscal Years 2026 and 2027, including free tax preparation and technical assistance programs, as well as grant programs that support retail businesses located along commercial corridors and small businesses with viable growth plans.

Another similarly situated case has been filed in Common Pleas Court, and additional refund claims are pending before the Tax Review Board. These challenges are virtually identical to the matter described in the preceding paragraph. If successful, damages from these collective actions, while difficult to assess, could approach approximately \$50 million. The City is litigating the Common Pleas case and the Tax Review Board is holding the other refund claims for the outcome of that case.

Table 5 provides a summary of BIRT rates for tax years 2016-2031.

Table 5
Summary of Business Income and Receipts Tax Rates

<u>Tax Year</u>	<u>Gross Receipts</u>	<u>Net Income</u>
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.20%
2022	1.415 mills	5.99%
2023	1.415 mills	5.81%
2024	1.415 mills	5.81%
2025	1.410 mills	5.71%
2026	1.395 mills	5.65%
2027	1.390 mills	5.60%
2028	1.385 mills	5.55%
2029	1.380 mills	5.50%
2030	1.255 mills	5.45%
2031	1.130 mills	5.30%

By ordinance, BIRT rates are scheduled to continue to decline each tax year through 2038. For tax year 2038, the BIRT is scheduled to be 0.0 mills for gross receipts and 2.80% for net income. With the reduction of the BIRT rate on gross receipts to 0.0 mills, the City's business tax structure will be more consistent with other jurisdictions.

Real Property Taxes

Assessment and Collection. Taxes are levied on the assessed value of all taxable residential and commercial real property located within the City's boundaries for the City and for the School District (each, a "Real Estate Tax") as assessed by the Office of Property Assessment ("OPA") and collected by the Department of Revenue for both the City and the School District. Real Estate Taxes are authorized by Commonwealth law with the millage split between the City Real Estate Tax and the School District Real Estate Tax changing over the years. Currently, the City Real Estate Tax is equal to 44% of the total authorized millage and the School District Real Estate Tax is equal to 56% of the total authorized millage. An additional 0.5% of the millage will be allocated to the School District starting in Fiscal Year 2030.

Real Estate Taxes are levied on a calendar year basis. By separate ordinances, City Council levies the City Real Estate Tax and authorizes the rate at which the Board of Education may levy the School District Real Estate Tax. The Board of Education levies all School District taxes, including the School District Real Estate Tax. Bills are sent in December for the following year, and payments are due March 31.

In tax year 2014, the OPA reassessed all properties in Philadelphia at their actual market value under the Actual Value Initiative ("AVI") in order to replace outdated values and inequities within the system. At such time, the City also implemented a Homestead Exemption of \$30,000 for all primary residential owner-occupants, which has been increased several times. In Fiscal Year 2025, the Homestead Exemption increased from \$80,000 to \$100,000 of assessed value.

In December 2024, the City Controller released a report examining the ongoing eligibility of certain property owners who are claiming the Homestead Exemption. The City reviewed the report's findings and recommendations and any potential impact on Real Estate Taxes. The Department of Revenue's findings were not consistent with those in the report. In a separate effort, the Department of Revenue formed a Real

Estate Tax Assistance Enforcement unit in 2023. In Fiscal Year 2025, the City removed the Homestead Exemption from more than 800 properties and billed more than \$1 million in additional Real Estate Taxes. The City’s Real Estate Tax assistance program review and enforcement efforts are ongoing.

In addition to the Homestead Exemption, the City has several other property tax relief programs for taxpayers. In particular, in Fiscal Year 2025, the City enacted the Low-Income Tax Freeze, which permits a freeze in property tax increases for low-income homeowners. Under the Low-Income Tax Freeze, the dollar amount of property taxes owed is frozen, even if the assessment value or tax rate changes. Those enrolled in the Low-Income Tax Freeze program remain enrolled so long as they meet eligibility requirements.

Previously, in December 2019, City Council also passed legislation to modify the existing 10-year property tax abatement for new construction of residential properties. The program has been adjusted to exempt 100% of the improvement value in the first year with graduated 10% annual reductions in the exemption percentage each subsequent year. The City did not make changes to the existing property tax abatement programs for commercial buildings or substantial rehabilitation of residential structures. Due to the COVID-19 pandemic, this legislation was amended to delay its effective date and applies to exemption applications beginning on or after January 1, 2022.

The Real Estate Tax rates for tax years 2022-2026 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

<u>Tax Year</u>	<u>City</u>	<u>School District</u>	<u>Total</u>
2022	0.6317%	0.7681%	1.3998%
2023	0.6317%	0.7681%	1.3998%
2024	0.6317%	0.7681%	1.3998%
2025	0.6159%	0.7839%	1.3998%
2026	0.6159%	0.7839%	1.3998%

For Fiscal Year 2024, the actual amount of Real Estate Tax revenue for the City was \$803.2 million (excluding delinquent collections). For Fiscal Year 2025, the actual amount of Real Estate Tax revenue for the City was \$859.3 million (excluding delinquent collections). For Fiscal Year 2026, the budgeted amount of Real Estate Tax revenue for the City is \$897.2 million (excluding delinquent collections). For Fiscal Year 2026, the current estimate of Real Estate Tax revenue for the City is \$877.1 million (excluding delinquent collections). See Table 3 above.

Beginning in Fiscal Year 2030, the Real Estate Tax rates and allocations will be 0.6090% for the City (or 43.5% of Real Estate Tax revenue) and 0.7908% for the School District (or 56.5% of Real Estate Tax revenue).

For information on the process for appealing a property tax assessment, see the text before and after Table 7 below.

Table 7 shows certified property values for tax years 2026 and 2027.

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Table 7
Certified Property Values for Tax Years 2026 and 2027

Tax Year 2026

Category	Market Value⁽¹⁾	Exempt Assessed Value	Homestead	Taxable Assessed Value	# of Properties
Single Family Residential	\$123,232,843,165	\$10,348,620,866	\$23,287,812,377	\$89,596,569,922	464,138
Multi-Family Residential (Apartments) ⁽²⁾	26,528,602,065	4,243,090,049	855,803,558	21,431,018,118	41,266
Commercial ⁽³⁾	65,180,767,100	33,762,730,814	13,886,762	31,403,547,484	17,169
Non-Residential ⁽⁴⁾	11,347,666,140	1,676,422,913	101,668,750	9,569,574,477	18,340
Vacant Land	7,204,951,601	3,751,002,689	10,910,162	3,443,536,950	42,537
Total	\$233,494,830,071	\$53,781,867,331	\$24,270,081,609	\$155,444,246,951	583,450

¹ Assessment data current as of April 1, 2025.

² Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

³ Includes retail and office.

⁴ Includes industrial, store with dwelling, hotels, motels, governmental, and institutional.

Tax Year 2027

Category	Market Value⁽¹⁾	Exempt Assessed Value	Homestead	Taxable Assessed Value	# of Properties
Single Family Residential	\$128,386,177,600	\$9,814,643,511	\$23,133,807,269	\$95,437,726,820	464,242
Multi-Family Residential (Apartments) ⁽²⁾	26,383,273,600	3,661,908,794	845,795,980	21,875,568,826	41,377
Commercial ⁽³⁾	70,004,303,563	36,164,266,731	11,113,695	33,828,923,137	17,849
Non-Residential ⁽⁴⁾	14,407,248,860	2,438,235,215	65,182,920	11,903,830,725	18,159
Vacant Land	7,762,950,200	4,082,879,220	2,825,528	3,677,245,452	43,034
Total	\$246,943,953,823	\$56,161,933,471	\$24,058,725,392	\$166,723,294,960	584,661

¹ Assessment data current as of April 1, 2026.

² Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

³ Includes retail and office.

⁴ Includes industrial, store with dwelling, hotels, motels, governmental, and institutional.

Assessment and Appeals. OPA is responsible for property assessments, while the Board of Revision of Taxes (“BRT”), an independent, seven-member board appointed by the Board of Judges of the Philadelphia Common Pleas Court, hears property assessment appeals.

OPA certifies the market values during the prior year (i.e., for tax year 2026, OPA certified the market values on March 31, 2025). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. In some circumstances and for certain tax years, taxpayers are permitted, during the appeals process, to pay their property tax bills based on the certified market value of their properties from the prior assessment. For budgetary purposes, OPA provides updated assessment data to the Office of the Director of Finance each year, from which Real Estate Tax projections are made. Certified values can vary substantially from the amounts included in such data and, as such, Real Estate Tax collections can also vary from the amounts included in the City’s proposed annual operating budget.

Under AVI, OPA set up a new process called first level review (“FLR”), where a taxpayer could request an administrative review of its assessment notice prior to launching a formal appeal with the BRT. The BRT has the authority, following a formal appeal, to increase, decrease, or leave unchanged the property assessment. Some appeals are not resolved before bills are sent to taxpayers. Because of this, some property assessments are modified after taxpayers receive bills and the taxpayer receives an updated bill.

For tax year 2025 (as certified on May 31, 2024), OPA revised the assessed values of over 550,000 parcels throughout the City as part of its first citywide revaluation since tax year 2023. OPA retained an outside firm to conduct a ratio study on the 2025 assessments for single-family homes, which determined that OPA met (and improved on) industry standards for uniformity, equity, and accuracy. As of August 5, 2026, OPA has received an estimated 20,611 FLRs, with decisions rendered for all FLRs. As of August 5, 2026, the BRT has received 13,296 appeals, with an estimated 1,950 that have yet to be decided.

For tax year 2026 (as certified on March 31, 2025), the City did not conduct a citywide revaluation so that OPA could focus on reviewing FLR applications submitted for tax year 2025. As such, the City carried forward the assessed values from tax year 2025, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. Change of Assessment notices were sent out on May 23, 2025. Property owners had until July 11, 2025 to file an FLR and October 6, 2025 to file a BRT appeal for tax year 2026. As of August 5, 2026, OPA has received an estimated 119 FLRs, with decisions rendered for all FLRs. As of August 5, 2026, the BRT has received 3,994 appeals, with an estimated 2,477 that have yet to be decided.

For tax year 2027 (as certified on March 31, 2026), OPA revised the assessed values of over 550,000 parcels throughout the City as part of its citywide revaluation since tax year 2025. Both OPA's internal ratio study, as well as an independent study showed that the TY27 revaluation meets industry standards and continues to uphold uniformity, equity, and accuracy of property valuations citywide.. OPA mailed assessment notices on June 29, 2026. Property owners will have until September 1, 2026, to file an FLR for tax year 2027. Property owners also have the option to file a BRT appeal by October 5, 2026.

Review of Assessment Methodology. OPA continues to review its assessment methodology in order to improve the transparency and accuracy of its assessment activities and the quality of assessments. Such efforts include (i) implementing a computer-assisted mass appraisal system program, (ii) contracting with an outside vendor to improve the quality of OPA’s data, (iii) strengthening OPA’s modeling team, and (iv) providing more training to the sales validation team, which was created in 2019, to help ensure improved data. Additionally, OPA retained an outside firm to conduct an independent ratio study examining

the uniformity, accuracy, and equity of OPA’s tax year 2027 assessments for single-family residential properties. The Mayor also established the Philadelphia Residential Property Assessment Task Force to examine OPA’s assessment process, as well as identify best practices, develop recommendations, and create implementation frameworks. A report containing these recommendations is being finalized. OPA will continue to collaborate with the Task Force to implement OPA-related recommendations from the report.

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2021 to 2025 and collected by the City from January 1, 2021 to June 30, 2025. See Table 9 for the assessed property values of the City’s principal taxable assessed parcels in 2027. See Table 10 for the 2027 market and assessed values of the ten highest valued taxable real properties in the City, as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2021-2025
(Amounts in Millions of USD)^{(1), (2), (3)}

Calendar Year	Taxes Levied Based on Original Assessment ⁽⁴⁾	Taxes Levied Based on Adjusted Assessment ⁽⁵⁾	Collections in the Calendar Year of Levy ⁽⁷⁾	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years ^{(6), (7)}	Total Collections to Date: All Years ⁽⁷⁾	Percentage Collected to Date: All Years ⁽⁷⁾
2021	\$729.7	\$713.9	\$692.2	97.0%	\$24.7	\$716.9	100.4%
2022	\$732.2	\$721.9	\$705.7	97.9%	\$19.6	\$725.3	100.6%
2023	\$872.8	\$835.3	\$789.2	94.5%	\$14.4	\$803.6	96.2%
2024	\$875.6	\$842.3	\$799.5	94.9%	\$12.9	\$812.4	96.5%
2025	\$955.7	\$923.8	\$845.8	N/A	N/A	\$845.8	N/A

⁽¹⁾ Source: Fiscal Year 2025 ACFR.

⁽²⁾ Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.

⁽³⁾ Property owners have the option to pay Real Estate Taxes based on the prior year’s assessed value while their property valuation is under appeal. The bill gets paid in full when the appeal is resolved.

⁽⁴⁾ Taxes are levied on a calendar year basis. They are due on March 31.

⁽⁵⁾ Adjustments include assessment appeals, the senior citizen tax discount, the low income freeze, and the tax increment financing return of tax paid. For more information on the reassessment appeal process, see “– Real Property Taxes – Assessment and Appeals.”

⁽⁶⁾ Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

⁽⁷⁾ For calendar year 2025, the data shown reflect collections through June 30, 2025. For earlier calendar years, the data shown reflect collections through December 31 of the respective year.

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Table 9
Principal Taxable Assessed Parcels – 2027
(Amounts in Millions of USD)⁽¹⁾

Taxpayer	2027	
	Assessment ⁽²⁾	Percentage of Total Assessments
EQC Nine Penn Center Prop	\$370.2	0.19%
Kim Sub Cira Square LP	368.1	0.19%
Liberty Property Phila ⁽³⁾	361.7	0.19%
Phila Liberty Place LP	311.5	0.16%
411 N Broad Fee Inter	286.7	0.15%
Brandywine Cira Walnut 1	282.2	0.15%
PRU 1901 Market LLC	274.5	0.14%
Sugarhouse HSP Gaming LP	266.2	0.14%
Brandywine Cira LP	261.8	0.14%
Brandywine Operating	232.7	0.12%
Total	\$3,015.7	1.58%
Total Taxable Assessments⁽⁴⁾	\$190,782.0	

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.

(2) Assessment Values rounded to the nearest \$100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.

(3) Acquired by Prologis, Inc. in the first quarter of calendar year 2020.

(4) Total 2027 Taxable Assessment as of April 1, 2026.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2027
(Amounts in Millions of USD)^{(1), (2)}

Location	2027 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Through Tax Year
900 Packer Ave	\$458.0	\$458	\$91.9	\$366.1	2031
1800 Arch St	\$327.6	\$327.6	\$32.8	\$294.8	2027
2201 Park Towne Pl	\$281.2	\$281.2	\$201.7	\$79.5	2028
1001 S Broad St	\$197.4	\$197.4	\$19.7	\$177.7	2034
170 S Independence W Mall	\$185.6	\$185.6	\$156.6	\$29.0	2032
1801-45 John F Kennedy Blvd	\$164.8	\$164.8	\$159.8	\$5.0	2027
200 N 16th St	\$152.2	\$152.2	\$62.3	\$89.9	2029
1112 N Hancock St Unit 1	\$152.0	\$152.0	\$15.2	\$136.8	2033
2400 Market St	\$150.9	\$150.9	\$38.7	\$112.2	2028
1134 Sansom St	\$149.9	\$149.9	\$15.0	\$134.9	2034

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.

(2) Certified Values as of April 1, 2026.

Sales and Use Tax

Pursuant to the authorization granted by the Commonwealth under the PICA Act, the City adopted a 1% sales and use tax (the “City Sales Tax”) for City general revenue purposes effective beginning in Fiscal Year 1992. It is imposed in addition to, and on the same basis as, the Commonwealth’s sales and use tax. Vendors are required to pay City Sales Taxes to the Commonwealth Department of Revenue together with the Commonwealth sales and use tax. The State Treasurer deposits the collections of City Sales Taxes in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City’s budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first \$120 million collected from the additional 1% is distributed to the School District. For Fiscal Years 2015-2018, the General Assembly authorized the City to use the next \$15 million of City Sales Tax revenues from such additional 1% collected in such Fiscal Years for the payment of debt service on obligations issued by the City for the benefit of the School District. Following such debt service payments, that remaining portion of the City Sales Tax revenues from such additional 1% distributed to the City is required to be used exclusively in accordance with Act 205 (as defined herein) and deposited to the Municipal Pension Fund. Post Fiscal Year 2018, all of the revenues from such additional 1% are required to be deposited to the Municipal Pension Fund.

Table 11 sets forth the City Sales Taxes collected in Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD)⁽¹⁾

<u>Fiscal Year</u>	<u>City Sales Tax Collections⁽²⁾</u>
2023 (Actual)	\$302.2
2024 (Actual)	\$300.0
2025 (Actual)	\$311.3
2026 (Adopted Budget)	\$324.0
2026 (Current Estimate)	\$323.2
2027 (Adopted Budget)	\$342.0

⁽¹⁾ Sources: For Fiscal Years 2023-2025, the City’s ACFRs for such Fiscal Years. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

⁽²⁾ Net collections estimated to be distributed to the City from the first 1% City Sales Tax and following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, as described above.

Realty Transfer Tax

Realty Transfer Taxes are collected in connection with the sale of real property in the City. The Realty Transfer Tax rate in the City is 4.578%, 3.578% of which is imposed by the City and 1% of which is charged by the Commonwealth.

In the Fiscal Year 2025 ACFR, the City reported that it collected approximately \$331.5 million in revenues from the Realty Transfer Tax in Fiscal Year 2025. In the Thirty-Fifth Five-Year Plan, the City estimates that it will collect approximately \$356.4 million in revenues from the Realty Transfer Tax in Fiscal Year 2026.

In Fiscal Year 2026, the City launched the Housing Opportunities Made Easy (H.O.M.E.) Plan, which will build and preserve 30,000 units of new and existing housing and otherwise support affordable housing. The H.O.M.E. Plan contemplates two phases of bond financing through PRA, totaling approximately \$800 million (the first bond issuance was in March 2026). Debt service on such bonds will be supported, in part, by an increase in the Realty Transfer Tax, which was effective beginning July 1, 2025. As part of the H.O.M.E. Plan, the City has amended the Development Impact Tax for affordable housing to help facilitate construction. See “– Other Taxes – Development Impact Tax” below.

Other Taxes

The City also collects a Parking Tax, an Amusement Tax, a Valet Parking Tax, an Outdoor Advertising Tax, a Smokeless Tobacco Tax, the Philadelphia Beverage Tax (see below), and other miscellaneous taxes. Starting in Fiscal Year 2024, the Parking Tax and the Valet Parking Tax revenues are no longer part of the General Fund. As described herein, such revenues have been reassigned to the Transportation Fund.

Philadelphia Beverage Tax. In June 2016, City Council passed the Philadelphia Beverage Tax (Chapter 19-4100 of the Philadelphia Code) (the “Philadelphia Beverage Tax”). On October 31, 2016, the Department of Revenue adopted regulations for the Philadelphia Beverage Tax. The Philadelphia Beverage Tax taxes the distribution of caloric and non-caloric sweetened beverages at 1.5 cents per ounce and became effective January 1, 2017.

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted for pre-Kindergarten programs, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries, as contemplated by the City’s Rebuild program. In the Fiscal Year 2025 ACFR, the City reported that it collected approximately \$68.2 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2025. In the Thirty-Fifth Five-Year Plan, the City estimates that it will collect approximately \$71.0 million in revenues from the Philadelphia Beverage Tax in Fiscal Year 2026.

Development Impact Tax. In December 2020, City Council passed the Development Impact Tax with the intent to generate funding for affordable housing, and the new tax went into effect in January 2022.

As part of the H.O.M.E. Plan, City Council approved legislation exempting certain affordable housing projects from the Development Impact Tax, which is 1%, calculated based on the cost of construction or improvement costs to build or make renovations to residential properties in the City. Beginning in July 2025, affordable housing projects that receive a City subsidy, in the form of land acquisitions or grant support, are exempt from paying the tax.

Collection Initiatives

The City pursues a multifaceted strategy designed to improve on-time collections of various taxes while decreasing delinquencies. Key compliance strategies continue to include the revocation of commercial licenses and sequestration, among others.

In addition to compliance efforts, the City has completed multiple technology projects – one to implement technology solutions for its cashiering and payments processing systems and another to develop an integrated data warehouse and case management system. These projects were prior to the City’s implementation of its new tax system of record and its public-facing counterpart, the Philadelphia Tax Center, which launched in October 2022. These initiatives improve operational efficiencies, customer service and compliance, and drive enforcement efforts by providing tools previously unavailable to the City.

As a result of economic disruptions from the COVID-19 pandemic, the City modified its regular collection strategies. Throughout the pandemic, the Department of Revenue continued to send bills and notifications, but limited enforcement for affected businesses and vulnerable residents. Since 2024, all enforcement projects have now resumed as economic conditions have improved, including placements with collection agencies, the revocation of business licenses, and holding Sheriff Tax Sales. The City continues to evaluate and pursue long-time delinquent accounts and place liens on properties for property-based taxes and fees.

To facilitate compliance throughout the pandemic and beyond, the City launched new payment agreements for all business taxes for businesses affected by COVID-19 closures. This was in addition to the Department’s existing flexible payment agreements for property tax and water fees. In this period, the Department of Revenue launched an “Offers in Compromise” program, which allows certain taxpayers to submit a request to settle their tax obligations for a payment of less than the full amount owed. Such requests are determined based on the taxpayer’s current and projected financial circumstances. Most recently in 2025, the City amended its voluntary disclosure program to reduce the “lookback period” from six to three years. This change is in alignment with changes in the Commonwealth’s voluntary disclosure program. Both programs are designed to bring long-time delinquent accounts into compliance.

Other Locally Generated Non-Tax Revenues

These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, certain stadium revenues, interest earnings and other miscellaneous charges and revenues of the City. Beginning with Fiscal Year 2024, some of these revenues are no longer part of the General Fund and have been reassigned to the Transportation Fund, which supports transportation activities including paving, traffic, engineering, school crossing guards, right-of-way management, public safety enforcement officers, surveys, and street lighting.

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Revenue from Other Governments

Table 12 presents revenues received from other governmental jurisdictions for Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027 and the percentage such revenues represent in the General Fund. The table does not reflect substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Table 12
Revenue from Other Governmental Jurisdictions
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Dollar Amounts in Millions of USD)^{(1), (2), (3)}

Fiscal Year	Commonwealth⁽⁴⁾	Federal Government	Other Governments⁽⁵⁾	Total	Percentage of General Fund Revenues
2023 (Actual)	\$252.7	\$42.9	\$67.6	\$363.2 ⁽⁶⁾	6.0%
2024 (Actual)	\$261.5	\$37.9	\$59.6	\$359.0	5.9%
2025 (Actual)	\$302.1	\$27.6	\$59.2	\$387.9	6.0%
2026 (Adopted Budget)	\$325.4	\$61.2	\$67.8	\$454.5	7.2%
2026 (Current Estimate)	\$325.0	\$31.1	\$70.7	\$426.8	6.7%
2027 (Adopted Budget)	\$338.6	\$30.4	\$66.2	\$435.2	6.6%

⁽¹⁾ Sources: Derived from adopted budgets and five-year plans for the given Fiscal Year and Budget Office records, as applicable.

⁽²⁾ Figures may not sum due to rounding.

⁽³⁾ Does not include the PICA Tax.

⁽⁴⁾ Such revenues are for health, welfare, court, and various other specified purposes.

⁽⁵⁾ Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.

⁽⁶⁾ Does not include other authorized adjustments of \$59.1 million.

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Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems, such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all bond debt service requirements and covenants relating to those bonds have been satisfied, and then only in a limited amount and upon satisfaction of certain other conditions.

Water Fund. The revenues of the Water Department are required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (i) all Net Reserve Earnings and (ii) \$4,994,000. "Net Reserve Earnings" means the amount of interest earnings during the Fiscal Year on amounts in the Debt Reserve Account and Subordinated Bond Fund, each as defined in the Water Ordinance.

Table 13 shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027.

Table 13
Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)^{(1), (2)}

Fiscal Year	Amount Transferred
2023 (Actual)	\$0
2024 (Actual)	\$1,687,102
2025 (Actual)	\$3,726,824
2026 (Adopted Budget)	\$1,500,000
2026 (Current Estimate)	\$1,500,000
2027 (Adopted Budget)	\$1,500,000

⁽¹⁾ Sources: For Fiscal Years 2023-2024, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 ACFR. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

⁽²⁾ The Water Department's budgeted amount for such transfers is typically greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2022, the amount of such transfers was approximately \$6.5 million. For Fiscal Year 2023, the amount of such transfers was approximately \$4.6 million. For Fiscal Year 2024, the amount of such transfers was \$11.8 million. For Fiscal Year 2025, the amount of such transfers was \$8.1 million. For Fiscal Year 2026, the budgeted amount of such transfers is approximately \$10.4 million. For Fiscal Year 2026, the current estimate of such transfers is approximately \$8.7 million. For Fiscal Year 2027, the budgeted amount of such transfers is approximately \$9.2 million.

PGW Annual Payments

The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of \$18 million to the General Fund. The Fiscal Year 2027 Adopted Budget includes such \$18 million annual payment to the General Fund from PGW for such Fiscal Year.

PGW made a payment of \$18.0 million to the City in each of the City's Fiscal Years 2022-2026. The City has the right to obtain such payment from PGW in any lawful manner, including set off against payments the City would otherwise make to PGW.

At the direction of the Director of Finance and approval of City Council, PGW can increase its annual payment by an amount equal to or less than 10% (i.e., up to a \$19.8 million annual payment). To the extent that PGW is directed by the Director of Finance to increase its annual payment to an amount greater than \$19.8 million, PGW must first gain approval from the Pennsylvania Public Utility Commission (the "PUC").

For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Philadelphia Parking Authority Revenues

The PPA was established by City ordinance pursuant to the Pennsylvania Parking Authority Law (P.L. 458, No. 208 (June 5, 1947)). Various statutes, ordinances, and contracts authorize the PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at PHL (where PPA manages certain parking facilities only under a management agreement), and to administer the City's on-street parking program.

On-street parking revenues are administered and collected, on behalf of the City, by the PPA. Pursuant to Pennsylvania law, the PPA transmits these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking system in accordance with the PPA's approved budget. If such net revenues exceed a designated threshold, then any excess above that threshold is to be transmitted to the School District by PPA. The current threshold is estimated to be about \$54.0 million and includes a mandatory escalator to take into account increases in revenues.

Table 14 presents payments received by the City from PPA for on-street parking and parking at certain off-street parking lots for Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027.

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Table 14
PPA Payments to the City
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)^{(1), (2)}
(Amounts in Millions of USD)

Fiscal Year	Payments to the City
2023 (Actual)	\$48.7
2024 (Actual)	\$40.3
2025 (Actual)	\$40.4
2026 (Adopted Budget)	\$49.5
2026 (Current Estimate)	\$52.4
2027 (Adopted Budget)	\$45.9

⁽¹⁾ Sources: For Fiscal Years 2023-2024, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 ACFR. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the FY 2026 Third Quarter QCMR, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

⁽²⁾ Table 14 shows City revenues; none of such payments is transferred to the School District.

Table 15

[Reserved]

EXPENDITURES OF THE CITY

Three of the principal City expenditures are for personal services (personnel) (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service. The expenditures for personal services (personnel) and purchase of services are addressed below under this caption; debt service is addressed below under "DEBT OF THE CITY."

Personal Services (Personnel)

As of June 30, 2025, the City employed 28,253 full-time employees, representing approximately 3.8% of employees in Philadelphia (approximately 741,537 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 28,253 full-time employees, the salaries of 21,797 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions are not undertaken if funding is not received. Table 16 sets forth the number of filled, full-time positions of the City as of the dates indicated.

Table 16
Filled, Full-Time Positions^{(1), (2)}

	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2025</u>	<u>June 30,</u> <u>2026</u>
<u>General Fund</u>					
Police	6,651	6,351	6,204	6,219	6,232
Fire	2,667	2,794	2,815	2,854	2,884
Courts	1,686	1,685	1,707	1,724	1,774
Prisons	1,393	1,312	1,266	1,549	1,833
Streets/Sanitation	2,072	2,068	1,495	1,652	1,812
Public Health	689	690	730	774	750
Human Services ⁽³⁾	492	535	441	438	448
All Other	<u>5,405</u>	<u>5,836</u>	<u>6,207</u>	<u>6,587</u>	<u>6,979</u>
<u>Total – General Fund</u>	<u>21,055</u>	<u>21,271</u>	<u>20,865</u>	<u>21,797</u>	<u>22,712</u>
<u>Other Funds</u>	<u>5,377</u>	<u>5,321</u>	<u>6,254</u>	<u>6,456</u>	<u>6,549</u>
<u>Total – All Funds</u>	<u>26,432</u>	<u>26,592</u>	<u>27,119</u>	<u>28,253</u>	<u>29,261</u>

⁽¹⁾ Source: Table P-1 in the City’s Quarterly City Managers Reports.

⁽²⁾ Table 16 does not include part-time, seasonal, or temporary employees.

⁽³⁾ Positions have been transferred to the Grants Revenue Fund. Non-reimbursed expenditures will be transferred to the General Fund during the fiscal year.

Overview of City Employees

The wages and benefits of City employees vary not only by position, but also by whether the employees are represented by a union and, if so, which union. Employee wages and benefits may also be impacted by whether the employee is subject to the civil service system or exempt from those rules. Thus, City employees may be broken down into three major categories for purposes of understanding how their wages and benefits are determined: (i) employees who are not subject to the civil service system (“exempt employees”); (ii) employees who fall under the civil service system but are not represented by a union (“non-represented employees”); and (iii) employees who are subject to the civil service system and are represented by a union (“union employees”).

As of February 2026, the City had 24,736 unionized employees, representing approximately 80% of the City’s employees. Such employees were represented by the City’s five municipal unions: (i) Fraternal Order of Police (“FOP”) Lodge No. 5; (ii) International Association of Fire Fighters (“IAFF”) Local 22; (iii) American Federation of State, County and Municipal Employees District Council 33 (“AFSCME DC 33”); (iv) American Federation of State, County and Municipal Employees District Council 47 (“AFSCME DC 47”); and (v) United Steelworkers Local 286 (“Steelworkers Local 286”). Table 18 describes certain aspects of the collective bargaining agreements (“CBAs”) or interest arbitration awards with the City’s municipal unions.

A brief description of certain terms of the current labor agreements is included below.

On December 8, 2023, the City and FOP Lodge No. 5 (Sheriff’s Office and Register of Wills (“ROW”)) entered into a one-year extension of the existing CBA, covering Fiscal Year 2025. It provides for (i) wage increases for Sheriffs of 4.5%; (ii) wage increases for ROW to match that of AFSCME DC 33 (i.e., 5.0%); (iii) a one-time lump sum bonus for members (\$1,500 for the Sheriffs and \$1,400 for ROW). For ROW, the wage increase and bonus were ratified on December 10, 2024. For FOP Lodge No. 5 (Sheriff’s Office and Register of Wills), there is no new CBA in place at this time (extension expired June 30, 2025). The City and FOP Lodge No. 5 (Sheriff’s Office and Register of Wills) are engaged in discussions on a new contract.

On June 17, 2024, an arbitration panel issued a one-year extension of the arbitration award for AFSCME DC 33, Local 159 Correctional Officers (“AFSCME DC 33 Local 159”), which includes a 4.5% salary increase for Fiscal Year 2025 and a \$1,600 bonus. In another award, AFSCME DC 33 Local 159 received an additional 3.0% salary increase in exchange for civilianization changes (which is where the City engages non-bargaining unit personnel to perform work that has been performed by the bargaining unit). For AFSCME DC 33 Local 159, there is no new labor agreement in place at this time (extension expired June 30, 2025). The City and AFSCME DC 33 Local 159 are engaged in the interest arbitration process to arrive at a new contract.

On July 9, 2025, the City and AFSCME DC 33 reached an agreement on terms of a three-year agreement covering Fiscal Years 2026-2028. The agreement includes a 3.0% salary increase each Fiscal Year (plus the addition of a fifth step, which will provide the equivalent of a 2.0% increase over the course of the agreement (for about 80% of members)), a \$1,500 bonus, and a one-month health and welfare holiday, among other things. The agreement was ratified by members on July 21, 2025. The agreement is estimated to cost the City’s General Fund \$115 million over five years.

On July 15, 2025, the City and certain of AFSCME DC 47’s municipal unions reached a tentative agreement on terms of a three-year agreement covering Fiscal Years 2026-2028. The agreement includes annual salary increases of 2.5%, 3.0%, and 3.0%, as well as a 1.0% increase between the top two steps on the pay scale and a one-time \$1,250 bonus, among other things. The agreement was ratified by members on July 25, 2025. The agreement is estimated to cost the City’s General Fund \$80 million over five years.

On August 15, 2025, an arbitration panel issued an arbitration award between the City and the FOP Lodge No. 5 (Police Department) covering a two-year period. The award provides for (i) wage increases of 3.0% in Fiscal Years 2026 and 2027, (ii) a one-time lump sum bonus of \$3,000, (iii) additional wage increases of 1.5% in January 2026 and January 2027 in exchange for the operational flexibility to civilianize positions as needed, (iv) a 1.0% increase to all steps in the longevity schedule, starting in January 2027, in exchange for the operational flexibility to civilianize certain positions and recognition of the importance of retaining experienced police, (v) annual payments by the City of \$5 million to the Joint Retiree Trust Fund, and (vi) a one-month health and welfare holiday, among other things. The award is estimated to cost the City’s General Fund \$343 million over five years.

On September 18, 2025, the City and Steelworkers Local 286 agreed to the terms of a multi-year contract with raises in each fiscal year: 2.5% in Fiscal Year 2026, 3.0% in Fiscal Year 2027, and 3.0% in Fiscal Year 2028. In Fiscal Year 2027, a fifth step (valued at 2.0% above the current fourth step) will be added to the pay plan. Effective sixty (60) days after ratification, each permanent full-time employee will receive a bonus of \$1,250, and each part-time employee will receive a bonus of \$650, paid consistent with the City’s practices and policies. Such agreement was ratified by the union members on October 4, 2025.

On September 26, 2025, the City and AFSCME DC 47 Local 810 (representing professional rank and file employees at the First Judicial District) and Local 2186 (representing first-level supervisors at the First Judicial District) (the “FJD Locals”) agreed to the terms of multi-year contracts with raises in each fiscal year: 2.5% in Fiscal Year 2026, 3.0% in Fiscal Year 2027, and 3.0% in Fiscal Year 2028, which were ratified by the members on October 7, 2025 (Local 2186) and October 15, 2025 (Local 810). In Fiscal Year 2027, a fifth step (valued at 2.0% above the current fourth step) will be added to the pay plan. Effective sixty (60) days after ratification, each permanent employee received a bonus of \$1,250.

On June 26, 2026, the IAFF and the City received a two-year arbitration award for the period July 1, 2025, through June 30, 2027. Major award provisions include raises of 3.0% effective July 1, 2025, 1.0% effective January 1, 2026, and 3.0% July 1, 2026, a longevity increase of 1.0% effective January 1, 2026, pay adjustments for paramedics and other changes. The total cost of the award from Fiscal Year 2026

through Fiscal Year 2031 is estimated to be \$202 million and is expected to be paid out of the Labor Reserve.

The costs of the labor agreements discussed above have been included in the City's five-year plans, as applicable. As noted herein, the City budgets for a Labor Reserve to account for possible labor cost increases. Over the course of Fiscal Years 2026-2031, the Labor Reserve is estimated to total approximately \$605.2 million. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" herein). For arbitration awards or CBAs that have expired, the terms of the prior award or agreement remain in effect until a new award or agreement is reached.

For more information on the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees, see Table 18.

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) ("PERA"). PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no CBA has been reached, most employees covered by PERA are permitted to strike. Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA that require legislative action are considered advisory only and the legislative body is permitted to meet, consider, and reject those provisions.

Uniformed employees of the Police Department and the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council is required to pass any legislation necessary to implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless, power to issue an award on mandatory subjects of bargaining. As with interest arbitration under PERA, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, give substantial weight to the City's five-year plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent five-year plan without substantial evidence in the record demonstrating that the City can afford these increases without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

Overview of Employee Benefits

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. Health equity and tackling the social determinants of health are the top priorities for the City's health plans. The City participated in an 18-month project with the Center for Disease Control ("CDC") to evaluate the effectiveness of benefits programming based upon established national standards. The City received the highest rating in this project and its participation created a road map for future health benefit improvements. General Fund employee benefit expenditures for Fiscal Years 2023 through 2027 are shown in Table 17.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD)⁽¹⁾

	Actual 2023	Actual 2024	Actual 2025	Adopted Budget 2026	Current Estimate 2026	Adopted Budget 2027
Pension Costs ⁽²⁾	\$929.7 ⁽⁵⁾	\$958.9 ⁽⁶⁾	\$878.9 ⁽⁷⁾	\$836.4 ⁽⁸⁾	\$836.0 ⁽⁹⁾	\$856.5 ⁽¹⁰⁾
Health						
Payments under City-administered plan	90.3	108.2	110.9	158.3	158.3	195.3
Payments under union-administered plans	<u>409.5</u>	<u>394.0</u>	<u>405.8</u>	<u>494.9</u>	<u>472.6</u>	<u>520.6</u>
Total Health	499.8	502.2	516.7	653.2	630.9	715.9
Federal Insurance Contributions Act (FICA) Taxes ⁽³⁾	89.1	98.0	104.0	109.2	109.2	114.7
Other ⁽⁴⁾	<u>107.3</u>	<u>104.3</u>	<u>126.1</u>	<u>146.8</u>	<u>146.8</u>	<u>152.0</u>
Total	<u>\$1,625.9</u>	<u>\$1,663.4</u>	<u>\$1,625.7</u>	<u>\$1,745.6</u>	<u>\$1,722.9</u>	<u>\$1,839.2</u>

⁽¹⁾ Sources: The City's five-year financial plans and the City's Quarterly City Managers Reports. "Payments under City-administered plan" and "Payments under union-administered plans" were provided by the City, Department of Human Resources and the Budget Office. Figures may not sum due to rounding.

⁽²⁾ Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.

⁽³⁾ Includes payments of social security and Medicare taxes.

⁽⁴⁾ Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments (and COVID-19 funeral expenses for 2023).

⁽⁵⁾ Includes \$92.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁶⁾ Includes \$90.0 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁷⁾ Includes \$95.6 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁸⁾ Assumes \$102.0 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁹⁾ Assumes \$101.6 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽¹⁰⁾ Assumes \$111.0 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Each of the City's five municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills, certain employees represented by AFSCME DC 33, and employees represented by Steelworkers Local 286 who have chosen not to become members of the union's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. The City is also responsible for 92% of AFSCME DC 47's health care costs. Aside from AFSCME DC 33 and AFSCME DC 47, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. In addition, employees who satisfy certain eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. Such benefits are determined and administered by the plan in which the employee

participated at the time of his or her retirement. Other employee benefits, including life insurance and paid leave, are similarly determined by the respective CBAs, as well as City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See “PENSION SYSTEM” below.

Overview of Current Labor Contract Settlements

Table 18 summarizes the current status of the contract settlements reached with the City’s major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2016, as part of previous labor contract settlements. Table 18 does not include exempt employees (which as of February 2026 totaled 4,921).

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Table 18
Status of Arbitration Awards and Labor Contract Settlements

<u>Organization</u>	<u>Authorized Number of Full- Time Citywide Employees Represented⁽¹⁾</u>	<u>Status of Arbitration Award or Contract Settlement</u>	<u>Wage Increases</u>	<u>Pension Reforms⁽²⁾</u>
FOP Lodge No. 5 (Police Department)	5,469	Two-year arbitration award issued August 15, 2025	• 3.00% in July 2025 • 1.50% in January 2026 (for civilianization) • 3.00% in July 2026 • 1.50% in January 2027 (for civilianization) • 1.00% longevity increase in January 2027	• Current employees in Plan 87 or Plan 10 pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership • Employees hired on or after 7/1/17 are required to pay an additional 2.5% of salary
FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	322	One-year contract extension effective July 1, 2024 (CBA negotiations underway)	<u>Sheriff's Office employees:</u> • 4.50% in Fiscal Year 2025 <u>Register of Wills employees:</u> • 5.00% in Fiscal Year 2025	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 • Plan 10 is closed to new enrollment for members of Lodge 5 • DROP (as defined below) interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll
IAFF Local 22	2,831	Two-year arbitration award effective July 1, 2025	• 3.00% July 2025 • 1.00% January 2026 • 3.00% July 2026 • 1.00% longevity increase in January 2026	• Current employees in Plan 87 or Plan 10 pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect; varies by plan membership • Employees hired on or after 7/1/17 are required to pay an additional 2.5% of salary
AFSCME DC 33	9,068	Three-year contract extension effective July 1, 2025	• 3.00% in Fiscal Year 2026 • 3.00% in Fiscal Year 2027 • 3.00% in Fiscal Year 2028 • Addition of a fifth step, which will provide the equivalent of a 2.00% increase over the course of the agreement (for about 80% of members)	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 • Plan 10 is closed to new enrollment for members of DC 33 • DROP interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll

⁽¹⁾ The Thirty-Fifth Five-Year Plan.

⁽²⁾ "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

<u>Organization</u>	<u>Authorized Number of Full- Time Citywide Employees Represented⁽¹⁾</u>	<u>Status of Arbitration Award or Contract Settlement</u>	<u>Wage Increases</u>	<u>Pension Reforms⁽²⁾</u>
AFSCME DC 33, Local 159 Correctional Officers	1,741	One-year contract extension effective July 1, 2024 (Interest arbitration process underway)	• 4.50% in Fiscal Year 2025 • 3.00% in March 2025 (for civilianization)	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 • Plan 10 is closed to new enrollment for members of DC 33 • DROP interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll
AFSCME DC 47	4,198	Three-year contract effective July 1, 2025	• 2.50% in Fiscal Year 2026 • 3.00% in Fiscal Year 2027 • 3.00% in Fiscal Year 2028 • Additional 1.00% increase between the top two steps on the pay scale	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members of DC 47 (effective January 1, 2019)
AFSCME DC 47 Local 810 Court Employees Local 2186 Court Employees	410	Three-year contract extension effective July 1, 2025	• 2.50% in Fiscal Year 2026 • 3.00% in Fiscal Year 2027 • 3.00% in Fiscal Year 2028 • Addition of a fifth step, which will provide the equivalent of a 2.00% increase over the course of the agreement (for about 80% of members)	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members of DC 47 (effective January 1, 2019)
United Steelworkers, Local 286	697	Three-year contract extension effective July 1, 2025	• 2.50% in Fiscal Year 2026 • 3.00% in Fiscal Year 2027 • 3.00% in Fiscal Year 2028 • Addition of a fifth step, which will provide the equivalent of a 2.00% increase over the course of the agreement (for about 80% of members)	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members (effective January 1, 2019)
Non-Represented Employees	1,294	Changes for non-represented employees	• 2.50% in Fiscal Year 2026 • 3.00% in Fiscal Year 2027 • 3.00% in Fiscal Year 2028	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Previous 2011 reforms to DROP program remain in place; interest rate was decreased from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll and eligibility age remains increased by two years

⁽¹⁾ The Thirty-Fifth Five-Year Plan.

⁽²⁾ “Plan 87,” “Plan 10,” and “Plan 16” referenced in this column are described in Table 19.

Certain features of the 1987 Plan (“Plan 87”), the 2010 Plan (“Plan 10”), and the 2016 Plan (“Plan 16”) are summarized in Table 19. Plan 87 is solely a defined benefit plan. Plan 10 and Plan 16 are “hybrid” plans that include both defined benefit and defined contribution components. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2025 Valuation (as defined herein). See “PENSION SYSTEM” below.

Table 19
Summary of Key Aspects of Plan 87, Plan 10, and Plan 16

Plan 87	Normal Retirement Eligibility	Average Final Compensation (“AFC”)	Defined Benefit – Retirement Benefits Multiplier
Municipal (Plan Y)	Age 60 and 10 years of credited service ⁽¹⁾	Average of three highest calendar or anniversary years	• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC
Police and Fire	Age 50 and 10 years of credited service ⁽¹⁾	Average of two highest calendar or anniversary years	• (2.2% x AFC x years of service up to 20 years) plus (2.0% x AFC x numbers of years in excess of 20 years), subject to a maximum of 100% of AFC
Elected Official (Plan L)	Age 55 and 10 years of credited service ⁽²⁾	Average of three highest calendar or anniversary years	• 3.5% x AFC x years of service, subject to a maximum of 100% of AFC
Plan 10	Normal Retirement Eligibility	Average Final Compensation (“AFC”)	Defined Benefit – Retirement Benefits Multiplier
Municipal	Age 60 and 10 years of credited service	Average of five highest calendar or anniversary years	• 1.25% x AFC x years of service up to 20 years
Police and Fire ⁽³⁾	Age 50 and 10 years of credited service	Average of five highest calendar or anniversary years	• 1.75% x AFC x years of service up to 20 years

Defined Contribution			
• The City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year. • After five years of credited service, the full amount in the account is distributed to the employee when he or she separates from City service. • The right to the portion of the account attributable to City contributions does not vest until the completion of five years of credited service.			
Plan 16	Normal Retirement Eligibility	Average Final Compensation (“AFC”)	Defined Benefit – Retirement Benefits Multiplier
Municipal	Age 60 and 10 years of credited service	Lesser of (i) AFC under Plan Y (of Plan 87) (which is the average of three highest calendar or anniversary years) or (ii) \$65,000	• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC

Defined Contribution			
• Employees may voluntarily participate in the defined contribution portion; employee contributions vest immediately. • For employees with annual salaries above the cap, the City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year (only if employee is contributing); the City’s matching contributions vest after five years of credited service. • The maximum annual employee contribution is \$20,500, excluding the City’s matching contributions.			

⁽¹⁾ Five years of credited service for those who make additional contributions. See “PENSION SYSTEM – Pension System; Pension Board – Membership.”

⁽²⁾ The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. See “PENSION SYSTEM – Pension System; Pension Board – Membership.”

⁽³⁾ Under Plan 10 (Police and Fire), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee’s pension payments remain fixed and the employee may no longer make pension contributions.

Purchase of Services

Table 20 shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD)^{(1), (7)}

	Actual 2023	Actual 2024	Actual 2025	Adopted Budget 2026	Current Estimate 2026	Adopted Budget 2027
Human Services ⁽²⁾	\$151.0	\$178.6	\$175.9	\$190.9	\$190.1	\$194.7
Public Health	64.9	70.9	64.3	70.7	\$70.7	68.8
Public Property ⁽³⁾	215.7	225.4	250.0	276.7	\$272.5	285.6
Sanitation ⁽⁴⁾	70.7	59.9	66.7	67.1	\$67.1	69.1
First Judicial District	17.7	21.9	21.6	9.1	\$9.1	9.1
Licenses & Inspections	14.2	16.4	12.3	14.2	\$14.2	14.2
Homeless Services ⁽⁵⁾	69.8	72.1	73.5	72.4	\$72.4	72.7
Prisons	108.4	120.1	116.1	122.6	\$122.6	130.7
All Other ⁽⁶⁾	494.9	595.1	671.4	784.7	\$760.1	801.1
Total	\$1,207.3	\$1,360.4	\$1,451.8	\$1,608.2	\$1,578.7	\$1,646.0

⁽¹⁾ Sources: For Fiscal Years 2023-2024, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2025, the Budget Office. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Budget Office, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget and the Budget Office, as applicable.

⁽²⁾ Includes payments for care of dependent and delinquent children.

⁽³⁾ Includes payments for SEPTA, space rentals, and utilities.

⁽⁴⁾ Includes solid waste disposal costs; appropriated under the Streets budget category prior to Fiscal Year 2026.

⁽⁵⁾ Includes homeless shelter and boarding home payments.

⁽⁶⁾ Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.

⁽⁷⁾ Figures may not sum due to rounding.

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City Payments to School District

Table 21 presents the City’s payments to the School District from the General Fund for Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027.

Table 21
City Payments to School District
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD)⁽¹⁾

	Actual 2023	Actual 2024	Actual 2025	Adopted Budget 2026	Current Estimate 2026	Adopted Budget 2027
City Payments to School District	\$270.0	\$282.1	\$284.1	\$284.1	\$284.1	\$332.1

⁽¹⁾ Sources: For Fiscal Years 2023-2025, the City’s ACFRs for such Fiscal Years. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

For more discussion of the School District, see “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District,” above. For a discussion of changes in the funding provided by the City to the School District, see “REVENUES OF THE CITY – Sales and Use Tax.” For a discussion of additional funding for the School District, see “REVENUES OF THE CITY – Real Property Taxes.”

City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA)

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA’s operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The City does not own or manage SEPTA and SEPTA employees are not employees of the City. Table 22 presents the City’s operating subsidy to SEPTA from the General Fund for Fiscal Years 2023-2025, the budgeted amount and current estimate for Fiscal Year 2026, and the budgeted amount for Fiscal Year 2027.

Table 22
City Payments to SEPTA
Fiscal Years 2023-2025 (Actual), 2026 (Adopted Budget and Current Estimate), and 2027 (Adopted Budget)
(Amounts in Millions of USD)⁽¹⁾

	Actual 2023	Actual 2024	Actual 2025	Adopted Budget 2026	Current Estimate 2026	Adopted Budget 2027
City Payment to SEPTA	\$100.7	\$109.6	\$133.3	\$135.0	\$135.0	\$135.0

⁽¹⁾ Sources: For Fiscal Years 2023-2025, the City’s ACFRs for such Fiscal Years. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

The City budgets for SEPTA operating subsidies each Fiscal Year to at least match the estimated corresponding operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended

by Act 89 of 2013. The local match requirement is calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Thirty-Fifth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to approximately \$166.5 million by Fiscal Year 2031.

In the spring of 2025, SEPTA announced it was facing a budget deficit in excess of \$200 million, which would result in a 45% reduction in service and a fare increase of more than 21% starting in late August 2025, unless additional funding from the Commonwealth could be secured. At such time, the Commonwealth had not passed additional state funding for SEPTA and the Commonwealth remained in a budget impasse. Without access to additional resources, SEPTA began reducing service starting August 24, 2025. On August 29, 2025, a Philadelphia Common Pleas Court judge placed a temporary restraining order on any further reductions of service and fare increases. In a subsequent hearing on September 4, 2025, the judge ruled that the service reductions must be reversed but that SEPTA could proceed with the planned fare increases. In September 2025, the Pennsylvania Department of Transportation approved SEPTA's request to access \$390 million of capital funds to use for operational expenses in order to maintain service levels for the next two fiscal years. While this agreement does not provide a long-term solution to SEPTA funding, the service cuts have now been reversed. The fare increases of 21.5% remain in effect. There are several state-level proposals to use certain tax revenues (i.e., sale tax revenues) to fund mass transit, including SEPTA, and the City will continue to monitor such initiatives.

The City will continue to monitor SEPTA's fiscal matters, including broader funding pressures and the need for a long-term funding solution, and modifications of service levels and fares, as well as legal proceedings involving these matters.

For more information on SEPTA, see APPENDIX D – "TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA)."

City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City, and the Convention Center Authority entered into an operating agreement in 2010 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual subsidy of \$15,000,000 from the City to the Convention Center Authority in each Fiscal Year through Fiscal Year 2040. As authorized by ordinance, the City has agreed to pay to the Convention Center Authority on a monthly basis a certain percentage of hotel room taxes and hospitality promotion taxes collected during the term of the Convention Center Operating Agreement.

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PENSION SYSTEM

The amounts and percentages set forth under this heading relating to the City's pension system, including, for example, actuarial liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including the investment return rates, inflation rates, salary increase rates, post-retirement mortality, active member mortality, rates of retirement, etc. The reader should review and carefully consider the assumptions set forth in the documents that are cited as the sources for the information in this section. In addition, the reader is cautioned that such sources and the underlying assumptions are relevant as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.

Each year, an actuarial valuation report of the City's pension system is published in late March or early April. Such report includes, as of July 1 of a given Fiscal Year, an examination of the current financial condition of the pension system, key historical trends, and the projected financial outlook of the pension system, among other information. In addition, an annual report on the audited financial statements of the City's pension system is published in late December or early January. The information included under the caption "PENSION SYSTEM" is derived from the actuarial valuation reports or the annual reports on the audited financial statements of the City's pension system, unless otherwise noted herein.

Overview

While the City continues to face financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately \$4.37 billion as of July 1, 2025, there has been a positive trend in recent Fiscal Years in the funded ratio of the Municipal Pension Plan (as described below). In Fiscal Year 2025, the City's contribution to the Municipal Pension Fund was approximately \$864.2 million, of which the General Fund's share (including the Commonwealth contribution) was \$684.2 million. See Table 29. With respect to the General Fund budget, the City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have ranged from a low of approximately 11.13% to a high of approximately 17.74% in Fiscal Years 2016-2025. See Table 31.

The funded ratio of the Municipal Pension Plan (i) was 76.7% on July 1, 1999 (at which time the UAL was approximately \$1.4 billion), (ii) was 44.8% funded on July 1, 2016, and (iii) as a result of the steps to improve the Municipal Pension Fund listed below, was 67.7% on July 1, 2025 (at which time the UAL was approximately \$4.37 billion). These metrics are the product of a number of factors, including the following:

- The City and its actuary monitor the changes in the fixed income and equity markets, the potential impact negative investment returns may have for the Municipal Pension System's assets, and the related impact on future City contributions to the Municipal Pension System. The actual investment return rate for Fiscal Year 2025 is reflected in the July 1, 2025 Valuation.
- A reduction in the assumed rate of return, from 8.75% as of July 1, 2008, to 7.25% effective July 1, 2025 (i.e., Fiscal Year 2026). The Pension Board also approved a further reduction in the assumed rate of return from 7.25% to 7.20% effective July 1, 2026 (Fiscal Year 2027). Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to market conditions and experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.
- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan. See Table 23. It would typically be expected that the aggregate of member contributions and the City's contributions would be less than the amount of benefits and refunds payable in most years, with the result that in such years investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth.
- Over the last five Fiscal Years, the aggregate of member contributions and the City's contribution has exceeded the amount of benefits and refunds payable in such Fiscal Years. This is, in part, the result of the City's adoption of the Revenue Recognition Policy or RRP, as described below. See Table 26.
- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the "minimum municipal obligation" ("MMO"), as permitted and as defined by Pennsylvania law, in lieu of the City Funding Policy (as defined herein), resulted in the City contributing less than otherwise would have been contributed. As noted above, the City's adoption of the Revenue Recognition Policy or RRP has resulted in higher City contributions. See below, "– Funding Requirements; Funding Standards."
- Revising, in Fiscal Year 2009, in accordance with Pennsylvania law, the period over which the UAL was being amortized, such that the UAL as of July 1, 2009 was "fresh started" to be amortized over a 30-year period ending June 30, 2039. In addition, changes were made to the periods over which actuarial gains and losses and assumption changes were amortized under Pennsylvania law. See "– UAL and its Calculation – Actuarial Valuations."

The City has taken a number of steps to address the funding of the Municipal Pension Plan, including the following:

- Funding consistently an amount greater than the MMO. The City has adopted a Revenue Recognition Policy or RRP (as defined and described below), commencing in Fiscal Year 2018, by which sources of anticipated additional revenue that will be received by the Municipal Retirement System are specifically dedicated toward paying down the unfunded pension liability and not to reducing future costs of the City. The additional revenue is tracked and accumulated in a notional account, which is then deducted from the Actuarial Asset Value to determine the contribution under the Revenue Recognition Policy. As a result, such contribution is higher than the MMO. See Table 29.
- Entering into CBAs by which additional contributions are being made (and will be made) by certain current (and future) members and by which benefits will be capped for certain future members of the Municipal Pension Plan. See Table 18.
- Securing additional funding, including funds required to be deposited by the City to the Municipal Pension Fund from its share of sales tax revenue commencing in Fiscal Year 2016.
- Reducing the assumed rate of return on a gradual and consistent basis, which results in the City making larger annual contributions. See Table 24.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary reducing the potential for future experience losses due to mortality experience.
- Changing from a level percent of pay amortization schedule to a level dollar amortization schedule, in conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.
- Changing the investment strategy to increase the use of passive investment vehicles, which has resulted in increased returns and decreased fees.

As a result of (i) pension reforms adopting a defined benefit plan capped at \$65,000 for new municipal employees, along with increased employee contributions, (ii) a portion of the sales tax dedicated to paying down the UAL, (iii) the various other reforms mentioned above, and (iv) the City making contributions in excess of MMO and in some years in excess of RRP, the funded ratio of the Municipal Pension Plan increased 22.9 percentage points from 44.8% in Fiscal Year 2016 to 67.7% in Fiscal Year 2025 while the UAL decreased \$1.72 billion from \$6.09 billion in Fiscal Year 2016 to \$4.37 billion in Fiscal Year 2025. See Table 27. The Municipal Pension Fund had an aggregate positive cash flow, excluding investment returns, for Fiscal Years 2021-2025 (see “– Rates of Return; Asset Values; Changes in Plan Net Position – Changes in Plan Net Position” and Table 26).

This “Overview” is intended to highlight certain of the principal factors that led to the pension system’s current funded status, and significant steps the City and the Pension Board (as defined herein) have taken to address the underfunding. The reader is cautioned to review with care the more detailed information presented below under this caption, “PENSION SYSTEM.”

Pension System; Pension Board

The City maintains two defined-benefit pension programs and a hybrid defined-benefit/defined-contribution plan, which are (i) the Municipal Pension Plan, a single employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials; (ii) a hybrid defined-benefit/defined-contribution for non-uniformed municipal employees hired after 2016; and (iii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through nine (9) benefit plans with 21 separate contribution rates, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. *For a summary of key aspects of Plan 87 (the defined-benefit plan), Plan 10 (a hybrid defined-benefit/defined-contribution plan), and Plan 16 (a hybrid defined-benefit/defined-contribution plan), see Table 19.*

Such benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with net investment assets that totaled approximately \$9.6 billion as of June 30, 2025. The Municipal Pension Plan has 28,866 members who make contributions to the plan and provides benefits to 37,350 retirees and other beneficiaries including terminated vested members.

PGW is principally a gas distribution facility owned by the City. For accounting presentation purposes, PGW is a component unit of the City and follows accounting rules as they apply to proprietary fund-type activities. The PGW Pension Plan is funded with contributions by PGW to such plan, which are

treated as an operating expense of PGW, and such plan is not otherwise addressed under the caption “PENSION SYSTEM.” See “PGW PENSION PLAN” below.

Contributions are made by the City to the Municipal Pension Fund from: (i) the City’s General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City’s General Fund for pensions from the City’s Water Fund, Aviation Fund, and certain other City funds or agencies. See Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. See Table 26. An additional source of funding is that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. See “REVENUES OF THE CITY – Sales and Use Tax.”

The City of Philadelphia Board of Pensions and Retirement (the “Pension Board”) was established by the City Charter to administer “a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City.” The City Charter provides that the Pension Board “shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board.” In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a budgeted staff of 72 personnel, administers the day-to-day activities of the retirement system, providing services to 66,216 members.

The Municipal Pension Plan, the Municipal Pension Fund, and the Pension Board are for convenience sometimes collectively referred to under this caption as the “Municipal Retirement System.”

Membership. Table 23 shows the membership totals for the Municipal Pension Plan, as of July 1, 2025 and as compared to July 1, 2024.

Table 23
Municipal Pension Plan – Membership Totals

	<u>July 1, 2025</u>	<u>July 1, 2024</u>	<u>% Change</u>
Actives	28,866	27,479	5.0%
Terminated Vesteds	630	665	-5.3%
Disabled	3,755	3,730	0.7%
Retirees	22,498	22,515	-0.1%
Beneficiaries	8,516	8,615	-1.1%
Deferred Retirement Option Plan (“DROP”)	<u>1,951</u>	<u>2,102</u>	-7.2%
Total City Members	66,216	65,106	1.7%
Annual Salaries	\$2,313,087,031	\$2,118,480,484	9.2%
Average Salary per Active Member	\$80,132	\$77,095	3.9%
Annual Retirement Allowances	\$893,997,266	\$872,374,925	2.5%
Average Retirement Allowance	\$25,712	\$25,025	2.7%

Source: July 1, 2025 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 1.7%, or from 65,106 to 66,216 members, from July 1, 2024 to July 1, 2025, including an increase of 5.0% in active

members from 27,479 to 28,866 (who were contributing to the Municipal Pension Fund). Of the 66,216 members as of July 1, 2025, 37,350 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

Subject to the exceptions otherwise described in this paragraph, employees and officials become vested in the Municipal Pension Plan upon the completion of ten years of service. Employees and appointed officials who hold positions that are exempt from civil service and who are not entitled to be represented by a union, and who were hired before January 13, 1999, may elect accelerated vesting after five years of service in return for payment of a higher employee contribution than if the vesting period were ten years. Such employees and officials become vested after five years of service if hired after January 13, 1999, or seven years of service if hired after January 1, 2019, and pay a higher employee contribution than if the vesting period were ten years. Elected officials become vested in the Municipal Pension Plan once they complete service equal to the lesser of two full terms in their elected office or eight years and pay a higher contribution than if the vesting period were ten years. Elected officials pay an additional employee contribution for the full cost of the additional benefits they may receive over those of general municipal employees. Upon retirement, employees and officials may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate.

All City employees participate in the U.S. Social Security retirement system except for uniformed Police and uniformed Fire employees.

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2025 Actuarial Valuation Report (the "July 1, 2025 Valuation") and includes as of July 1, 2025, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

Funding Requirements; Funding Standards

City Charter. The City Charter establishes the "actuarially sound" standard quoted above. Case law has interpreted "actuarially sound" as used in the City Charter to require the funding of two components: (i) "normal cost" (as defined below) and (ii) interest on the UAL. (*Dombrowski v. City of Philadelphia*, 431 Pa. 199, 245 A.2d 238 (1968)).

Pennsylvania Law. The Municipal Pension Plan Funding Standard and Recovery Act (Pa. P.L. 1005, No. 205 (1984)) ("Act 205"), applies to all municipal pension plans in Pennsylvania, "[n]otwithstanding any provision of law, municipal ordinance, municipal resolution, municipal charter, pension plan agreement or pension plan contract to the contrary..." Act 205 provides that the annual financial requirements of the Municipal Pension Plan are: (i) the normal cost; (ii) administrative expense requirements; and (iii) an amortization contribution requirement. In addition, Act 205 requires that the MMO be payable to the Municipal Pension Fund from City revenues, and that the City shall provide for the full amount of the MMO in its annual budget. The MMO is defined as "the financial requirements of the pension plan reduced by . . . the amount of any member contributions anticipated as receivable for the following year." Act 205 further provides that the City has a "duty to fund its municipal pension plan," and the failure to provide for the MMO in its budget, or to pay the full amount of the MMO, may be remedied by the institution of legal proceedings for mandamus.

In accordance with Pennsylvania law and Act 205, the City uses the entry age normal actuarial funding method, whereby "normal cost" (associated with active employees only) is the present value of the benefits that the City expects to become payable in the future distributed evenly as a percent of expected payroll from the age of first entry into the plan to the expected age at retirement. The City's share of such

normal cost (to which the City adds the Plan's administrative expenses) is reduced by member contributions. The term "level" means that the contribution rate for the normal cost, expressed as a percentage of active member payroll, is expected to remain relatively level over time.

The City has budgeted and paid at least the full MMO amount since such requirement was established. Prior to Fiscal Year 2005, the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy, which was implemented before Act 205 was effective, as described below. Beginning in Fiscal Year 2018, the City is contributing under the Revenue Recognition Policy (defined below), which requires higher contribution amounts than under the MMO. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. See Table 29.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 ("Act 44") to authorize the City to: (i) "fresh start" the amortization of the UAL as of July 1, 2009 by a level annual dollar amount over 30 years ending June 30, 2039; and (ii) revise the amortization periods for actuarial gains and losses and assumption changes in accordance with Act 44, as described below under "UAL and its Calculation – Actuarial Valuations." In addition, Act 44 authorized the City to defer, and the City did defer, \$150 million of the MMO otherwise payable in Fiscal Year 2010, and \$80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of \$230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 20-year schedule.

GASB; City Funding Policy. Governmental Accounting Standards Board ("GASB") Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" ("GASB 27"), applied to the City for Fiscal Years beginning prior to July 1, 2014. For the Fiscal Year beginning July 1, 2014, GASB Statement No. 68 ("GASB 68"), which amends GASB 27 in several significant respects, applies. GASB 27 defined an "annual required contribution" ("ARC") as that amount sufficient to pay (i) the normal cost and (ii) the amortization of UAL, and provides that the maximum acceptable amortization period is 30 years (for the initial 10 years of implementation, 1996-2006, a 40-year amortization period was permitted). GASB 27 did not establish funding requirements for the City but rather was an accounting and financial reporting standard. GASB 68 does not require the calculation of an ARC but does require the City to include as a liability on its balance sheet the City's "net pension liability," as defined by GASB 68. The City has been funding the Municipal Pension Fund since Fiscal Year 2003 based on the MMO (at a minimum), including the deferral permitted by Act 44. See Table 29 below.

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the "City Funding Policy." That reference was used and continues to be used in the Actuarial Reports. Under the City Funding Policy, the UAL as of July 1, 1985, was to be amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. This initial UAL base under the City's Funding Policy has now been fully amortized. Other changes in the unfunded actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. See "*Annual Contributions – Annual Debt Service Payments on the Pension Bonds*" below.

Revenue Recognition Policy. The City follows a policy (the "Revenue Recognition Policy" or "RRP") to contribute each year to the Municipal Pension Fund an amount in excess of the MMO. Aspects

of such policy are mandated by City ordinance or labor agreements, as applicable. The determination for such additional funding is based on not including in the actuarial asset value when determining the annual contribution obligation, the following revenue sources: (i) the portion of the amounts generated by the increase in the Sales Tax rate that became effective on July 1, 2014 and are deposited to the Municipal Pension Fund (see “REVENUES OF THE CITY – Sales and Use Tax”), (ii) contributions to be made by City employees that are under Plan 16 (described above in the text that immediately follows Table 19), and (iii) additional member contributions for current and future members in Plan 87 Police, Plan 87 Fire, and all Municipal Plans.

In the Fiscal Year 2025 ACFR, the City reported \$95.6 million was deposited from Sales Tax revenue into the Municipal Pension Fund. For Fiscal Year 2026, the current estimate of Sales Tax revenue to be deposited into the Municipal Pension Fund is \$101.6 million. For Fiscal Year 2027, the budgeted amount of Sales Tax revenue to be deposited into the Municipal Pension Fund is \$111.0 million.

UAL and its Calculation

According to the July 1, 2025 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2025 was 67.7% and the Municipal Pension Fund had an unfunded actuarial liability (“UAL”) of \$4.37 billion. The UAL is the difference between total actuarial liability (\$13.54 billion as of July 1, 2025) and the actuarial value of assets (\$9.17 billion as of July 1, 2025).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the Pension Board, “the best available estimate of future occurrences in the case of each assumption.” The assumed investment return rate used in the July 1, 2025 Valuation was 7.25% a year, net of investment expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.30%. See Table 24 for the assumed rates of return for Fiscal Years 2016 to 2025. The 7.30% was used to establish the MMO payment for Fiscal Year 2026 and 7.25% will be used to establish the MMO payment for Fiscal Year 2027.

Other key actuarial assumptions in the July 1, 2025 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund (as described below), actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees in the 1967 Plan), (v) for municipal and elected members, 65% of all disabilities are ordinary and 35% are service-connected, (vi) for police and fire members, 25% of all disabilities are ordinary and 75% are service-connected, and (vii) 70% of active members and 40% of non-active members are assumed to be married with male spouses assumed to be four-years older than female spouses. For a complete description of the actuarial assumptions, including the decrement tables used (i.e., mortality, retirement, termination, and disability), see Appendix C of the July 1, 2025 Valuation.

“Smoothing Methodology”. The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset “smoothing method” to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess of or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial

value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2025, was approximately 95.6% of the market value of the assets, as compared to 100.3% as of July 1, 2024.

Actuarial Valuations. The Pension Board engages an independent consulting actuary (currently Cheiron) to prepare annually an actuarial valuation report. Act 205, as amended by Act 44, establishes certain parameters for the actuarial valuation report, including: (i) use of the entry age normal actuarial cost method; (ii) that the report shall contain: (a) actuarial exhibits, financial exhibits, and demographic exhibits; (b) an exhibit of normal costs expressed as a percentage of the future covered payroll of the active membership in the Municipal Pension Plan; and (c) an exhibit of the actuarial liability of the Municipal Pension Plan; and (iii) that changes in the actuarial liability be amortized in level-dollar payments as follows: (a) actuarial gains and losses be amortized over 20 years beginning July 1, 2009 (prior to July 1, 2009, gains and losses were amortized over 15 years); (b) assumption changes be amortized over 15 years beginning July 1, 2010 (prior to July 1, 2010, assumption changes were amortized over 20 years); (c) plan changes for active members be amortized over 10 years; (d) plan changes for inactive members be amortized over one year; and (e) plan changes mandated by the Commonwealth be amortized over 20 years.

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. An experience study was prepared by Cheiron in March 2026 for the period July 1, 2020 – June 30, 2025 (the “Experience Study”). The actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study will be effective for the July 1, 2026 Valuation. Details of the assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results for the period covering July 1, 2020 – June 30, 2025*.

Pension Adjustment Fund

Pursuant to § 22-311 of the Philadelphia Code, the City directed the Pension Board to establish a Pension Adjustment Fund (“PAF”) on July 1, 1999, and further directed the Pension Board to determine, effective June 30, 2000, and each Fiscal Year thereafter, whether there are “excess earnings” (as defined therein) available to be credited to the PAF. The Pension Board’s determination is to be based upon the actuary’s certification using the “adjusted market value of assets valuation method” as defined in § 22-311. Although the portion of the assets attributed to the PAF is not segregated from the assets of the Municipal Pension Fund, the Philadelphia Code provides that the “purpose of the Pension Adjustment Fund is for the distribution of benefits as determined by the Board for retirees, beneficiaries or survivors [and] [t]he Board shall make timely, regular and sufficient distributions from the Pension Adjustment Fund in order to maximize the benefits of retirees, beneficiaries or survivors.” Distributions are to be made “without delay” no later than six months after the end of each Fiscal Year. The PAF was established, in part, because the Municipal Retirement System does not provide annual cost-of-living increases to retirees or beneficiaries. At the time the PAF was established, distributions from the PAF were subject to the restriction that the actuarial funded ratio using the “adjusted market value of assets” be not less than such ratio as of July 1, 1999 (76.7%). That restriction was deleted in 2007.

The amount to be credited to the PAF is 50% of the “excess earnings” that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF.

The actuary determined that for the Fiscal Year ended June 30, 2025, there were “excess earnings” as defined to be credited to the PAF in the amount of a one-time transfer of \$36.3 million. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

Transfers to the PAF and the resultant additional distributions to retirees result in removing assets from the Municipal Pension Plan. To account for the possibility of such transfers, and as an alternative to adjusting the assumed investment return rate to reflect such possibility, the actuary applies a load of 0.54% to the calculated actuarial liability as part of the funding requirement and MMO. Such calculation was utilized for the first time in the July 1, 2013 actuarial valuation.

The market value of assets as used under this caption, “PENSION SYSTEM,” represents the value of the assets if they were liquidated on the valuation date and this value includes the PAF (except as otherwise indicated in certain tables), although the PAF is not available for funding purposes. The actuarial value of assets does not include the PAF.

Rates of Return; Asset Values; Changes in Plan Net Position

Rates of Return. Table 24 sets forth for the Fiscal Years 2016-2025 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2025, were 9.65% and 7.34% respectively, on a market value basis.

Table 24
Municipal Pension Fund
Annual Rates of Return

<u>Year Ending</u> <u>June 30,</u>	<u>Market Value</u>	<u>Actuarial Value⁽¹⁾</u>	<u>Assumed Rate of Return</u>
2016	-3.2%	4.5%	7.75%
2017	13.1%	4.4%	7.70%
2018	9.0%	5.1%	7.65%
2019	5.7%	7.6%	7.60%
2020	1.5%	6.5%	7.55%
2021	28.4%	6.3%	7.50%
2022	-6.5%	7.7%	7.45%
2023	8.1%	6.5%	7.40%
2024	8.4%	6.3%	7.35%
2025	12.7%	7.0%	7.30%

Source: July 1, 2025 Valuation.

⁽¹⁾ Net of PAF. See “Pension Adjustment Fund” above. The actuarial values reflect a ten-year smoothing.

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Asset Values. Table 25 sets forth, as of the July 1 actuarial valuation date for the years 2016-2025, the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

Table 25
Actuarial Value of Assets vs. Market Value of Net Assets
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets ⁽¹⁾	Market Value of Net Assets ⁽¹⁾	Actuarial Value as a Percentage of Market Value
2016	\$4,936.0	\$4,350.8	113.5%
2017	\$5,108.6	\$4,873.0	104.8%
2018	\$5,397.4	\$5,340.1	101.1%
2019	\$5,852.5	\$5,687.2	102.9%
2020	\$6,242.7	\$5,781.6	108.0%
2021	\$6,633.1	\$7,348.5	90.3%
2022	\$7,176.1	\$6,905.5	103.9%
2023	\$7,979.2	\$7,800.9	102.3%
2024	\$8,583.2	\$8,558.4	100.3%
2025	\$9,166.0	\$9,588.1	95.6%

Source: July 1, 2025 Valuation for Actuarial Value of Assets; 2016-2025 Actuarial Reports for Market Value of Net Assets.

⁽¹⁾ For purposes of this table, the Market Value of Net Assets excludes the PAF, which equaled \$45.0 million as of June 30, 2025. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values reflect a ten-year smoothing.

Changes in Plan Net Position. Table 26 sets forth, for Fiscal Years 2021-2025, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at “Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*”) are made from the City’s General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions). If unrealized gains are excluded from the calculation, resulting in a comparison of cash actually received against actual cash outlays, it could result in a negative cash flow in some Fiscal Years.

Contributions from the Commonwealth are provided pursuant to the provisions of Act 205. Any such contributions are required to be used to defray the cost of the City’s pension system. The amounts contributed by the Commonwealth for each of the last ten Fiscal Years are set forth in Table 29 below. The contributions from the Commonwealth are capped pursuant to Act 205, which provides that “[n]o municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount greater than 25% of the total amount of the general municipal pension system State aid available.”

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2025, vary from 6.00% to 8.50% for police and fire employees, and from 2.64% to 7.00% for municipal employees excluding elected officials. These rates include the increases for police employees effective July 1, 2017, resulting from the FOP Lodge No. 5 and IAFF Local No. 22 Labor

Contracts. Such contracts increased member contributions for current police officers in Plan 87 and Plan 10 by 0.92% effective July 1, 2017, and an additional 0.92% effective July 1, 2018. For new police officers and fire fighters hired or rehired on or after July 1, 2017, the member contribution rate is increased by 2.5% over the rate which would otherwise be in effect as of July 1, 2017. The rates also include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal Prime will pay an additional 1.0% of compensation, which is included in Table 26. Finally, these rates do not include the additional tiered contributions paid by current and future municipal employees based on their level of compensation.

Table 26
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2021-2025
(Amounts in Thousands of USD)

	2021	2022	2023	2024	2025
Beginning Net Assets (Market Value) ⁽¹⁾	\$5,782,891	\$7,424,983	\$6,939,834	\$7,808,089	\$8,566,208
Additions					
- Member Contributions	111,273	110,447	120,691	127,355	138,242
- City Contributions ⁽²⁾	788,483	859,787	1,164,974	948,686	864,211
- Investment Income ⁽³⁾	1,642,217	(480,676)	568,995	657,228	1,083,517
- Miscellaneous Income ⁽⁴⁾	<u>1,273</u>	<u>913</u>	<u>1,962</u>	<u>1,730</u>	<u>2,052</u>
Total	\$2,543,246	\$490,471	\$1,856,622	\$1,734,999	\$2,088,023
Deductions					
- Benefits and Refunds	(891,445)	(966,686)	(979,429)	(966,848)	(1,010,360)
- Administration	<u>(9,709)</u>	<u>(8,933)</u>	<u>(8,938)</u>	<u>(10,033)</u>	<u>(10,704)</u>
Total	(\$901,154)	(\$975,619)	(\$988,367)	(\$976,881)	(\$1,021,064)
Ending Net Assets (Market Value)	\$7,424,983	\$6,939,834	\$7,808,089	\$8,566,208	\$9,633,166

Source: Municipal Pension Fund's audited financial statements.

(1) Includes the PAF, which is not available for funding purposes.

(2) City Contributions include pension contributions from the Commonwealth. See Table 29.

(3) Investment income is shown net of fees and expenses, and includes interest and dividend income, net appreciation (depreciation) in fair value of investments, and net gains realized upon the sale of investments.

(4) Miscellaneous income includes securities lending and other miscellaneous revenues.

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Funded Status of the Municipal Pension Fund

Tables 27 and 28 set forth, as of the July 1 actuarial valuation date for the years 2016-2025, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

Table 27
Schedule of Funding Progress (Actuarial Value)
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2016	\$4,936.0	\$11,024.8	\$6,088.8	44.8%	\$1,676.5	363.2%
2017	\$5,108.6	\$11,275.7	\$6,167.1	45.3%	\$1,744.7	353.5%
2018	\$5,397.4	\$11,521.0	\$6,123.5	46.8%	\$1,805.4	339.2%
2019	\$5,852.5	\$11,783.1	\$5,930.6	49.7%	\$1,842.6	321.9%
2020	\$6,242.7	\$12,038.1	\$5,795.4	51.9%	\$1,921.2	301.7%
2021	\$6,633.1	\$12,074.0	\$5,441.0	54.9%	\$1,886.5	288.4%
2022	\$7,176.1	\$12,448.4	\$5,272.3	57.6%	\$1,921.1	274.4%
2023	\$7,979.2	\$12,821.4	\$4,842.2	62.2%	\$1,993.0	243.0%
2024	\$8,583.2	\$13,133.7	\$4,550.5	65.4%	\$2,118.5	214.8%
2025	\$9,166.0	\$13,535.2	\$4,369.2	67.7%	\$2,313.1	188.9%

Source: July 1, 2025 Valuation.

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Table 28
Schedule of Funding Progress (Market Value)
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Market Value of Net Assets⁽¹⁾ (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2016	\$4,350.8	\$11,024.8	\$6,674.0	39.5%	\$1,676.5	398.1%
2017	\$4,873.0	\$11,275.7	\$6,402.7	43.2%	\$1,744.7	367.0%
2018	\$5,340.1	\$11,521.0	\$6,180.9	46.4%	\$1,805.4	342.4%
2019	\$5,687.2	\$11,783.1	\$6,095.9	48.3%	\$1,842.6	330.8%
2020	\$5,781.6	\$12,038.1	\$6,256.5	48.0%	\$1,921.2	325.7%
2021	\$7,348.5	\$12,074.0	\$4,725.5	60.9%	\$1,886.5	250.5%
2022	\$6,905.5	\$12,448.4	\$5,542.9	55.5%	\$1,921.1	288.5%
2023	\$7,800.9	\$12,821.4	\$5,020.5	60.8%	\$1,993.0	251.9%
2024	\$8,558.4	\$13,133.7	\$4,575.3	65.2%	\$2,118.5	216.0%
2025	\$9,588.1	\$13,535.2	\$3,947.1	70.8%	\$2,313.1	170.6%

Source: 2016-2025 Actuarial Valuation Reports.

- ⁽¹⁾ For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2016 equaled \$7.2 million; as of June 30, 2017 equaled \$1.1 million; as of June 30, 2018 equaled \$1.2 million; as of June 30, 2019 equaled \$1.2 million; as June 30, 2020 equaled \$1.2 million; as June 30, 2021 equaled \$76.5 million; as June 30, 2022 equaled \$34.3 million; as June 30, 2023 equaled \$7.2 million; as June 30, 2024 equaled \$7.8 million; and as June 30, 2025 equaled \$45.0 million.

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Annual Contributions

Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2016-2025. While Table 29 shows the last ten Fiscal Years, the City's total contribution (C) has exceeded the MMO (D) each Fiscal Year beginning in Fiscal Year 2014.

Table 29
Total Contribution to Municipal Pension Fund
(Dollar Amounts in Millions of USD)

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Water Fund Contribution	Aviation Fund Contribution	Grants Funding and Other Funds Contribution ⁽¹⁾	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2016	\$449.6	\$62.6	\$512.2	\$55.1	\$27.1	\$34.8	\$31.0	\$0.0	\$660.2	\$595.0	-	111.0%
2017	\$487.0	\$68.7	\$555.7	\$61.0	\$28.8	\$33.3	\$27.4	\$0.0	\$706.2	\$629.6	-	112.2%
2018	\$559.7	\$72.4	\$632.1	\$62.7	\$28.8	\$32.5	\$25.9	\$0.0	\$782.0	\$661.3	-	118.3%
2019	\$567.7	\$74.8	\$642.5	\$64.7	\$31.6	\$33.8	\$25.2	\$0.0	\$797.8	\$668.3	-	119.4%
2020	\$545.1	\$82.0	\$627.1	\$71.6	\$34.0	\$14.6	\$21.4	\$0.0	\$768.7	\$675.8	-	113.7%
2021	\$558.5	\$81.3	\$639.8	\$81.2	\$34.7	\$12.5	\$20.3	\$0.0	\$788.5	\$673.9	-	117.0%
2022	\$671.9	\$79.3	\$751.2	\$59.0	\$21.8	\$12.6	\$15.2	\$0.0	\$859.8	\$678.2	-	126.8%
2023	\$939.2	\$84.2	\$1,023.4	\$57.8	\$22.2	\$44.4	\$17.2	\$0.0	\$1,165.0	\$664.1	-	175.4%
2024	\$684.5	\$94.3	\$778.8	\$60.8	\$24.4	\$63.8	\$20.9	\$0.0	\$948.7	\$671.7	-	141.2%
2025	\$581.1	\$103.1	\$684.2	\$60.5	\$25.4	\$72.9	\$21.2	\$0.0	\$864.2	\$652.9	-	132.4%

⁽¹⁾ Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, Housing Trust Fund, and Transportation Fund.

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Annual Debt Service Payments on the Pension Bonds

Pension funding bonds (“Pension Bonds”) were initially issued in Fiscal Year 1999 (the “1999 Pension Bonds”), at the request of the City, by PAID. Debt service on the Pension Bonds is payable pursuant to a Service Agreement between the City and PAID. The Service Agreement provides that the City is obligated to pay a service fee from its current revenues and the City covenanted in the agreement to include the annual amount in its operating budget and to make appropriations in such amounts as are required. If the City’s revenues are insufficient to pay the full service fee in any Fiscal Year as the same becomes due and payable, the City has covenanted to include amounts not so paid in its operating budget for the ensuing Fiscal Year.

The 1999 Pension Bonds were issued in the principal amount of \$1.3 billion, and the net proceeds were used, together with other funds of the City, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately \$1.5 billion.

In October 2012, PAID, at the request of the City, issued Pension Bonds in the principal amount of \$231.2 million, the proceeds of which were used principally to make a \$230 million repayment of deferred contributions to the Municipal Pension Fund. These bonds had maturities of April 1, 2013 and 2014, and have been repaid.

In December 2012, PAID, at the request of the City, issued Pension Bonds in the approximate principal amount of \$300 million (the “2012 Pension Bonds”), the proceeds of which were used to currently refund a portion of the 1999 Pension Bonds. The refunding generated savings of approximately \$22.6 million, which the City deposited into the Municipal Pension Fund.

In April 2021, PAID, at the request of the City, issued bonds in the approximate principal amount of \$137 million, the proceeds of which were used, among other things, to refund a portion of the 1999 Pension Bonds and the 2012 Pension Bonds. Such refunding restructured debt service to provide the City with budgetary relief in Fiscal Years 2021 and 2022. No proceeds of the bonds were used to make a deposit to the Municipal Retirement System.

As discussed herein, the City has a balloon payment due on the Pension Bonds in Fiscal Year 2029, which is the largest payment due on such bonds, but not the final maturity. For more information on the debt service requirements for the Pension Bonds and other debt of the City, see Table 42 herein. The City has included this balloon payment in the Thirty-Fifth Five-Year Plan.

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Table 30 shows the components of the City’s annual debt service payments on the Pension Bonds for the Fiscal Years 2016-2025.

Table 30
Total Debt Service Payments on Pension Bonds
(Amounts in Millions of USD)

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment ⁽¹⁾	Grants Funding	Total Payment
2016	\$109.9	\$13.7	\$6.4	\$0.9	\$3.8	\$134.7
2017	\$109.5	\$14.5	\$6.6	\$0.9	\$3.3	\$134.8
2018	\$110.1	\$14.3	\$6.3	\$0.9	\$3.1	\$134.7
2019	\$109.8	\$14.2	\$6.6	\$1.1	\$3.0	\$134.7
2020	\$110.1	\$15.7	\$7.1	\$1.2	\$0.6	\$134.7
2021 ⁽²⁾	\$28.4	\$4.5	\$1.9	\$0.3	\$0.5	\$35.6
2022 ⁽²⁾	\$91.7	\$8.5	\$3.1	\$0.5	\$0.9	\$104.7
2023	\$111.0	\$10.8	\$4.1	\$0.7	\$7.5	\$134.1
2024	\$121.0	\$12.5	\$5.0	\$4.6	\$9.0	\$152.1
2025	\$121.9	\$12.5	\$5.1	\$2.7	\$9.9	\$152.1

⁽¹⁾ Other Funds Payments represents the allocable portion of debt service payments on the City’s Pension Bonds from the City’s Community Development Block Grant Fund, Housing Trust Fund, Transportation Fund, and Municipal Pension Fund.

⁽²⁾ For more information on debt service payments on Pension Bonds issued in April 2021, which decreased debt service in 2021 and 2022, see “– Annual Debt Service Payments on the Pension Bonds” above.

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Annual Pension Costs of the General Fund

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2016-2025, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29) and the General Fund debt service payments on Pension Bonds (Table 30).

Table 31
Annual Pension Costs of the General Fund
(Amounts in Millions of USD)

Fiscal Year	General Fund Pension Fund Contribution (A) ⁽¹⁾	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures $\frac{(A+B)}{C}$
2016	\$449.6	\$109.9	\$559.5	\$4,015.8	13.93%
2017	\$487.0	\$109.5	\$596.5	\$4,139.8	14.41%
2018	\$559.7	\$110.1	\$669.8	\$4,402.9	15.21%
2019	\$567.7	\$109.8	\$677.5	\$4,772.4	14.20%
2020	\$545.1	\$110.1	\$655.2	\$5,036.5	13.01%
2021	\$558.5	\$28.4	\$586.9	\$4,717.8	12.44%
2022	\$671.9	\$91.7	\$763.6	\$5,338.5	14.30%
2023	\$939.2	\$111.0	\$1,050.2	\$5,918.4	17.74%
2024	\$684.5	\$121.0	\$805.5	\$6,134.7	13.13%
2025	\$581.1	\$121.9	\$703.0	\$6,317.9	11.13%

⁽¹⁾ Does not include Commonwealth contribution. See Table 29.

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Table 32 shows the annual City contribution to the Municipal Pension Fund as a percentage of the covered employee payroll.

Table 32
Annual City Contribution (“ACC”) as % of Covered Employee Payroll
(Dollar Amounts in Thousands of USD)

<u>Fiscal Year</u>	<u>Annual City Contribution</u>	<u>Fiscal Year Covered Employee Payroll⁽¹⁾</u>	<u>ACC as % of Payroll</u>
2016	\$660,247	\$1,676,549	39.38%
2017	\$706,237	\$1,744,728	40.48%
2018	\$781,984	\$1,805,400	43.31%
2019	\$797,806	\$1,842,555	43.30%
2020	\$768,721	\$1,921,217	40.01%
2021	\$788,483	\$1,886,512	41.80%
2022	\$859,787	\$1,921,142	44.75%
2023	\$1,164,974	\$1,993,014	58.45%
2024	\$948,686	\$2,118,480	44.78%
2025	\$864,211	\$2,313,087	37.36%

Source: Municipal Pension Fund Financial Statements, June 30, 2025.

(1) The definition of “covered-employee payroll” in GASB 68 differs slightly from the “covered payroll” definition in GASB 27. See “PENSION SYSTEM – Funding Requirements; Funding Standards – GASB; *City Funding Policy*.”

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Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, “Actuarial Projections of Funded Status,” was prepared by Cheiron. The table below shows a five-year projection of RRP payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections of funded ratios and City contributions based on the RRP through Fiscal Year 2045. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are “forward looking” statements and are based on assumptions which may not be fully realized in the future and are subject to change, including changes based on the future experience of the City’s Municipal Pension Fund and Municipal Pension Plan.**

The projections are on the basis that all assumptions as reflected in the July 1, 2025 Valuation are exactly realized except as otherwise noted below and the City makes all future RRP payments on schedule as required by the RRP funding policy, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2025 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.25% in Fiscal Year 2026 and 7.20% annually thereafter, (ii) RRP contributions will be made each year, (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period, and (iv) the future population changes of the participants in the pension plan will follow the demographic actuarial assumptions with the active population remaining constant in the future. The actuarial assumptions reflect the changes resulting from the most recent Experience Study which will be effective for the July 1, 2026 Valuation.

The July 1, 2025 Valuation includes charts reflecting City contributions based on MMO (Baseline projection set 1), and charts reflecting the additional City contributions in accordance with the RRP (Baseline projection set 2). The charts provided below are based on the City making RRP contributions each year, which are higher than the MMO contributions required under Pennsylvania law. Using the RRP, the Municipal Retirement System is projected to be 80% funded by 2028 and 100% funded by 2032, three years earlier than under the MMO projections. By the end of the projection period, the Municipal Retirement System is expected to be funded at 129.5% compared to 118.4% when MMO contributions are made. See the July 1, 2025 Valuation for further discussion of the assumptions and methodologies used by the actuary in preparing the July 1, 2025 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2025 Valuation is available for review on the website of the City’s Board of Pensions. The table and charts below separately set forth estimates of Sales Tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron based on current estimates or budgeted amounts of such revenues as included in the Thirty-Fifth Five-Year Plan. Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See “REVENUES OF THE CITY – Sales and Use Tax.”

Each of the tables and graphs that follow are shown in Appendix E of the July 1, 2025 Valuation and such report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

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Five-Year Projection. The following chart provides dollar amounts in millions of USD.

Fiscal Year End	RRP Contributions	Sales Tax Contributions	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio
2026	\$ 759.8	\$ 101.6	\$ 9,166.0	\$ 13,535.2	\$ 4,369.2	67.7%
2027	782.1	110.3	9,880.8	13,826.4	3,945.6	71.5%
2028	792.3	118.4	10,597.0	13,972.1	3,375.1	75.8%
2029	782.9	126.6	11,361.2	14,102.2	2,740.9	80.6%
2030	767.8	134.9	12,163.3	14,215.2	2,051.9	85.6%
2031	738.4	143.3	13,106.7	14,398.3	1,291.6	91.0%

Twenty-Year Projections.*

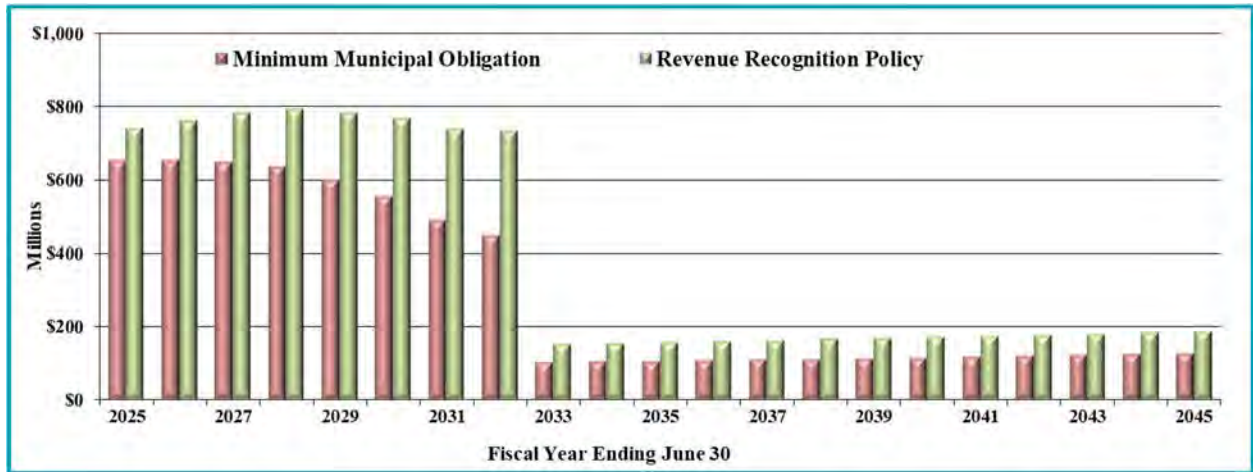
Funded Ratio Chart based on the RRP:



* Note that lines in the graph indicating "Actuarial Assets" and "Market Assets" are both shown and follow a very similar trend line.

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Expected City Contribution Chart based on the RRP:



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OTHER POST-EMPLOYMENT BENEFITS

The City self-administers a single employer, defined benefit plan for post-employment benefits other than pension benefits (“OPEB”), and funds such plan on a pay-as-you-go basis. The City’s OPEB plan provides for those persons who retire from the City and are participants in the Municipal Pension Plan: (i) post-employment healthcare benefits for a period of five years following the date of retirement and (ii) lifetime life insurance coverage (\$7,500 for firefighters who retired before July 1, 1990; \$6,000 for all other retirees). In general, retirees eligible for OPEB are those who terminate their employment after ten years of continuous service to immediately become pensioned under the Municipal Pension Plan.

To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible pre-Medicare retirees. The City is also responsible for 92% of AFSCME DC 47’s health care costs. Aside from AFSCME DC 33 and AFSCME DC 47, the City is responsible for the actual health care cost that is invoiced to the City’s unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. Eligible union represented employees receive five years of coverage through their union’s health fund. The City’s funding obligation for pre-Medicare retiree benefits is the same as for active employees. Union represented and non-union employees may defer their retiree health coverage until a later date. For some groups, the amount that the City pays for their deferred health care is based on the value of the health benefits at the time the retiree claims the benefits, but for police and fire retirees who retired after an established date, the City pays the cost of five years of coverage when the retiree claims the benefits.

The annual payments made by the City for OPEB for Fiscal Years 2021-2025 are shown in Table 33.

Table 33
Annual OPEB Payment
(Amounts in Thousands of USD)

<u>Fiscal Year ended June 30,</u>	<u>Annual OPEB Payment</u>
2021	\$97,800
2022	\$118,300
2023	\$101,100
2024	\$103,600
2025	N/A

Source: See Note IV.3 to the City’s ACFRs for such Fiscal Years.

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 75) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 75, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. The City’s total OPEB liability reported as of June 30, 2025 of \$1.61 billion, was measured as of June 30, 2024 based on an actuarial valuation as of June 30, 2024. See Note IV.3 to the Fiscal Year 2025 ACFR.

PGW PENSION PLAN

General

PGW consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing, and distribution of gas within the City, and all property, books, and records employed and maintained in connection with the operation, maintenance, and administration of PGW. The City Charter provides for a Gas Commission (the “Gas Commission”) to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW is operated by PFMC, pursuant to an agreement between the City and PFMC dated December 29, 1972, as amended, authorized by ordinances of City Council (the “Management Agreement”). Under the Management Agreement, various aspects of PFMC’s management of PGW are subject to review and approval by the Gas Commission. The PUC has the regulatory responsibility for PGW with regard to rates, safety, and customer service.

The City sponsors the Philadelphia Gas Works Pension Plan (the “PGW Pension Plan”), a single employer defined benefit plan, to provide pension benefits for certain current and former PGW employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At June 30, 2025, the PGW Pension Plan membership total was 3,710, comprised of: (i) 2,559 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,151 participants, of which 812 were vested and 339 were nonvested.

PGW Pension Plan

The PGW Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Retirement payments for vested employees commence: (i) at age 65 and five years of credited service; (ii) age 55 and 15 years of credited service; or (iii) without regard to age, after 30 years of credited service. For covered employees hired prior to May 21, 2011 (union employees) or prior to December 21, 2011 (non-union employees), PGW pays the entire cost of the PGW Pension Plan. Union employees hired on or after May 21, 2011 and non-union employees hired on or after December 21, 2011 have the option to participate in the PGW Pension Plan and contribute 6.0% of applicable wages or participate in a plan established in compliance with Section 401(a) of the Internal Revenue Code (defined contribution plan) and have PGW contribute 5.5% of applicable wages.

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is funded with (i) contributions by PGW, (ii) contributions from the Sinking Fund Commission of the City (the “Sinking Fund Commission”), (iii) investment earnings, and (iv) employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Each month, the Sinking Fund Commission sends, in two separate payments, (i) approximately \$2.5 million and (ii) one-twelfth of PGW’s annual contribution to the applicable bank account for processing and payment to PGW pensioners.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are

included as a component of PGW's base rate. The PUC approves all items that are to be included in PGW's base rates.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. Table 34 shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. Prior to fiscal year 2016, PGW had been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculated an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period and contributed the higher of the two amounts. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule. Commencing in PGW's fiscal year 2021, PGW's annual contribution is required to be at least \$30 million annually unless changed by written directive of the Director of Finance. The contribution amount exceeds the suggested level of funding in the Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan and is consistent with the contribution amount in PGW's base rates (i.e., rates PGW charges for services). The \$30 million annual contribution amount remains in effect.

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Table 34
PGW Pension – Annual Required Contributions (“ARC”)
(Dollar Amounts in Thousands of USD)

Calculation of ARC for the 12- month period ended:	Normal Cost⁽¹⁾ (A)	Amortization Payment⁽¹⁾ (B)	ARC^{(1), (2)} (A + B)	Payments to Beneficiaries⁽³⁾
7/1/2021	\$7,892	\$17,375	\$25,267	\$56,647
7/1/2022	\$7,732	\$17,470	\$25,202	\$58,502
7/1/2023	\$7,754	\$17,306	\$25,060	\$60,312
7/1/2024	\$7,772	\$16,256	\$24,028	\$60,928
7/1/2025	\$8,145	\$15,093	\$23,238	\$62,116

⁽¹⁾ Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan.

⁽²⁾ Each ARC is the sum reflected in this table, but the “Calculated Mid-Year Contribution” in Tables 36 and 37 more closely approximates the actual pension contributions made by PGW.

⁽³⁾ Sources: For 2021, the audited financial statements for PGW for fiscal years ended August 31, 2021 and 2020. For 2022, the audited financial statements for PGW for fiscal years ended August 31, 2022 and 2021. For 2023, the audited financial statements for PGW for fiscal years ended August 31, 2023 and 2022. For 2024, the Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan. For 2025, the Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan.

Although PGW has paid its annual required contribution each year, the market value of assets for the PGW Pension Plan is less than the actuarial accrued liability, as shown in the next table. Table 35 shows such values as of the applicable actuarial valuation dates (July 1, 2021 through July 1, 2025).

Table 35
Schedule of Pension Funding Progress
(Dollar Amounts in Thousands of USD)⁽¹⁾

Actuarial Valuation Date	Market Value of Assets	Actuarial Liability	UAL (Market Value)	Funded Ratio
7/1/2021	\$673,542	\$792,325	\$118,783	85.01%
7/1/2022	\$565,748	\$806,257	\$240,509	70.17%
7/1/2023	\$604,133	\$812,231	\$208,098	74.38%
7/1/2024	\$654,984	\$819,095	\$164,111	79.96%
7/1/2025	\$702,779	\$839,034	\$136,255	83.76%

⁽¹⁾ Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.00% compounded annually; (ii) salaries are assumed to increase by an amount based on years of service, see table 3 in The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan; and (iii) retirements that are assumed to occur at the ages detailed in The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan. Effective July 1, 2026, the assumed investment return rate will be reduced to 6.90% compounded annually.

The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan includes certain changes to the actuarial assumptions, including (i) modifications to mortality tables, turnover rates, disability rates, retirement rates, and salary scales, (ii) increases to assumed participant compensation in the final year of employment prior to retirement, and (iii) modifications to the optional payment form election percentages and the surviving spouse benefit assumptions.

PGW uses a September 1 – August 31 fiscal year, while the PGW Pension Plan uses a July 1 – June 30 fiscal year (the same as the City’s fiscal year). The last five actuarial valuation reports for the PGW Pension Plan utilized a plan year of July 1 to June 30. This is reflected in Table 35 above.

The PGW Pension Plan actuary prepared a separate actuarial valuation report (“GASB 67 Report”) for the fiscal year ending June 30, 2025, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, “Financial Reporting for Pension Plans.” The GASB 67 Report shows for the fiscal year ending June 30, 2025, an unfunded liability of approximately \$160.3 million (rather than the approximately \$136.3 million reflected in Table 35), which results in a funded ratio of 81.42%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.00% (1% lower than the assumed investment rate of 7.00%), the unfunded liability would be approximately \$252.2 million.

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Projections of Funded Status

The information under this subheading, “Projections of Funded Status,” is extracted from tables prepared by Aon, as actuary to the PGW Pension Plan, which were included in their “Philadelphia Gas Works Pension Plan – Funding Alternative Funding Schedules July 1, 2025-June 30, 2026”. The charts show projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). See “– Pension Costs and Funding” above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are “forward looking” statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

Table 36
Schedule of Prospective Funded Status (20-Year Open Amortization)
(Dollar Amounts in Thousands of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution^{(1), (2)}	Funded Ratio
2025	\$667,949	\$839,034	\$171,084	\$24,051	79.61%
2026	672,585	841,571	168,986	23,850	79.92%
2027	702,662	842,337	139,676	21,249	83.42%
2028	725,058	843,492	118,433	19,439	85.96%
2029	738,626	845,160	106,534	18,541	87.39%
2030	745,597	847,617	102,019	18,331	87.96%
2031	752,895	850,511	97,616	18,080	88.52%
2032	760,751	853,897	93,146	17,827	89.09%
2033	769,206	857,931	88,725	17,524	89.66%
2034	778,130	862,367	84,237	17,193	90.23%

⁽¹⁾ Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan.

⁽²⁾ Pursuant to the established funding policy, PGW contributes, on a monthly basis, payments of \$2.5 million to the payroll account for benefits to retirees, beneficiaries, survivors, etc. The actuary’s report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

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Table 37
Schedule of Prospective Funded Status (30-Year Closed Amortization)
(Dollar Amounts in Thousands of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution^{(1), (2)}	Funded Ratio
2025	\$667,949	\$839,034	\$171,084	\$24,224	79.61%
2026	672,763	841,571	168,808	24,375	79.94%
2027	703,396	842,337	138,942	22,488	83.51%
2028	727,124	843,492	116,368	21,226	86.20%
2029	742,685	845,160	102,476	20,713	87.87%
2030	752,185	847,617	95,432	20,766	88.74%
2031	762,461	850,511	88,050	20,767	89.65%
2032	773,764	853,897	80,132	20,760	90.62%
2033	786,162	857,931	71,769	20,693	91.63%
2034	799,549	862,367	62,818	20,591	92.72%

⁽¹⁾ Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2025 – June 30, 2026 for the PGW Pension Plan.

⁽²⁾ Pursuant to the established funding policy, PGW contributes, on a monthly basis, payments of \$2.5 million to the payroll account for benefits to retirees, beneficiaries, survivors, etc. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

Additional Information

The City issues a publicly available financial report that includes financial statements and required supplementary information for the PGW Pension Plan. The report is not incorporated into this Official Statement by reference. The report may be obtained by writing to the Office of the Director of Finance of the City.

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2025 ACFR.

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PGW OTHER POST-EMPLOYMENT BENEFITS

PGW provides post-employment healthcare and life insurance benefits to its participating retirees and their beneficiaries and dependents. The City, through its General Fund, could be responsible for costs associated with post-employment healthcare and life insurance benefits if PGW fails to satisfy its post-employment benefit obligations.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at PGW's expense and can elect to pay toward a more expensive plan. Union employees hired prior to May 21, 2011 and non-union employees hired prior to December 21, 2011 who retire from active service to immediately begin receiving pension benefits are entitled to receive lifetime post-retirement medical, prescription, and dental benefits for themselves and, depending on their retirement plan elections, their dependents. Employees hired on or after those dates are entitled to receive only five years of post-retirement benefits. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go-basis.

As part of a July 29, 2010 rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provided that PGW was to deposit \$15.0 million annually for an initial five-year period towards the ARC, and an additional \$3.5 million annually, which represented a 30-year amortization of the OPEB liability at August 31, 2010. These deposits were funded primarily through increased rates of \$16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 2015-2016 Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue (\$16.0 million annually) and funding (\$18.5 million annually). Such settlement agreement was approved by the PUC.

The current significant actuarial assumptions for the PGW OPEB Plan are: (i) investment return rate of 7.00% compounded annually; (ii) salaries assumed to increase by an amount based on years of service, and (iii) retirements assumed to occur at the ages detailed in The Actuarial Valuation Report – Retiree Health Insurance Program GASB 74 (Valuation Date: December 31, 2025).

PGW uses a September 1 – August 31 fiscal year, while the PGW OPEB Plan uses a January 1 – December 31 calendar year. The last nine actuarial valuation reports for the PGW OPEB Plan utilized a plan year of January 1 – December 31. This is reflected in Table 39 below.

In Table 39, the PGW OPEB Plan shows an unfunded liability of approximately \$25.5 million, which results in a funded ratio of 95.6%. In addition, The Actuarial Valuation Report – Retiree Health Insurance Program GASB 74 report provides an interest rate sensitivity, which shows that if the investment rate were to be 6.00% (1% lower than the assumed investment rate of 7.00%), the unfunded liability would be approximately \$99 million.

Table 38 provides detail of actual PGW OPEB payments for PGW Fiscal Years 2021-2025 and projected PGW OPEB payments for PGW Fiscal Years 2026-2030. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience.**

Table 38
PGW OPEB Payments
(Amounts in Thousands of USD)

Calculation of OPEB Payment for the 12-month period ended:	Healthcare	Life Insurance	OPEB Trust	Total
<u>Actual⁽¹⁾</u>				
8/31/2021	\$24,655	\$1,725	\$18,500	\$44,880
8/31/2022	\$21,970	\$1,778	\$18,500	\$42,248
8/31/2023	\$24,746	\$1,797	\$18,500	\$45,043
8/31/2024	\$25,569	\$1,737	\$18,500	\$45,806
8/31/2025	\$27,455	\$1,722	\$18,500	\$47,677
<u>Projections⁽²⁾</u>				
12/31/2026	\$29,252	\$1,700	\$18,500	\$49,452
12/31/2027	\$31,876	\$1,700	\$18,500	\$52,076
12/31/2028	\$33,452	\$1,700	\$18,500	\$53,652
12/31/2029 ⁽³⁾	\$ 0	\$ 0	\$ 0	\$ 0
12/31/2030 ⁽³⁾	\$ 0	\$ 0	\$ 0	\$ 0

⁽¹⁾ Source: PGW audited financial statements for fiscal year ended August 31, 2025.

⁽²⁾ The Actuarial Valuation Report for the PGW Health and Life Insurance Plan GASB 75 Projected Costs – Discount Rate = 7.0%.

⁽³⁾ The \$0 years represent the point at which the OPEB plan is projected to be fully funded on actuarial basis.

Table 39 is the schedule of PGW OPEB funding progress.

Table 39
Schedule of OPEB Funding Progress
(Dollar Amounts in Thousands of USD)

Actuarial valuation date	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
12/31/2017 ⁽¹⁾	\$180,743	\$559,631	\$378,888	32.3%
12/31/2018 ⁽¹⁾	\$184,455	\$520,533	\$336,078	35.4%
12/31/2019 ⁽¹⁾	\$245,361	\$493,570	\$248,209	49.7%
12/31/2020 ⁽¹⁾	\$306,079	\$507,667	\$201,588	60.3%
12/31/2021 ⁽¹⁾	\$365,944	\$515,175	\$149,231	71.0%
12/31/2022 ⁽¹⁾	\$320,635	\$529,342	\$208,707	60.6%
12/31/2023 ⁽¹⁾	\$393,913	\$507,620	\$113,707	77.6%
12/31/2024 ⁽¹⁾	\$459,847	\$543,352	\$ 83,505	84.6%
12/31/2025 ⁽²⁾	\$556,383	\$581,896	\$ 25,513	95.6%

⁽¹⁾ The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2025.

⁽²⁾ The Actuarial Valuation Report – Retiree Health Insurance Program GASB 74.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City sometimes issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account (described below) to finance its ongoing operations.

The timing imbalance referred to above results from several factors, principally the following: (i) Real Estate Taxes, BIRT, and Net Profits Taxes are not due until the latter part of the Fiscal Year; and (ii) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

From time to time, the City issues, or PICA has issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the particular Fiscal Year. The City did not issue tax and revenue anticipation notes in Fiscal Year 2025 or Fiscal Year 2026. The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2027.

The repayment of the tax and revenue anticipation notes is funded through cash available in the General Fund.

Consolidated Cash

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the procedures described below.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, an advance is made from the Consolidated Cash Account, in an amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a member fund that has negative equity are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes. With the movement of the reimbursable component of DHS activities from the General Fund to the Grants Revenue Fund, a similar system of advances has resulted in the use of tax revenues or other operating revenues in the General Fund to make expenditures from the Grants Revenue Fund, which advances may be outstanding for multiple Fiscal Years, but which are expected to be reimbursed by the Commonwealth.

The City maintains an ongoing cash reconciliation process, which, in short, reconciles the account balance and activity shown on the records of the bank at which the cash balance of the Consolidated Cash Account is maintained to that shown on the City's records. The City periodically reviews its internal policies to improve the cash reconciliation process and resolve any variances.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting.

Investment guidelines for the City are embodied in Section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in January 2026. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

The Policy delineates permitted investments as authorized by the Philadelphia Code and the funds to which the Policy applies. Investment managers may invest in the instruments expressly listed in the Policy, which states that investments in instruments not listed as authorized investments are prohibited. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth or any municipality or other political subdivision of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality, all of investment grade rating or better and with maturity limitations.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Commercial paper and corporate bonds are limited to investment of no more than 30% of the total portfolio. Repurchase agreements and money market mutual funds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.

U.S. government securities carry no limitation as to the percent of the total portfolio per issuer. U.S. agency securities are limited to no more than 33% of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's

acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and one representative each from the Water Department, the Department of Aviation, and PGW. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy. The Investment Committee may from time to time review and revise the Policy and may approve temporary waivers of the restrictions on assets based on cash management needs and recommendations of investment managers.

Investment managers provide monthly compliance reports to the Investment Committee, which certify that the manager has received, read, and established control measures for ensuring compliance with the Policy, and that the applicable City accounts are in compliance with the Policy. Such reports must include instances of non-compliance, if any, and indicate corrective action taken, gains or losses, and the timeframe, to bring the account into compliance.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to, structured notes, floating rate (excluding U.S. Treasury and U.S. agency floating rate securities) or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

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DEBT OF THE CITY

General

Section 12 of Article IX of the Constitution of the Commonwealth provides that the authorized debt of the City “may be increased in such amount that the total debt of [the] City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but [the] City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law.” The Supreme Court of Pennsylvania has held that bond authorizations once approved by the voters need not be reduced as a result of a subsequent decline in the average assessed value of City property. The general obligation debt subject to the limitation described in this paragraph is referred to herein as “Tax-Supported Debt.”

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called “Self-Supporting Debt”) incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such Self-Supporting Debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-Supporting Debt is general obligation debt of the City, with the only distinction from Tax-Supported Debt being that it is not used in the calculation of the Constitutional debt limit. Self-Supporting Debt has no lien on any particular revenues.

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as “General Obligation Debt.” The term “General Fund-Supported Debt” is comprised of: (i) General Obligation Debt; and (ii) PAID, PMA, PPA, PEA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on the bonds.

Using the methodology described above, as of June 30, 2026, the Constitutional debt limitation for Tax-Supported Debt was \$19,680,477,685. The total amount of authorized debt applicable to the debt limit was \$2,925,685,000, including \$1,481,585,000 of authorized but unissued debt, leaving a legal debt margin of \$16,754,793,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40
General Obligation Debt Limit
as of June 30, 2026
(Amounts in Thousands of USD)

Authorized, issued and outstanding	\$1,747,685
Authorized and unissued	1,481,585
Total	\$3,229,270
Less: Self-Supporting Debt	(\$303,585)
Less: Serial bonds maturing within a year	0
Total amount of authorized debt applicable to debt limit	2,925,685
Legal debt limit	19,680,478
Legal debt margin	\$16,754,793

The \$19.680 billion Constitutional debt limit calculation includes ten years of property values certified under the City’s AVI program. See “REVENUES OF THE CITY – Real Property Taxes.” Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be \$26.702 billion by 2035. Following these increases in assessed values, the City is below the 3.0% threshold. As a result, beginning with Fiscal Year 2022, the City’s bond authorizations have not required electoral consent.

The City is also empowered by statute to issue revenue bonds and, as of June 30, 2026, had outstanding \$3.45 billion aggregate principal amount of Water and Wastewater Revenue Bonds (“Water and Wastewater Bonds”), \$1.12 billion aggregate principal amount of Gas Works Revenue Bonds, and \$1.54 billion aggregate principal amount of Airport Revenue Bonds. As of June 30, 2026, the City has also enacted ordinances authorizing the issuance of (i) up to \$500 million aggregate principal amount in Airport Revenue Commercial Paper Notes for the Department of Aviation, (ii) up to \$1 billion of Airport Revenue Bonds to finance capital projects for the Department of Aviation (of which approximately \$491.4 million has been issued), (iii) up to \$270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to \$300 million of Gas Works Revenue Bonds to finance capital projects for PGW, of which approximately \$92.0 million has been issued, (v) up to \$400 million of Water and Wastewater Commercial Paper Notes for the Philadelphia Water Department, and (vi) up to \$2.9 billion of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately \$1.0 billion has been issued. For information on recent and upcoming financings, see “OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings.”

The PICA Bonds reached final maturity on June 15, 2023, and there are no PICA Bonds outstanding as of June 30, 2026. For more information on PICA Bonds, see “– PICA Bonds” below.

Short-Term Debt

As provided in the PICA Act, the City’s tax and revenue anticipation notes are general obligations of the City but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. The City did not issue tax and revenue anticipation notes in Fiscal Year 2025 or Fiscal Year 2026. The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2027. See “OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings” and “CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow.”

Long-Term Debt

Table 41 presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City’s General Fund-Supported Debt issued and outstanding as of June 30, 2026, approximately 41% is scheduled to mature within five Fiscal Years and approximately 67% is scheduled to mature within ten Fiscal Years.

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Table 41
Bonded Debt
as of June 30, 2026
(Amounts in Thousands of USD)⁽¹⁾

General Obligation Debt and PICA Bonds

General Obligation Bonds ⁽²⁾	\$1,747,685	
PICA Bonds	<u>0</u>	
Subtotal: General Obligation Debt and PICA Bonds		\$1,747,685

Other General Fund-Supported Debt

Philadelphia Municipal Authority		
Juvenile Justice Center	60,195	
Public Safety Campus	50,905	
Energy Conservation	<u>2,180</u>	
		\$113,280
Philadelphia Authority for Industrial Development		
Pension fixed rate bonds	539,770	
Stadiums	111,530	
Cultural and Commercial Corridor	40,275	
One Parkway	3,660	
Affordable Housing	36,435	
400 N. Broad ⁽³⁾	2,272	
Art Museum	7,265	
Rebuild	<u>270,210</u>	
		\$1,011,417
Philadelphia Redevelopment Authority		
Neighborhood Transformation Initiative	71,960	
Home Repair Program	29,585	
Neighborhood Preservation Initiative	369,045	
Housing Opportunities Made Easy	<u>396,650</u>	
		\$867,240
Philadelphia Energy Authority		
Streetlight Improvement Project	78,410	
Energy Conservation	28,445	
		\$106,855
Philadelphia Parking Authority		<u>\$3,555</u>
Subtotal: Other General Fund-Supported Debt		\$2,102,347
Revenue Bonds		
Water Fund ⁽⁴⁾	\$3,454,390	
Aviation Fund ⁽⁴⁾	1,536,920	
Gas Works ⁽⁴⁾	<u>1,120,020</u>	
Subtotal: Revenue Bonds		<u>\$6,111,350</u>

Grand Total		<u>\$9,961,362</u>

⁽¹⁾ Unaudited; figures may not sum due to rounding.

⁽²⁾ For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2025, see the Fiscal Year 2025 ACFR.

⁽³⁾ Includes sublease payments of approximately \$4.8 million in Fiscal Year 2027 for the police headquarters renovation.

⁽⁴⁾ Does not include any outstanding commercial paper or short-term note issuances for the Department of Aviation, the Water Department, or PGW, as applicable.

Table 42
Annual Debt Service on General Fund-Supported Debt
(as of June 30, 2026)
(Amounts in Millions of USD)⁽¹⁾

Fiscal Year	<u>General Obligation Debt⁽²⁾</u>			<u>Other General Fund-Supported Debt^{(4), (5)}</u>			<u>Aggregate General Fund-Supported Debt</u>		
	Principal	Interest ⁽³⁾	Total	Principal	Interest ^{(6), (7)}	Total	Principal	Interest	Total
2027	\$130.76	\$81.04	\$211.80	\$219.51	\$108.49	\$328.00	\$350.26	\$189.53	\$539.80
2028	137.58	74.61	212.18	229.33	93.40	322.72	366.90	168.01	534.91
2029	112.44	68.73	181.17	283.33	74.49	357.82	395.77	143.22	538.99
2030	129.68	62.97	192.65	105.18	63.58	168.76	234.86	126.55	361.41
2031	136.81	56.60	193.42	110.17	58.59	168.75	246.98	115.19	362.17
2032	143.62	49.87	193.49	73.24	53.92	127.16	216.86	103.79	320.65
2033	113.80	43.65	157.45	76.83	50.58	127.41	190.63	94.23	284.86
2034	105.25	38.26	143.51	94.77	47.04	141.81	200.02	85.30	285.32
2035	96.47	33.26	129.74	113.75	42.87	156.61	210.22	76.13	286.35
2036	101.41	28.48	129.89	81.09	37.97	119.05	182.50	66.45	248.95
2037	91.84	23.95	115.79	85.06	34.00	119.06	176.90	57.95	234.85
2038	95.74	19.73	115.47	89.26	29.80	119.05	184.99	49.53	234.52
2039	80.87	15.83	96.70	79.55	25.51	105.06	160.41	41.35	201.76
2040	49.73	12.39	62.12	73.65	21.60	95.25	123.38	33.99	157.37
2041	52.02	10.10	62.12	77.44	17.87	95.30	129.46	27.96	157.42
2042	54.46	7.66	62.12	62.26	14.44	76.70	116.72	22.09	138.81
2043	26.61	5.32	31.92	69.81	11.19	81.00	96.42	16.51	112.92
2044	28.01	3.92	31.92	73.38	7.63	81.01	101.39	11.55	112.93
2045	29.52	2.41	31.92	50.29	4.25	54.53	79.80	6.65	86.45
2046	31.11	0.82	31.92	48.07	1.65	49.72	79.18	2.47	81.64
2047	0.00	0.00	0.00	6.42	0.17	6.59	6.42	0.17	6.59
2048	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	<u>\$1,747.69</u>	<u>\$639.62</u>	<u>\$2,387.30</u>	<u>\$2,102.35</u>	<u>\$799.03</u>	<u>\$2,901.37</u>	<u>\$3,850.03</u>	<u>\$1,438.64</u>	<u>\$5,288.68</u>

⁽¹⁾ Does not include letter of credit fees. Figures may not sum due to rounding.

⁽²⁾ Includes both Tax-Supported Debt and Self-Supporting Debt. See “– General.” Does not include PICA Bonds (no PICA Bonds are currently outstanding).

⁽³⁾ Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.

⁽⁴⁾ Includes PAID, PMA, PPA, PEA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on such bonds.

⁽⁵⁾ Includes sublease payments of approximately \$4.8 million in Fiscal Year 2027 for the police headquarters renovation.

⁽⁶⁾ Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.

⁽⁷⁾ Net of capitalized interest, if any.

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Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown in Table 41. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia (CCP). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment), as well as certain scholarship programs. The amount paid by the City in Fiscal Year 2023 was \$67.1 million. The amount paid by the City in Fiscal Year 2024 was \$61.0 million. The amount paid by the City in Fiscal Year 2025 was \$56.0 million. The budgeted amount and current estimate for Fiscal Year 2026 is \$54.0 million. The budgeted amount For Fiscal Year 2027 is \$55.9 million.

PICA Bonds

PICA issued several series of bonds at the request of, or for the benefit of, the City (the "PICA Bonds"). Under the PICA Act (both before and after the recent amendments thereto), PICA no longer has authority to issue bonds to finance cash flow deficits but may refund bonds previously issued. The proceeds of the PICA Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City's general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance. The PICA Bonds reached final maturity on June 15, 2023, and there are no PICA Bonds outstanding as of June 30, 2026.

The PICA Act authorizes the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the execution of the PICA Agreement, as so authorized by the PICA Act, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings, and net profits of City residents (the "PICA Tax"), which continues in effect. When outstanding, the PICA Tax secures the PICA Bonds. There are currently no PICA Bonds outstanding.

Pursuant to amendments to the PICA Act in 2022, PICA may, at the request of the City, issue bonds to finance capital projects from time to time in accordance with the timelines set forth therein. Further, the amendments to the PICA Act provide that the PICA Tax will continue to be authorized and dedicated for so long as PICA remains in existence (regardless of whether any PICA Bonds are outstanding). As amended, the PICA Act provides that PICA will remain in existence until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA Bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture. In June 2023, City Council passed, and the Mayor signed, an amendment to the PICA Tax ordinance to extend its duration in response to the continued authorization of the PICA Tax pursuant to the amendments to the PICA Act. In addition, the City and PICA approved and entered into the 2023 PICA Agreement that reflects and implements the PICA Act as amended, and replaces the expired 1992 PICA Agreement.

At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA Tax.

Certain taxes, such as sales, liquor, and hotel taxes, among others, cannot be increased by the City without Commonwealth approval.

The PICA Tax is collected by the City’s Department of Revenue, as agent of the State Treasurer, and deposited in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the “PICA Tax Fund”) of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly. See “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayoral-Appointed or Nominated Agencies* – PICA.”

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing its rate while PICA remains in existence. PICA Bonds are payable from PICA revenues, including the PICA Tax, pledged to secure PICA’s bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act establishes a “Bond Payment Account” for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The proceeds of the PICA Tax in excess of amounts required for: (i) debt service; (ii) replenishment of any debt service reserve fund for bonds issued by PICA; and (iii) certain PICA operating expenses, are required to be deposited in a trust fund established exclusively to benefit the City and designated the “City Account.” Amounts in the City Account are required to be remitted to the City not less often than monthly, unless PICA certifies the City’s non-compliance with the then-current five-year financial plan.

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2023-2025, the budgeted amounts and current estimates for Fiscal Year 2026, and the budgeted amounts for Fiscal Year 2027 are set forth in Table 43.

Table 43
Summary of PICA Tax Remitted by the State Treasurer to PICA
and Net Taxes Remitted by PICA to the City
(Amounts in Millions of USD)^{(1), (2)}

Fiscal Year	PICA Tax⁽³⁾	PICA Annual Debt Service and Expenses⁽³⁾	Net taxes remitted to the City⁽³⁾
2023 (Actual)	\$674.3	\$0.0	\$674.3
2024 (Actual)	\$716.3	\$10.8	\$705.5
2025 (Actual)	\$755.8	(\$5.4)	\$761.1
2026 (Adopted Budget)	\$769.3	\$0.0	\$769.3
2026 (Current Estimate)	\$764.4	\$1.7	\$762.7
2027 (Adopted Budget)	\$798.7	\$1.7	\$796.9

⁽¹⁾ Figures may not sum due to rounding.

⁽²⁾ Currently, there are no PICA Bonds outstanding.

⁽³⁾ Source: For Fiscal Years 2023-2025, the ACFRs for the applicable Fiscal Year. For Fiscal Year 2026, the Fiscal Year 2026 Adopted Budget and the Thirty-Fifth Five-Year Plan, as applicable. For Fiscal Year 2027, the Fiscal Year 2027 Adopted Budget.

OTHER FINANCING RELATED MATTERS

Swap Information

The City is a party to various swaps related to its outstanding General Fund-Supported Debt as detailed in Table 44.

Table 44
Summary of Swap Information
for General Fund-Supported Debt (as of June 30, 2026)

City Entity	City GO	City Lease PAID	City Lease PAID
Related Bond Series	2009B ⁽¹⁾	2007B-2 (Stadium) ⁽³⁾	2007B-2 (Stadium) ⁽⁴⁾
Initial Notional Amount	\$313,505,000	\$217,275,000	\$72,400,000
Current Notional Amount	\$100,000,000	\$25,974,432	\$8,655,568
Termination Date	8/1/2031	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	3.9713%	3.9713%
Dealer	Royal Bank of Canada	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value⁽²⁾	(\$3,901,650)	(\$839,915)	(\$279,902)
Additional Termination Events	<u>For Dealer:</u> Rating change below BBB- or Baa3 <u>For City:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	<u>For Dealer:</u> Rating change below BBB- or Baa3 <u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	<u>For Dealer:</u> Rating change below BBB- or Baa3 <u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)

⁽¹⁾ On July 28, 2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of \$15,450,000 to RBC.

⁽²⁾ Fair values are as of June 30, 2026, and are shown from the City's perspective and include accrued interest.

⁽³⁾ On July 15, 2014, PAID terminated a portion of the swap in the amount of \$41,555,000 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$4,171,000 to JPMorgan. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 fixed rate bonds. PAID made a termination payment of \$6,051,000 to JPMorgan.

⁽⁴⁾ On July 15, 2014, PAID terminated a portion of the swap in the amount of \$13,840,000 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$1,391,800 to Merrill Lynch. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 fixed rate bonds. PAID made a termination payment of \$1,998,000 to Merrill Lynch.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Department of Aviation, see the Fiscal Year 2025 ACFR.

Swap Policy

The City has adopted a swap policy for the use of swaps, caps, floors, collars and other derivative financial products (collectively, "swaps") in conjunction with the City's debt management. The swap program managed by the City includes swaps related to the City's general obligation bonds, tax-supported service contract debt issued by related authorities, debt of the Water Department, Department of Aviation, and debt of PGW. When outstanding, swaps related to debt of PICA, the School District, and the PPA are managed by those governmental entities, respectively.

The Director of Finance has overall responsibility for entering into swaps. Day-to-day management of swaps is the responsibility of the City Treasurer, and the Executive Director of the Sinking Fund Commission is responsible for making swap payments. The Office of the City Treasurer and the Law Department coordinate their activities to ensure that all swaps that are entered into are in compliance with applicable federal, state, and local laws.

The swap policy addresses the circumstances when swaps can be used, the risks that need to be evaluated prior to entering into swaps and on an ongoing basis after swaps have been executed, the guidelines to be employed when swaps are used, and how swap counterparties will be chosen. The swap policy is used in conjunction with the City's Debt Management Policy, reviewed annually, and updated as needed.

Under the swap policy, permitted uses of swaps include: (i) managing the City's exposure to floating interest rates through interest rate swaps, caps, floors and collars; (ii) locking in fixed rates in current markets for use at a later date through the use of forward starting swaps and rate locks; (iii) reducing the cost of fixed or floating rate debt through swaps and related products to create "synthetic" fixed or floating rate debt; and (iv) managing the City's credit exposure to financial institutions and other entities through the use of offsetting swaps.

Since swaps can create exposure to the creditworthiness of financial institutions that serve as the City's counterparties on swap transactions, the City has established standards for swap counterparties. As a general rule, the City enters into transactions with counterparties whose obligations are rated in the A rated category or better from two nationally recognized rating agencies. If the counterparty's credit rating is below the double-A rating category, the swap policy requires that the City's exposure be collateralized. If a counterparty's credit is downgraded below the A category, even with collateralization, the swap policy requires a provision in the swap permitting the City to exercise a right to terminate the transaction prior to its scheduled termination date.

Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-Supported Debt as detailed in Table 45. Under the terms of such letter of credit agreements, following a purchase of the applicable bonds, the City may be required to amortize such bonds more quickly than as originally scheduled at issuance.

Table 45
Summary of Letter of Credit Agreements
for General Fund-Supported Debt
as of June 30, 2026

Variable Rate Bond Series	Amount Outstanding	Bond Maturity Date	Provider	Expiration Date	Rating Thresholds ⁽¹⁾
General Obligation Multi-Modal Refunding Bonds, Series 2009B	\$100,000,000	August 1, 2031	Truist Bank	August 1, 2031	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	\$34,630,000	October 1, 2030	TD Bank	October 1, 2030 ⁽²⁾	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

-
- (1) The occurrence of a Rating Threshold event would result in an event of default under the reimbursement agreement with the related bank.
(2) The stated Expiration Date may be advanced at the option of the Provider to a date that is one hundred eighty days after the date the Provider gives notice of its exercise of such option (the "Option Notification Date"). Such Option Notification Date may occur between February 26, 2027 and August 26, 2027.

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Recent and Upcoming Financings

Recent Financings. *Recent Financings.* The following is a list of financings that the City entered into in Fiscal Year 2026.

- In August 2025, the City issued \$364,760,000 in Aviation Revenue and Refunding Bonds.
- In October 2025, PAID issued \$169,900,000 in City Service Agreement Revenue and Revenue Refunding Bonds for the benefit of the City as the third phase of financing for the Rebuild program and to refund certain other bonds.
- In March 2026, PRA issued \$396,650,000 in City Service Agreement Revenue Bonds for the benefit of the City as the first phase of financing for the H.O.M.E. Plan.
- In June 2026, PRA issued \$50,715,000 in City Service Agreement Revenue Bonds for the benefit of the City as the fourth phase of financing for the Neighborhood Preservation Initiative.
- In June 2026, PEA issued \$28,445,000 in City Service Agreement Revenue Bonds for the benefit of the City to finance an Energy Conservation Improvements Project.

Upcoming Financings. In addition to the financing contemplated by this Official Statement, the following is a list of financings that the City expects to enter into during the remainder of calendar year 2026.

- The City expects to issue approximately \$460,000,000 in General Obligation Bonds
- PAID expects to issue approximately \$35,000,000 in City Service Agreement Revenue Bonds for the benefit of the City.
- The City expects to issue approximately \$400,000,000 in Water and Wastewater Revenue Bonds.
- PMA expects to issue approximately \$200,000,000 in City Agreement Revenue Bonds for the benefit of the City.

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CITY CAPITAL PROGRAM

As part of the annual budget process, the Mayor submits for approval a six-year capital program to City Council, together with the proposed operating budget. For more information on the City's budget process, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2022-2026 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. This table does not include expenditures for the City's enterprise funds. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in Table 46 are generated after the Fiscal Year closes and may not sum due to rounding.

Table 46
Historical Expenditures for Certain Capital Purposes
Fiscal Years 2022-2026

Purpose Category	2022	2023	2024	2025	2026
Transit	\$ 7,391,397	\$ 2,252,818	\$ 1,403,503	\$ 1,248,800	\$ 3,258,793
Streets & Sanitation	49,505,218	79,721,589	94,759,334	146,339,661	147,506,530
Municipal Buildings	89,560,752	75,369,416	80,029,033	148,595,380	164,494,242
Recreation, Parks, Museums & Stadia	26,443,401	44,565,539	141,339,977	84,428,371	80,394,629
Economic & Community Development	<u>12,952,262</u>	<u>15,135,822</u>	<u>11,408,633</u>	<u>49,153,420</u>	<u>13,412,260</u>
Total	<u>\$185,853,030</u>	<u>\$217,045,184</u>	<u>\$328,940,480</u>	<u>\$429,765,632</u>	<u>\$409,066,456</u>

Table 47 shows the City's historical expenditures for Fiscal Years 2022-2026 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in Table 47 are generated after the Fiscal Year closes and may not sum due to rounding.

Table 47
Historical Expenditures for Certain Capital Purposes
(General Obligation Bond Proceeds Only)
Fiscal Years 2022-2026

Purpose Category	2022	2023	2024	2025	2026
Transit	\$ 7,391,397	\$ 2,252,818	\$ 1,403,503	\$ 1,248,800	\$ 3,258,793
Streets & Sanitation	20,984,230	26,035,836	38,118,666	67,590,151	57,588,418
Municipal Buildings	62,468,532	60,607,214	64,204,573	130,435,681	124,129,910
Recreation, Parks, Museums & Stadia	21,981,840	42,672,209	85,038,878	60,941,972	59,606,457
Economic & Community Development	<u>11,301,908</u>	<u>12,392,809</u>	<u>11,040,070</u>	<u>43,776,880</u>	<u>12,119,031</u>
Total	<u>\$124,127,907</u>	<u>\$143,960,886</u>	<u>\$199,805,690</u>	<u>\$303,993,484</u>	<u>\$256,702,608</u>
Percentage of Total Costs	67%	66%	61%	71%	63%

Fiscal Year 2027-2032 Capital Program

The Fiscal Year 2027-2032 Capital Program contemplates a total budget of \$21.52 billion (compared to \$18.09 billion as budgeted in the Fiscal Year 2026-2031 Capital Program). In the Fiscal Year 2027-2032 Capital Program, approximately \$10.15 billion is expected to be provided from federal, Commonwealth, and other sources and approximately \$11.37 billion through City funding. For Fiscal Year 2027, the City has budgeted \$7.61 billion for capital projects (compared to \$7.48 billion in Fiscal Year 2026). Table 48 shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2027-2032 Capital Program.

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Table 48
Fiscal Year 2027-2032 Capital Program
(Amounts in Thousands of USD)

Funding Source	2027	2028	2029	2030	2031	2032	2027-2032
<u>City Funds--Tax Supported</u>							
Carried-Forward Loans	814,199	-	-	-	-	-	814,199
Operating Revenue	584,611	7,250	7,250	7,250	7,250	7,250	620,861
New Loans	284,539	255,713	251,122	250,631	234,583	239,055	1,515,643
Prefinanced Loans	-	-	-	-	-	-	-
PICA Prefinanced Loans	10,000	-	-	-	-	-	10,000
Tax Supported Subtotal	\$1,693,349	\$262,963	\$258,372	\$257,881	\$241,833	\$246,305	\$2,960,703
<u>City Funds--Self Sustaining</u>							
Self-Sustaining Carried Forward Loans	1,673,892	-	-	-	-	-	1,673,892
Self-Sustaining Operating Revenue	246,980	138,019	144,898	152,388	161,497	160,914	1,004,696
Self-Sustaining New Loans	1,126,237	1,101,910	955,717	860,539	844,640	839,047	5,728,090
Self-Sustaining Subtotal	\$3,047,109	\$1,239,929	\$1,100,615	\$1,012,927	\$1,006,137	\$999,961	\$8,406,678
<u>Other City Funds</u>							
Revolving Funds	55,000	55,000	32,000	32,000	32,000	22,000	228,000
<u>Other Than City Funds</u>							
Carried-Forward Other Government	34,859	-	-	-	-	-	34,859
Other Government Off Budget	123,250	88,529	75,829	135,206	158,215	167,189	748,218
Other Governments/Agencies	17,761	-	-	-	-	-	17,761
Carried-Forward State	421,090	-	-	-	-	-	421,090
State Off Budget	414,885	638,632	817,905	778,882	806,188	899,699	4,156,191
State	104,675	90,650	87,766	82,582	80,464	82,199	528,336
Carried-Forward Private	135,475	-	-	-	-	-	135,475
Private	90,258	24,759	19,987	17,391	17,091	11,918	181,404
Carried-Forward Federal	984,501	-	-	-	-	-	984,501
Federal Off-Budget	93,716	143,690	224,178	190,728	452,530	184,142	1,288,984
Federal	396,490	253,470	215,092	192,019	185,315	186,611	1,428,997
Other Than City Funds Subtotal	\$2,816,960	\$1,239,730	\$1,440,757	\$1,396,808	\$1,699,803	\$1,331,758	\$9,925,816
<u>TOTAL</u>	<u>\$7,612,418</u>	<u>\$2,797,622</u>	<u>\$2,831,744</u>	<u>\$2,699,616</u>	<u>\$2,979,773</u>	<u>\$2,600,024</u>	<u>\$21,521,197</u>

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Department of Aviation, and PGW, which are paid out of their respective funds or revenues and only secondarily out of the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the “Political Subdivision Tort Claims Act,” (the “Tort Claims Act”) established a \$500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation on damages was upheld by the Pennsylvania Supreme Court in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (Pa. 2014). Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the \$500,000 limitation. The limit on damages is inapplicable to any suit against the City that does not arise under state tort law, such as claims made against the City under federal civil rights laws. The state constitutionality of the limitation on damages is again before the Pennsylvania Supreme Court in *Freilich v. SEPTA* (argued March 4, 2025; awaiting decision).

General Fund

Table 49 presents the City’s aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2022-2025 and the current estimate for Fiscal Year 2026.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2022-2025 (Actual) and 2026 (Current Estimate)
(Amounts in Millions of USD)

	Actual 2022	Actual 2023	Actual 2024	Actual 2025	Current Estimate 2026
Aggregate Losses	\$48.0	\$68.8	\$61.0	\$85.4	\$60.9

Sources: The City, Budget Office, Indemnity Account, Status Reports.

The budgeted amount of settlements and judgments from the General Fund for Fiscal Year 2027 is \$61.3 million. This estimate is based on internal calculations using (i) the “Probable Costs” listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year-to-date spending reports. Current year spending includes payments made for settled cases pursuant to payment plans over multiple years. Such payments are generally made at the start of a Fiscal Year, which can result in the current estimate being skewed higher during the early part of such Fiscal Year.

In budgeting for settlements and judgments in the annual operating budget and projecting settlements and judgments for each five-year plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses.

In addition to routine litigation incidental to performance of the City’s governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law,

certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact, if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable.

In August 2024, there was a notable development in one of the City’s litigation matters. The case involves a class action arising out of the conditions of confinement at the Philadelphia Department of Prisons (“PDP”). In April 2022, the City entered into a settlement agreement, which was approved by the U.S. District Court for the Eastern District of Pennsylvania and entered as a court order in July 2022. The plaintiffs in this case filed a motion requesting the court find the City in contempt because of its alleged failure to meet the provisions of the settlement agreement. In August 2024, the U.S. District Court issued the contempt order, pursuant to which the City is ordered to spend \$25 million, approximately equal to the amount of unspent money from the PDP budget over each of the four years of the litigation, on specific remediation measures at the prisons as set forth in the settlement agreement. The \$25 million was paid out of the City’s Indemnity Account in October 2024.

For more information on City litigation, see Note IV.8 to the Fiscal Year 2025 ACFR, “Contingencies – Primary Government – Claims and Litigation.” In addition, see “REVENUES OF THE CITY – Real Property Taxes” for a discussion of litigation relating to the reassessment of commercial property in tax year 2018.

Water Fund

Various claims have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. Table 50 presents the Water Department’s aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2022-2025 and the current estimate for Fiscal Year 2026. The budgeted amount for Fiscal Year 2027 is \$7.0 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 50
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2022-2025 (Actual) and 2026 (Current Estimate)
(Amounts in Millions of USD)

	Actual 2022	Actual 2023	Actual 2024	Actual 2025	Current Estimate 2026
Aggregate Losses	\$5.9	\$6.0	\$6.0	\$8.7	\$6.3

Sources: The City, Budget Office, Indemnity Account, Status Reports.

Aviation Fund

Various claims have been asserted against the Department of Aviation and in some cases lawsuits have been instituted. Many of these Department of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Department of Aviation. Table 51 presents the Department of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2022-2025 and the current estimate for Fiscal Year 2026. The budgeted amount for Fiscal Year 2027 is \$3.5 million. The Aviation Fund is the first source of payment for any of the claims against the Department of Aviation.

Table 51
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2022-2025 (Actual) and 2026 (Budget)
(Amounts in Millions of USD)

	Actual 2022	Actual 2023	Actual 2024	Actual 2025	Current Estimate 2026
Aggregate Losses	\$1.0	\$1.8	\$1.1	\$1.8	\$2.7

Sources: The City, Budget Office, Indemnity Account, Status Reports.

Transportation Fund

Beginning in Fiscal Year 2024, the City formed the Transportation Fund, which is accounted for as a special revenue fund. Aggregate losses from settlements and judgments paid out of the Transportation Fund for Fiscal Year 2025 and the current estimate for Fiscal Year 2026 are \$12.3 million and \$11.7 million, respectively. The budgeted amount for Fiscal Year 2027 is \$15.0 million.

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PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. Table 52 presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2020 through 2025. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately \$3.3 million and \$1 million in settlements and judgments for PGW Fiscal Years 2026 and 2027, respectively.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2020-2025
(Amounts in Thousands of USD)

<u>Fiscal Year (ending August 31)</u>	<u>Beginning of Year Reserve</u>	<u>Current Year Claims and Adjustments</u>	<u>Claims Settled</u>	<u>End of Year Reserve</u>	<u>Current Liability Amount (due within one year)</u>
2020	\$9,560	\$1,973	(\$2,091)	\$9,442	\$5,435
2021	\$9,442	\$2,384	(\$1,845)	\$9,981	\$4,584
2022	\$9,981	\$808	(\$2,535)	\$8,253	\$3,917
2023	\$8,253	\$1,207	(\$2,671)	\$6,789	\$3,769
2024	\$6,789	\$5,285	(\$3,300)	\$8,774	\$3,318
2025	\$8,774	\$107	(\$1,393)	\$7,488	\$3,832

Sources: For fiscal years ended August 31, 2020, through August 31, 2025, PGW's audited financial statements.

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APPENDIX D

THE CITY OF PHILADELPHIA SOCIOECONOMIC INFORMATION

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INTRODUCTION

The City is the sixth largest city in the nation, second largest on the East Coast, and located at the center of the United States' seventh largest metropolitan statistical area. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include growing quality jobs, increasing educational attainment and employment skills among Philadelphians, neighborhood revitalization, promoting Philadelphia as a desirable location for business, and fostering growth.

Given the City's strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, such as health care, life sciences, and higher education, among others, Philadelphia is well-positioned to attract new businesses and investment over the coming years. For more information on the fiscal strategies of the City and related challenges, see APPENDIX C – "OVERVIEW – Fiscal Health of the City."

Geography

The City has an area of approximately 134 square miles and is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth"), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is both the largest city and the only city of the first class in the Commonwealth, and is coterminous with the County of Philadelphia.

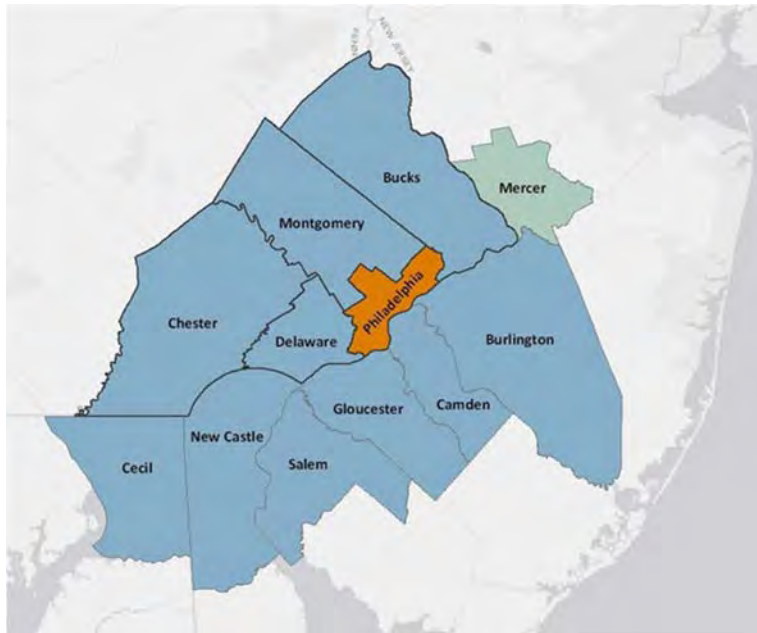
Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of over 5,100 square miles with approximately 6.2 million residents.¹

Philadelphia Primary Metropolitan Statistical Area (the "PMSA"), highlighted with bold black outlines, in Figure 1, is a five-county area within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

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¹ Due to its close proximity and impact on the region's economy, Mercer County, New Jersey, highlighted in green in Figure 1, is included in the MSA by many regional agencies, although it is not officially part of the MSA.

Figure 1
Map of Philadelphia Region including the MSA, PMSA, and Mercer County, NJ



Source: 2009 TIGER County Shapefiles

Several key areas across the City have been instrumental to the economic and commercial development of Philadelphia over the past 25 years. In particular, concentrated development has occurred in key commercial districts such as Philadelphia’s Historic District, Center City, University City, North Broad Street, Avenue of the Arts, Benjamin Franklin Parkway, and the Navy Yard. Center City is Philadelphia’s central business and office region, as well as the strongest employment center within the City, with access to retail, dining, arts and culture, entertainment, and mass transportation services. Opened in 1929, the Benjamin Franklin Parkway (also called the “Parkway” or the “Museum Mile”) runs from City Hall to the Philadelphia Museum of Art and serves as a central public space for art, museums, and other tourist attractions. West of Center City is University City – a hub for the health care, life sciences, and higher education sectors. East of Center City is Philadelphia’s Historic District in Old City, which remains a major tourist destination year-round. The North Broad Street corridor is the City’s main thoroughfare, spanning four miles from City Hall to Germantown Avenue. In South Philadelphia, the Navy Yard is a 1,200-acre former military facility that has been redeveloped into a mixed-use campus with over 150 companies in office, retail, research and development (R&D), life sciences, and industrial/manufacturing sectors. Many industry observers, including the Urban Land Institute, have recognized the Navy Yard as a leading model for repurposing military and industrial assets for a diversified modern economy.

Strategic Location

Philadelphia is at the center of the third largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport (“PHL”), Amtrak’s Northeast Corridor rail service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority (“SEPTA”) and New Jersey’s PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day’s drive of 50% of the nation’s population. Philadelphia’s central location along the East Coast, an hour from New York City and

less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

Population and Demographics

As the sixth largest city in the nation, Philadelphia has seen population growth over the last 15 years. While the City’s population reached its nadir in 2006 with 1.45 million residents, the City has increased its population by 1.58% to 1.58 million residents from 2015 to 2024. Longer-term population growth trends have been positive. Recent, single year population estimates have shown modest decreases in City population figures. Table 1 shows population in the City, the MSA, the Commonwealth and the United States in 2015 and 2024.

Compared to the rest of the region and the state, Philadelphia’s population is both younger and more diverse. In 2024, 25.9% of Philadelphia’s population was comprised of those within the 25- to 39-year-old age bracket. The City’s many universities, diverse employment opportunities, and relative affordability are likely reasons for Philadelphia’s large population in this age bracket. This demographic group also tends to be better educated than the City’s and the nation’s adult population as a whole. In 2024, 52.2% of 25- to 34-year-olds in Philadelphia held a bachelor’s degree or higher, while only 39.4% of 25- to 34-year-olds in the United States held a bachelor’s degree or higher.

Philadelphia is also a diverse city in terms of race and ethnicity. In 2024, 39.4% of the population identified as Black or African American, 35.1% identified as white, 8% identified as Asian, and 8.6% identified as some other race. Additionally, 15.6% of the population identified as Hispanic or Latino. Table 2 shows the percentage of population within the 25-39 age group, and foreign-born and minority (non-white) residents within the City for 2015, 2022, and 2024.

Table 1
Population: City, MSA, Pennsylvania & Nation

	2015	2024	Percent Change 2015 - 2024
Philadelphia	1,555,072	1,579,706	1.58%
Philadelphia-Camden-Wilmington MSA	6,035,680	6,272,014	3.9%
Pennsylvania	12,779,559	13,018,639	1.9%
United States	316,515,021	334,922,499	5.8%

Source: U.S. Census Bureau, Population Estimates, Census 2024, Census 2015

Table 2
Population: Age 25-39, Non-White, and Foreign-Born

	2015	2022	2024	2 Year Change	Change 2015-2024
Age 25-39	24.1%	26.0%	25.9%	-0.2%	1.8%
Foreign-Born	12.7%	14.6%	15.2%	0.6%	2.5%
Minority (non-white)	58.4%	62.9%	64.9%	2.0%	6.5%

Source: 2015, 2022, and 2024 American Community Survey, 5-Year Estimates.

Family and Household Income

Table 3 shows median family income, which includes related people living together, and Table 4 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2015-2024, median family income for Philadelphia increased by 57.94% (see Table 3), while median household income increased by 61.96% over the period 2015-2024 as a result of an influx of higher income households (see Table 4).

Table 3
Median Family Income for Selected Geographical Areas, 2015-2024
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2015	\$46.86	\$81.16	\$68.16	\$66.01	70.99%
2016	\$48.06	\$82.71	\$69.96	\$67.87	70.81%
2017	\$50.43	\$86.18	\$72.69	\$70.85	71.18%
2018	\$53.09	\$89.63	\$75.48	\$73.97	71.77%
2019	\$55.12	\$92.93	\$78.52	\$77.26	71.34%
2020	\$58.09	\$95.37	\$81.00	\$80.07	72.55%
2021	\$61.66	\$100.85	\$86.14	\$85.03	72.52%
2022	\$67.17	\$108.98	\$93.69	\$92.64	72.51%
2023	\$71.02	\$113.50	\$97.34	\$96.92	73.28%
2024	\$74.01	\$116.43	\$100.26	\$99.99	74.02%
Change 2015-2024	57.94%	43.46%	47.10%	51.48%	

Includes related people living together.

Source: 2015-2024 American Community Survey 5-Year Estimates.

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Table 4
Median Household Income for Selected Geographical Areas, 2015-2024
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2015	\$38.25	\$62.51	\$53.60	\$53.89	70.98%
2016	\$39.77	\$63.95	\$54.90	\$55.32	71.89%
2017	\$40.65	\$66.29	\$56.95	\$57.70	70.45%
2018	\$43.74	\$69.47	\$59.45	\$60.29	72.55%
2019	\$45.93	\$72.34	\$61.74	\$62.84	73.09%
2020	\$49.13	\$74.83	\$63.63	\$64.99	75.60%
2021	\$52.65	\$79.07	\$67.59	\$69.02	76.28%
2022	\$57.54	\$85.55	\$73.17	\$75.14	76.58%
2023	\$60.70	\$89.27	\$76.08	\$78.54	77.29%
2024	\$61.95	\$91.29	\$77.97	\$80.73	76.74%
Change 2015-2024	61.96%	46.04%	45.47%	49.81%	

Includes unrelated people living together.

Source: 2015-2024 American Community Survey 5-Year Estimates.

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Cost of Living and Affordability

Philadelphia has a lower cost of living compared to other major urban areas, as shown in Table 5 below. For example, approximately \$7,532 per month in Philadelphia maintains the same standard of living as \$12,000 per month in New York City. Additionally, the City’s Wage, Earnings, and Net Profits Tax rates have decreased in recent Fiscal Years. See “REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes” in APPENDIX C for this Official Statement.

Table 5
Cost of Living Index, 2026
(Other cities compared to Philadelphia)

Urban Area	Cost of Living Index
New York- Manhattan	126.90
San Francisco	123.86
Seattle	114.59
Washington, D.C.	110.79
Boston	109.39
Los Angeles	103.43
Miami	100.89
Philadelphia	100.00
Chicago	96.45
Atlanta	95.56
Denver	95.30
Dallas	92.51
Baltimore	91.12
Pittsburgh	89.09
Austin	84.26
Average of Listed Locations	102.28

Source: Numbeo.com 2026.

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ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. Philadelphia's anchor institutions – including the City's renowned universities, hospitals, and Fortune 500 companies – play an integral role in boosting the City's quality of life and investing in the local economy. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the MSA plus Mercer County, New Jersey.

As shown in Table 5, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas. The City, as the commercial center of an MSA of approximately 6.2 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of the country's education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

Key Industries

Table 6 provides location quotients for Philadelphia's most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 6, compared to the nation, Philadelphia County has higher concentrations in five sectors: 1. Educational Services; 2. Arts, Entertainment, and Recreation 3. Health Care and Social Assistance; 4. Professional and Technical Services; and 5. Other Services, Except Public Administration.² Of these five sectors, the City has a higher concentration of employment than the Commonwealth in four sectors: Educational Services; Arts, Entertainment, and Recreation; Health Care and Social Assistance and Professional and Technical Services.

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² The Bureau of Labor Statistics ("BLS") defines the "Other Services" (except Public Administration) sector as establishments engaged in providing services not specifically provided for elsewhere in the BLS classification system, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Table 6
Ratio of Philadelphia County and Pennsylvania Industry Concentrations
Compared to the United States
(sorted according to Philadelphia County to the US)

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	5.39	1.81
Arts, Entertainment, and Recreation	2.27	0.95
Health Care and Social Assistance	1.79	1.34
Professional and Technical Services	1.24	0.93
Other Services, Except Public Administration	1.02	1.02
Finance and Insurance	0.94	1.10
Management of Companies and Enterprises	0.93	1.45
Transportation and Warehousing	0.86	1.11

Source: Bureau of Labor Statistics – June 2025 Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of Educational Services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City’s professional services and healthcare industries. Data from the Bureau of Labor Statistics show that in 2025, the Education and Health Services; Professional and Business Services; and Trade, Transportation and Utilities sectors collectively represented 60.6% of total employment in the City for the year. From 2015 to 2024, Philadelphia gained 101,800 private sector jobs.

In addition to the federal funding risk for the City (as described in APPENDIX C – “OVERVIEW – Fiscal Health of the City – Budgetary Challenges”), there have also been several federal executive orders and guidance with respect to possible pauses to the disbursement of certain federal funds for certain educational institutions, research and not-for-profit entities, including such institutions and entities located in the City (some of which are discussed herein). The possible loss of such federal funding could impact research programs, general staffing levels, expansion plans, and other projects at such institutions and entities.

Educational Institutions

The Philadelphia region has one of the largest concentrations of undergraduate and graduate students on the East Coast, with approximately 100 degree-granting institutions. Included among these institutions are the University of Pennsylvania, Drexel University, Temple University, Thomas Jefferson University, St. Joseph’s University, LaSalle University, and the Community College of Philadelphia. Within a short drive from the city center are academic institutions including Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania (“Penn”). Founded in 1740, Penn, located in West Philadelphia, is the first university in the United States. Combined with its health system, Penn is the largest private sector employer in Philadelphia. Penn has also been one of the largest annual recipients of funding from the National Institutes of Health (NIH).

Penn has undergone a significant expansion in the last decade. In 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator with laboratory and coworking space housing researchers, innovators, and entrepreneurs for commercialization of research discoveries. Pennovation Works is well connected to the region, Center City, and University City. Recent investments in open space trails have connected the site to the Schuylkill River with dedicated public access. The facilities are the latest piece of the university's master plan for Pennovation Works, which saw the completion of the Inventor Office Building in 2018 and Pennovation Labs in 2021. The Pennovation Works plan is part of the overall vision to revitalize the 500 acre Lower Schuylkill River district into a regional innovation district.

Penn has \$1.3 billion in construction underway and \$440 million more in the pipeline. The projects under construction include \$772 million of new development, \$388 million of reinvestment and renovations, and \$133 million in projects underway by third-party developers. Recently completed projects include a \$36 million expansion for the Graduate School of Education, a new \$173 million Vagelos Laboratory for Energy Science and Technology, \$69 million for a new Ott Center for Track and Field, \$363 million to add seven floors to the Perelman School of Medicine.

Drexel University ("Drexel"). Founded in 1891, Drexel is one of Philadelphia's largest employers, and a major engine for economic development in the region. Drexel is known for its technical innovation and civic engagement. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. In 2022, Drexel opened a new 460,000-square-foot, 12-story building that will bring together the College of Nursing and Health Professions, College of Medicine, and Graduate School of Biomedical Sciences and Professional Studies in University City, enhancing collaboration, research, and practice opportunities.

Temple University ("Temple"). Founded in 1884, Temple has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. As the largest university and fourth largest employer in Philadelphia, Temple features 17 schools and colleges, nine campuses, and hundreds of degree programs. Temple continues to implement key elements of "Visualize Temple," the university's master plan by renovating its current buildings, adding new amenities, and new constructions. In 2019, Temple opened the new Charles Library, a four-story, 225,000-square-foot facility on main campus. In 2023, Temple broke ground on a 160,000-square-foot expansion and 150,000-square-foot renovation of Paley Hall. Formerly known as Paley Library, the building will become the new home of Temple's College of Public Health (CPH) upon completion. The project is budgeted at almost \$130 million. In March 2024, Temple opened the Innovation Nest, which provides office, work, and collaboration spaces for start-up businesses. On March 19, 2024, Temple University opened the Innovation Nest (iNest), to serve as a space to incubate startups and Temple researchers when they are ready to spin out their own company. The facility is 8,000 square feet and provides both laboratory and office space to innovators.

Thomas Jefferson University ("Jefferson"). In 2017, Thomas Jefferson University and Philadelphia University merged to create the fourth largest university in the City. With this merger, Jefferson creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines. In addition to ten colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university's educational ecosystem. Jefferson has campuses in the Center City and the East Falls neighborhoods of Philadelphia, Montgomery County, Bucks County, and Atlantic County, New Jersey.

Community College of Philadelphia ("CCP" or the "College"). Founded in 1964, CCP serves over 19,000 students in associate degree and certificate programs. The College operates four campuses: its main

Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers a total of more than 100 associate degrees, academic and proficiency certificates, and workforce programs. The College has several transfer agreements and partnerships with other higher education institutions, which assist students who seek a seamless transition to a bachelor's degree program.

In August 2022, the College opened a new \$40 million Advanced Technology Center in West Philadelphia to offer short-term certificate and associate degree programs in the Automotive, Advanced Manufacturing, Health Care, and Transportation Technology fields. It will also serve as a hub supporting the region's small businesses and as a resource connecting the community to technology-rich spaces. The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an associate degree. In 2021, the College launched the Octavius Catto Scholarship (the "Catto Scholarship"), which is a new initiative funded by the City of Philadelphia designed to make education available to students by providing funding and support for tuition and fees, costs associated with books, food, transportation, benefits, childcare, and housing. The Catto Scholarship is available to Philadelphia residents who also meet income eligibility.

The College also offers a certificate program, the City College for Municipal Employment (CCME). CCME is a workforce development initiative by the City of Philadelphia. Launched in October 2024, CCME aims to remove barriers to employment by providing education and certifications necessary for City jobs. CCME offers courses across five career pathways: Skilled Trades, Healthcare, Technology, Business & Administration, and Public Safety. Participants receive wraparound services to support their success and are eligible for financial incentives throughout their training. The program also focuses on upskilling current City employees seeking career advancement opportunities.

Saint Joseph's University ("St. Joe's"). Saint Joseph's University (also called St. Joe's) was established in 1821. It is a private Jesuit university in Philadelphia and Lower Merion, Pennsylvania. In 2022, it merged with the University of the Sciences ("USciences") another well-established Philadelphia college with an emphasis on science oriented higher education. USciences was originally founded as the Philadelphia College of Pharmacy in 1821. The combined school is now the fifth largest university in Philadelphia and serves over 9,000 students between two campuses. With the acquisition of additional academic programs, St. Joe's now offers hundreds of programs to undergraduate, graduate, and adult learners. The merger allows St. Joe's to add former USciences programs in areas such as pharmacy, neuroscience, and occupational therapy, in addition to established business and education offerings.

Hospitals and Medical Centers

The City is a center for health, education, research, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. Philadelphia is home to several world-class medical systems and the first FDA-approved cell and gene therapies. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry, and veterinary medicine located in the city. Philadelphia is one of the largest health care and health care education centers in the world, and 80% of the nation's largest pharmaceutical companies are located in the Philadelphia area. Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia ("CHOP"), the Hospital of the University of Pennsylvania, the Wistar Institute, Fox Chase Cancer Center, Drexel University, Temple University, and Thomas Jefferson University. Philadelphia is home to three of the nation's 73 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers: the Abramson Cancer Center (Penn Medicine), Fox Chase Cancer Center (Temple Health), and the Sydney Kimmel Cancer

Center (Jefferson Health). Additionally, Philadelphia is also home to the Wistar Institute which is an NCI designated basic laboratory cancer center.

Penn Medicine University of Pennsylvania Health System (“Penn Medicine”). Penn Medicine includes Pennsylvania Hospital, the nation’s first hospital and the nation’s first medical school, the University of Pennsylvania School of Medicine. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation’s first teaching hospital. Penn Medicine’s hospitals are consistently ranked among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center among the top-ranked in the region by *U.S. News and World Report*. In 2021, Penn Medicine completed construction on a new 1.5 million square foot Patient Pavilion, one of the largest hospital projects in the nation and the largest capital project in Penn’s history. Combined, the University of Pennsylvania and its health system is the largest private sector employer in Philadelphia. In 2024, Penn Medicine merged with Doylestown Hospital in Bucks County and the hospital is now part of the Penn Medicine system.

Children’s Hospital of Philadelphia Expansion (“CHOP”). CHOP is the oldest children’s hospital in the nation and one of the largest in the world. Beyond its pediatric medical care, it is known for its research and innovative medical breakthroughs. Over the past two decades, CHOP has invested billions in its expansion in Philadelphia. In late 2022, CHOP opened a new Center for Advanced Behavioral Healthcare in West Philadelphia, with 47,000 square feet dedicated to patient care, including consultation rooms, group therapy rooms, and calming areas.

Temple University Health System (“TUS”). Temple Health comprises the health, education and research activities carried out by the affiliates of Temple University Health System and the Lewis Katz School of Medicine at Temple University. TUS is one of the region’s most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUS is regularly ranked among the “Best Regional Hospitals” in various specialties by *U.S. News & World Report* regional rankings. A \$30 million project to turn the former Cancer Treatment Center of America’s Philadelphia campus into the Women & Families campus was completed in the spring of 2023.

Thomas Jefferson University and Jefferson Health (“TJUH”). TJUH is consistently at the top of the list of hospitals in Pennsylvania and the Philadelphia metro area in *U.S. News & World Report*’s annual listing of the best hospitals and specialties. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System (located in New Jersey), the Aria Health system, and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University and is now the ninth largest educational institution in Philadelphia. In 2021, Einstein Healthcare Network merged with Thomas Jefferson University, creating an integrated 18-hospital health system. Einstein Healthcare Network’s facilities and outpatient centers have been in existence for over 150 years.

In August 2024, TJUH and Lehigh Valley Health Network merged. The combined system is now among the top 15 not-for-profit health systems in the U.S. with 32 hospitals, more than 700 sites of care, and approximately 65,000 employees, along with a health plan and further clinical research programs.

Life Sciences

The City has capitalized on the region’s assets to become a leader in life science research and development generated by the City’s healthcare and educational institutions. The Greater Philadelphia region is recognized worldwide as a leader in cell therapy, gene therapy, and gene editing. More than 60 cell and gene therapy development firms have been established in the Philadelphia region and investment is at an all-time high. Approximately 80% of all major pharmaceutical and biotech companies in the U.S.

have offices in Greater Philadelphia. The City has numerous research labs and over 1,200 life sciences companies. In FY 2023, such companies as well as institutions received over \$1.3 billion in NIH funding. While such funding has helped foster growth in these industries, there is no guarantee that NIH funding will continue at these levels in the future as federal policy is revised.

Several sites now foster life science incubator facilities, including the Cambridge Innovation Center (CIC); Biolabs in the Curtis Center; B+ Labs in the Cira Center; University of Pennsylvania's Pennovation Works; and Temple University's Innovation Nest (I-Nest). Developers at Wexford and Brandywine Realty Trust have several million square feet of laboratory space in various stages of development in Philadelphia. Gattuso Development Partners has developed a 520,000 square foot research facility in University City, making it the largest life sciences research and laboratory building in Philadelphia.

Over the last few years, there has been a significant geographic shift in laboratory development. Prior to 2020, lab space was almost exclusively relegated to University City and the Navy Yard. Presently, there are completed and planned developments in the Gray's Ferry, Allegheny West, Kensington, North, South, and Southwest Philadelphia neighborhoods. These developments accommodate all stages of life science company growth. With approximately 5.8 million square feet of existing life sciences inventory and 2.8 million square feet under construction, there is room for continued growth.

Technology and Innovation

With over 5,100 tech businesses, Philadelphia's Tech and Innovation industry is growing and evolving in the post pandemic world. From 2020-2021, the City's share of the nation's startups rose 1.7% according to the Brookings Institute. The City is poised to continue to expand its share of both startups and maturing tech firms as companies search for more affordable locales. Philadelphia's tech ecosystem will continue to benefit from the diffusion of firms in known traditional tech hubs. In addition to growing attraction efforts, Philadelphia's "eds and meds" along with media communications companies like Comcast/ NBC Universal have created sizable opportunities for investment in technology, robotics, defense, and automation startups.

The traditional technology industry was once centered in the Old City section of Philadelphia. However, as the industry continues to evolve, co-working and lab spaces housing emerging tech startups have gone through a geographic shift. Biotech and robotics companies such as Ghost Robotics are more likely to be found in University City, on North Broad Street, or Spring Garden sections of the City.

The City has paired with technology founders, University systems, and venture capitalists to encourage growth and investment across the tech ecosystem, which is expected to encourage participation in the industry.

Hospitality and Leisure

Prior to the pandemic, the hospitality and leisure sector historically demonstrated consistent growth, setting a record-high for room revenue generated for lodging in 2019 until contracting in 2020. The City is regularly listed as a top domestic and international destination in tourism publications and was one of only three U.S. destinations to make Condé Nast Traveler's 2021 Gold List. Tourism Economics has projected that it would take until 2023-2024 for Philadelphia's tourism and hospitality sector to fully rebound. In 2024, Visit Philadelphia and the Philadelphia Convention and Visitors Bureau (PHLCVB) hosted the Philadelphia 2024 Tourism Outlook. During this event, it was announced that nearly 43 million people visited the 5-County Philadelphia region in 2023, a 6% increase over 2022. Those visitors spent \$7.6 billion in the greater Philadelphia market, and as those funds cycled through the regional economy,

they generated an economic impact of \$12.4 billion. Across all tourism industry Key Performance Indicators (KPIs), year-over-year gains were achieved showing continued post-pandemic recovery, either meeting or beating 2019 benchmarks in all categories except visitation.

Philadelphia has seen an influx in hotel development in recent years, with numerous new developments recently completed or underway, including the Four Seasons, Pod Philly, LIVE Hotel & Casino, Element Hotel, Hyatt Centric, W Hotel, Guild House, and Delta Hotel. These hotels added 777 rooms, bringing the total downtown room inventory to 13,375. Additional projects are under construction, including Mainstay Suites/Ascend Hotel Collection and Comfort Inn. Proposed downtown hotels include AC Hotel by Marriott and Blue Ivy Hotel. Three downtown hotels – Rittenhouse Hotel, Four Seasons Philadelphia at the Comcast Center, and Kimpton Hotel Monaco – are rated by U.S. News and World Report as among the best in the nation.

Looking at recent statistics for the County of Philadelphia, all key metrics show growth in the hotel industry. Hotels reached 62.3% occupancy in 2023, a 7.0% increase over 2022. Average daily rate was \$202.05, a 2.0% increase over 2022. Revenue per available room was \$125.95, a 9.0% increase over 2022. Hotel supply was 6.8 million room nights available, a 2.0% increase over 2022. Hotel demand was 4.25 million room nights sold, a 9.0% increase over 2022. Hotel revenue was \$859 million, an 11% increase over 2022. Hotel supply and average daily rate both surpassed 2019 levels.

In recent years, Philadelphia's global tourism has also had a strong recovery with more visitors choosing to travel to the City from overseas. The top overseas markets for Philadelphia were United Kingdom, India, Germany, France, and Ireland.

In 2026, the City will host the commemoration of the nation's 250th birthday. The City has recently hosted, or will host, several major sporting events, including six NCAA Championships, WrestleMania 40, the PGA Championship, and Major League Baseball All-Star Game. In 2022, Philadelphia was named one of 11 cities chosen to host the 2026 FIFA World Cup, an event expected to bring thousands of soccer fans and hundreds of millions of dollars in spending to the region. Philadelphia has also been a regular host of medical conferences and the Army-Navy Game, which will return in 2027.

Creative Economy

The Creative Economy is one of the most dynamic areas of economic development. The sector stimulates innovation and promotes Philadelphia cultural diversity. The creative sector includes the people and the products that make up the for-profit and nonprofit arts-related creative industries, such as visual and performing arts, graphic design, music, fashion, public relations, and architecture.

According to Econsult Solutions, Philadelphia's creative economy has become a powerful force for tourism, neighborhood renewal, and job growth. The region's arts and culture sector contributes \$3.3 billion annually and has seen 38 percent employment growth since 2001. Recognized as the 6th most arts-vibrant large city, Philadelphia has strengthened its cultural presence through public-private partnerships and major institutional support. Investments along North and South Broad Street have directly supported artists, organizations, and cultural projects that fuel the city's creative vitality. These initiatives place Philadelphia in the national spotlight for the 2026 semiquincentennial, driving further investment and growth.

Philadelphia's creative economy encompasses a diverse range of sectors, including craft and fashion. A 2019 analysis by EConsult estimated that Philadelphia's craft and maker sector contributes between \$60 million and \$70 million annually to the city's Gross Domestic Product (GDP) and \$230 million to \$280 million in the broader Philadelphia Metropolitan Statistical Area (MSA). Visitors attending craft-

related events generate approximately \$11.8 million in direct spending within the MSA, leading to a total economic impact of \$19.2 million regionally. A statewide analysis indicates that Pennsylvania's women's clothing stores are projected to reach a market size of \$2.3 billion by 2025, with 4,496 establishments employing 13,509 individuals.

Emerging sectors within Philadelphia's creative economy, such as sustainable fashion and the circular economy (an economic model that focuses on refurbishing, recycling, and similar efforts), present potential growth opportunities.

Philadelphia has a strong foundation in arts, fashion, music/nightlife, craft/makers, film/media/digital content production, design/architecture, culinary/food innovation, and the circular economy. While challenges such as funding and space affordability remain, these sectors hold significant growth potential, positioning Philadelphia as a creative hub.

Manufacturing

The manufacturing industry has been a major contributor to Philadelphia's economy, particularly after the COVID-19 pandemic. Philadelphia's strategic location, skilled workforce, and diverse manufacturing base in various fields such as chemicals, pharmaceuticals, food and beverage, machinery, eCommerce, transportation equipment, 3D printing, and artisanal manufacturing have made it a hub for manufacturing and production. The industry has been a significant driver of job creation, innovation, and economic growth, providing employment to thousands of workers in the City and contributing significantly to the City's tax base. Additionally, Philadelphia's industrial research and development centers have been at the forefront of innovation and technological advancements in various fields, such as biotechnology, energy, and materials science. Overall, manufacturing remains a crucial industry for the growth and prosperity of Philadelphia's economy.

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Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn, Penn Medicine, and Thomas Jefferson University and Jefferson Health top this list.

Table 7
Largest Private Employers Based in Philadelphia
Ranked by Number of Local Employees, 2024

Employer	Local Employees
University of Pennsylvania and Health System	54,005
Thomas Jefferson University and Jefferson Health	41,960
Children's Hospital of Philadelphia	30,743
Temple University Health System	19,907
Comcast Corp	16,200
Independence Health Group	8,901
Drexel University	4,531
Deloitte	2,125
Ernst & Young LLP	1,646
Day & Zimmermann	1,485
KPMG	1,312
Rivers Casino	1,143
Burns' Family Neighborhood Markets	1,075
Janney Montgomery Scott	933
Aecom	858
Pennoni	736
La Salle University	710
American Heritage Credit Union	700
Fox Rothschild	695
Cozen O'Connor	687
Total	190,352

Source: Philadelphia Business Journal (Revised in October 2024)

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Office Market

The Philadelphia Central Business District (CBD) office market has shown activity reflecting trends in line with the broader national trends of recovery. Table 8 shows comparative overall fourth quarter 2025 office vacancy rates for selected office markets.

Table 8
Total Office Vacancy Rates of Selected Office Markets
Fourth Quarter 2025

Market	Vacancy Rate
Austin	27.3%
Seattle	27.2%
San Francisco	25.2%
Denver	23.5%
Detroit	23.3%
San Diego	23.2%
Dallas	21.1%
Houston	20.2%
Washington, DC	19.7%
Atlanta	19.6%
Nashville	18.9%
Chicago	18.6%
Philadelphia	18.5%
United States, All Markets	18.4%
Charlotte	18.2%
Phoenix	17.0%
Boston	15.5%
Los Angeles	14.9%
Miami	13.9%
Manhattan	13.6%

Source: Commercial Cafe, National Office Report December 2025

Major Projects

Over the last two decades, the City's economic development agencies and others have spurred significant economic revitalization throughout the City. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past 25 years. In particular, a number of geographic areas have experienced concentrated developments: Center City, University City, Philadelphia's Historic District, Avenue of the Arts, North Broad Street, the Navy Yard, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase in Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, have been key to the growth of Philadelphia's leisure and hospitality sector. Others, such as those in the

Bellwether District (in South Philadelphia) and the Navy Yard, have been key to the growth of Philadelphia's manufacturing sector.

Taking advantage of the City's major waterways, the Schuylkill and the Delaware Rivers, the City is redeveloping its waterfronts to accommodate a variety of developments, including mixed-use projects, housing, parks, recreational trails, and hotels. These projects improve the quality of life for residents and enhance the visitor experience. In addition, they serve as the impetus for environmental remediation, job creation and private development of former industrial properties within the City.

Table 9
Projects Under Construction in the Key Commercial Districts

Project by Neighborhood	Project Type	Completion or Estimated Completion Year	Cost in Millions
CENTER CITY			
Chubb Headquarters, 2000 Arch Street	Office	2026	\$430
Harper Square, 113-19 S. 19th Street	Retail/Residential	2027	\$250
Wanamaker Building, 1300 Market Street	Retail/Residential	2028	\$250
Avenue of the Arts 2.0, South Broad Street	Streetscape	2036	\$150
Toll Brothers Apartments, Broad & Noble Street	Residential	2026	\$150
1001 South Broad Street	Retail/Residential	2025	\$500
OLD CITY			
Penn's Landing, I-95 Overcap Park	Public	2030	\$430
702 Sansom St	Retail/Residential	2028	\$100
The Bourse, 400 Market Street and 111 S. Independence Mall E.	Mixed	2026	\$23
UNIVERSITY CITY			
30th Street Station Redesign	Public	2030	\$500
The Mark, 3615 Chestnut Street	Residential	2026	\$45
Roberts Children's Health Expansion	Medical	2028	\$125
CHOP Schuylkill Avenue Expansion, Phase 2	Medical	2025	\$600
BELLWETHER DISTRICT			
Building 1	Industrial	2025	\$30
Building 2	Industrial	2025	\$30
DrinkPAK	Industrial	2028	\$195
OTHER NEIGHBORHOODS			
Schuylkill River Trail Expansion	Public	2026	\$45
650 Fairmount Avenue	Retail/Residential	2025	\$100
Franklin Square Enhancements	Public	2026	\$30
1200 Normandy Place and 1225 Constitution Avenue	Residential	2026	\$285
Hanwha Philly Shipyard	Industrial	2031	\$5,000
5113 Frankford Avenue	Mixed	2030	\$35
Piazza Alta, Phase 2	Residential	2027	\$170
Wharton Piers, 1341 S. Christopher Columbus Blvd	Mixed	2029	\$150
TOTAL			\$9,623

Source: Philadelphia Department of Planning and Development.

Housing

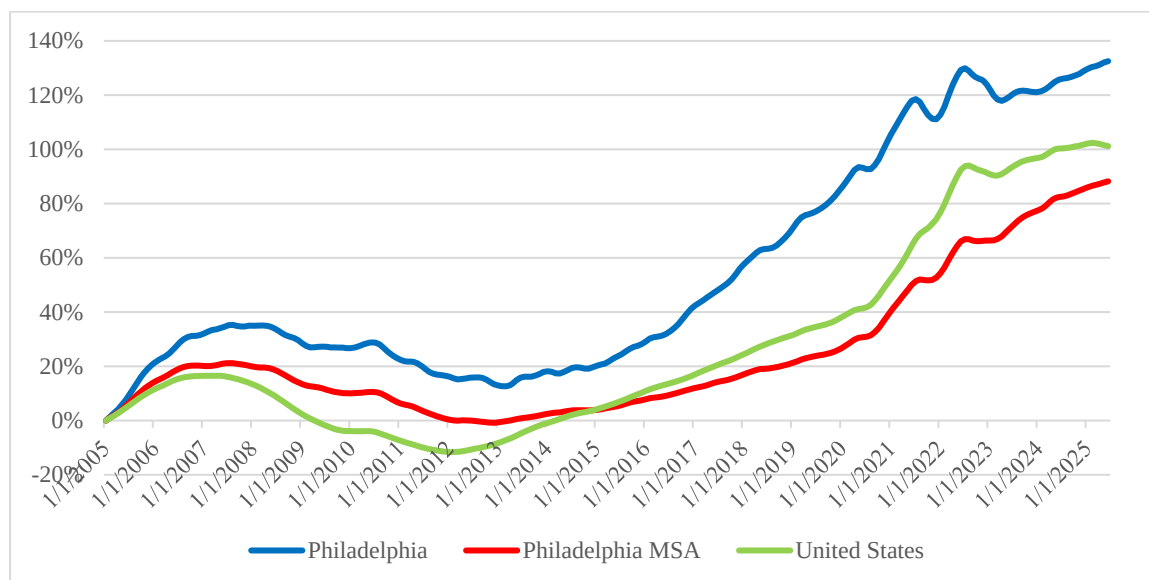
Philadelphia's housing market has undergone a significant revitalization over the last two decades. The period between the 2000 and 2010 censuses was the first where Philadelphia experienced a net population increase since the period between 1940 and 1950. The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices and construction, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities in some sectors.

The total housing stock, measured by the number of units, increased by 13.9% from 2014-2024, for a total of 763,527 in 2024.³ This increase of 93,082 units is the result of a net increase of 56,103 multifamily units (properties with five or more units), 34,390 single-family homes (properties with one to four units), and 2,589 "other" units (such as mobile homes and boats). The homeownership rate in the City in 2024 was 51.9%, which represents a decrease from 52.0% in 2014.³ Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2025 equal to \$1,845, representing a 22.0% increase over the prior five-year period.⁴

Home Prices

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia's housing market began posting rapid increases in prices, citywide, starting in 2013. By late 2017, home values in Philadelphia recovered to their pre-recession peak and have continued to climb, increasing an additional 71% as of June 2025. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from January 2005 through June 2025.⁵

Percent Change in Median Nominal Home Value (Zillow Home Value Index), 2005-2025



³ US Census Bureau, American Communities Survey, 1-Year Survey

⁴ Zillow Research, ZORI Time Series

⁵ Zillow Research, ZHVI Time Series

Over this entire period, Philadelphia’s median home prices have been lower than that of the region or the country as a whole. However, because the rate of growth in the City’s home values matched or outpaced these comparison regions and the housing market in Philadelphia retained a much greater share of its pre-recession gains, it has closed that gap. Whereas the median home value in Philadelphia was 55% that of the US in 2005, it was 63% of the national average by 2025.

Home Ownership

Home ownership in Philadelphia has been strong when compared to peer cities and national percentages. The table below illustrates the percentages of owner-occupied homes in Philadelphia and peer cities, as well as the national percentage.

Home Ownership in Philadelphia and Peer Cities

	<u>% Owner Occupied</u>
National	65.2%
Phoenix	57.3%
Philadelphia	51.8%
Baltimore	47.5%
San Diego	47.3%
Atlanta	46.4%
Chicago	46.0%
Dallas	42.4%
Houston	42.1%
Washington DC	41.5%
Los Angeles	36.0%
Boston	35.7%
New York	32.8%

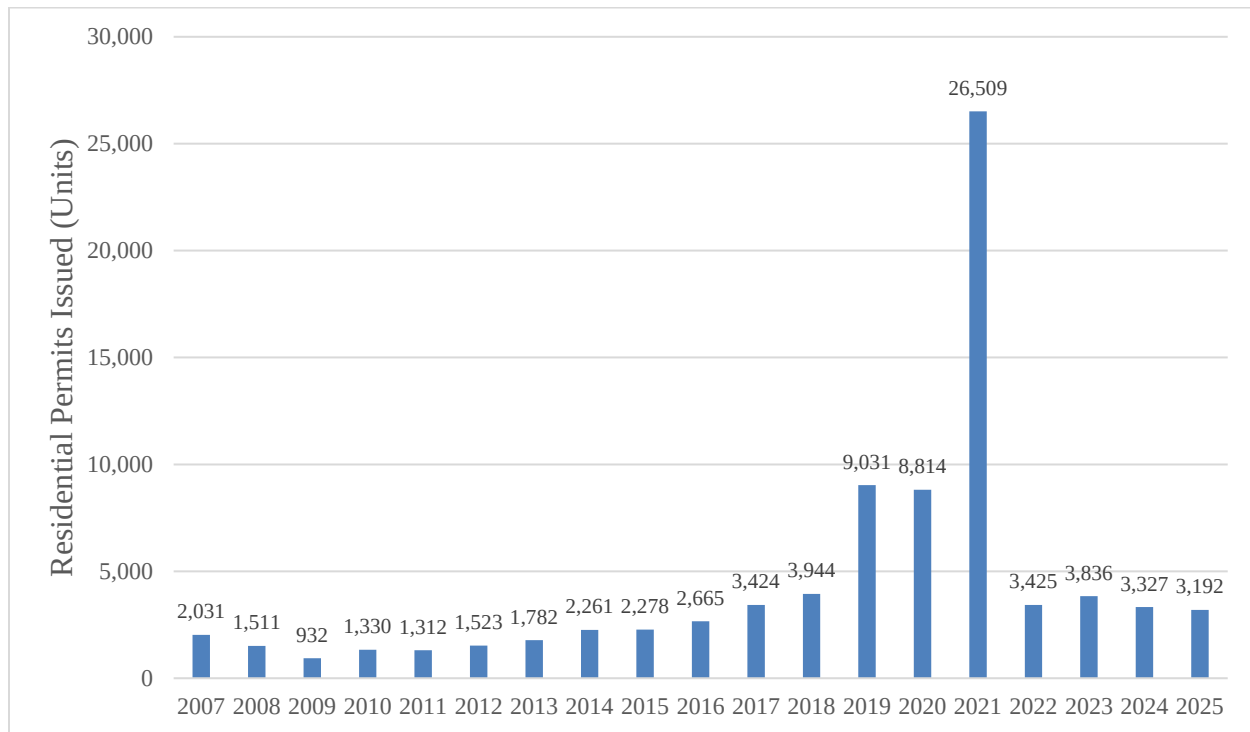
Source: 2024 American Community Survey, 5-Year Estimates.

Home Construction

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia’s housing stock, as represented by the number of building permits issued for such units, from 2007 through 2025.

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**Building Permits Issued in Philadelphia, New Construction Only
(Number of Units), 2007-2025**



Source: eCLIPSE and Hansen Permitting Systems

The number of building permits for new residential units issued significantly increased in 2021. The large increase coincided with changes to the City’s 10-year tax abatement, which had been set to expire at the end of 2020, to be replaced by a modified version. The original abatement was extended by a year because of the pandemic. The City revised its tax-abatement program in January 2022. For more information on the current tax-abatement program, see APPENDIX C – “REVENUES OF THE CITY – Real Property Taxes.”

Historically, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 932 units in any single year, including during the nadir of the 2007 recession. Notably, these data do not include additions or substantial alterations to existing buildings, which together account for nearly a third of all new housing units in Philadelphia.

Despite rising income levels and the relative affordability of home prices in Philadelphia, the City seeks to address housing inequities that can be exacerbated as housing costs have increased faster than wages. To further increase the supply of affordable housing, the City launched the Neighborhood Preservation Initiative (“NPI”) in 2021. NPI supports the production and preservation of affordable housing units, home repair and tangled title programs, eviction diversion services, and other innovative programs relating to neighborhood and small business corridor investments. In October 2021, May 2023, December 2024, and June 2026, the Philadelphia Redevelopment Authority (“PRA”) issued \$98,560,000, \$99,455,000, \$149,105,000, and \$50,715,000 in City Service Agreement Revenue Bonds, respectively, to finance certain costs of the NPI program. Data on all NPI funded programs, including funds expended by program and households served, is available on the City’s website through the NPI dashboard, which is

updated quarterly. NPI funds leverage federal and state Low Income Housing Tax Credit projects and local, long-term funding through the Housing Trust Fund.

In Fiscal Year 2026, the City will launch the Housing Opportunities Made Easy (H.O.M.E.) Plan to build and preserve 30,000 units of new and existing housing and otherwise support affordable housing. The H.O.M.E. Plan contemplates two phases of bond financing through the PRA, totaling approximately \$800 million, and seeks to leverage additional investments from external sources, including state and federal government grants, as well as private and philanthropic dollars. In addition to these investments, the H.O.M.E. Plan aims to increase operational effectiveness to allow Philadelphians and housing builders to more easily obtain permits and approvals related to new and renovated housing units. In March 2026, PRA issued \$396,650,000 in City Service Agreement Bonds for the benefit of the City as the first phase of financing for the H.O.M.E. Plan.

TALENT AND HUMAN CAPITAL

Workforce Development

Higher Education

According to Campus Philly, over the last twenty years, the young adult population in Greater Philadelphia has experienced significant growth, surpassing national demographic trends and driving overall population expansion in the region. Notably, the increase in young adults with bachelor's degrees in Philadelphia has outpaced similar growth in comparable peer cities. This trend reflects the effectiveness of Greater Philadelphia's colleges and universities. The City retains 50% of the graduates of local colleges and universities. In 2023, 41.2 % of Philadelphia's population age 25+ had an Associate Degree or higher. Because the Philadelphia region has one of the largest concentrations of students and degree-granting institutions, the City consistently produces an abundant workforce of highly qualified workers for tech and life science companies.

In 2024, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 10) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities.

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Table 10

**2024 Total Number of Students - Percent of Total Population of Selected Cities,
Ranked by Total Number of Students Enrolled in Higher Education**

	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population Enrolled in Higher Education
United States	80,089,790	21,415,607	26.7%	6.6%
Los Angeles, CA	900,274	310,586	34.5%	8.3%
Chicago, IL	618,889	201,851	32.6%	7.7%
Houston, TX	570,384	151,926	26.6%	6.8%
San Diego, CA	345,010	142,352	41.3%	10.6%
Philadelphia, PA	381,694	124,898	32.7%	8.2%
San Antonio, TX	379,500	103,559	27.3%	7.3%
Boston, MA	180,214	100,172	55.6%	15.5%
Phoenix, AZ	401,892	99,193	24.7%	6.3%
Washington, D.C.	161,200	60,546	37.6%	9.2%
Baltimore, MD	139,104	48,347	34.8%	8.8%
Milwaukee, WI	153,824	40,552	26.4%	7.4%
Memphis, TN	149,083	32,535	21.8%	5.5%
Detroit, MI	150,781	31,140	20.7%	5.1%
Cleveland, OH	83,508	23,551	28.2%	6.6%

Source: 2024 American Community Survey, 5-Year Estimates.

Workforce Professionals Alliance (“WPA”)

The WPA is a partnership of over 35 workforce development organizations committed to increasing access to career readiness programs for Philadelphians. The WPA works collaboratively amongst its members and City government to lead strategy and vision for how partners can work together to bridge programs and industries and respond to the demands of employers and residents. Through an ongoing partnership with the WPA, the City is advancing collaboration across workforce training organizations and setting standards for quality jobs to ensure success across Philadelphia’s workforce ecosystem.

Fair Chance Hiring Initiative (“FCHI”)

FCHI supports local businesses by referring Philadelphia job seekers returning from incarceration as well as those that are on probation or parole for open positions and providing financial incentives to businesses in the form of wage reimbursements and employment retention grants.

PHL Taking Care of Business Clean Corridors Program (“TCB”)

TCB is a \$28 million program that funds community-based nonprofits to sweep sidewalks and remove litter across neighborhood commercial corridors. PHL TCB invests in people and small businesses by creating employment opportunities for residents and keeping Philadelphia’s neighborhood commercial corridors clean.

Career Connected Learning (“C2L-PHL”)

C2L-PHL is the system of connections that is currently being built between youth-serving partners such as the School District of Philadelphia, City of Philadelphia and Philadelphia Works, among others. The premise is to embed career awareness and exposure into City schools, curriculum and programming offered to all students. C2L-PHL offers year-round work-based learning opportunities, during the summer and school year, for Philadelphia residents ages 12-24 to explore different career paths, gain hands-on experience, and develop essential skills. Paid summer and school year work and learning experiences are part of C2L-PHL. The programs under the C2L currently aim to engage roughly 10,000 students a year, and this system aims to expand programmatic opportunities to be available to any student in the School District.

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Employment

Table 11 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in sectors including Information; Professional and Business Services; Education and Health Services; Financial Activities; Leisure and Hospitality and Mining, Logging and Construction. These sectors continue to provide stability to the City’s overall economy. Based on 2024 data, total employment in the City was at an all-time high.

Table 11
Philadelphia Non-Farm Payroll Employment*
(Amounts in Thousands)

Sector	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Change 2015-2024	% Change 2015-2024
Leisure and hospitality	68.5	70.8	73.1	74.3	76.7	48.6	55.0	68.6	75.8	77.6	9.1	13.3%
Mining, logging, and construction	11.5	12.0	12.1	12.6	12.5	11.8	11.7	12.2	13.0	12.7	1.2	10.4%
Professional and business services	91.2	95.2	97.4	99.6	103.9	100.2	102.2	111.6	112.5	116.2	25.0	27.4%
Education and health services	217.3	223.8	230.2	238.2	242.8	236.5	234.1	249.2	261.6	275.5	58.2	26.8%
Other services	27.1	27.8	27.8	28.3	28.5	25.4	25.4	27.4	29.5	29.2	2.1	7.7%
Trade, transportation, and utilities	92.1	92.5	92.3	92.8	93.5	91.3	88.4	95.3	90.6	88.4	-3.7	-4.0%
Financial activities	42.3	42.4	41.6	42.5	43.1	42.5	42.5	43.1	47.4	50.1	7.8	18.4%
Information	11.8	11.6	11.6	12.1	12.2	11.7	12.3	13.9	16.7	15.4	3.6	30.5%
Manufacturing	21.0	20.5	20.2	19.9	19.4	17.9	18.2	18.9	19.2	19.5	-1.5	-7.1%
<i>Private Sector Total</i>	<i>582.8</i>	<i>596.6</i>	<i>606.3</i>	<i>620.3</i>	<i>632.6</i>	<i>585.9</i>	<i>589.8</i>	<i>640.2</i>	<i>666.3</i>	<i>684.6</i>	<i>101.8</i>	<i>17.5%</i>
Government	101.6	101.3	102.2	103.7	105.0	107.1	103.4	103.6	102.4	106.8	5.2	5.1%
Total	684.4	697.9	708.5	724.0	737.6	693.0	693.2	743.8	768.7	791.4	107.0	15.6%

Source: Bureau of Labor Statistics, 2024 annual average totals may not sum due to rounding.

* Includes persons employed within the City, without regard to residency.

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Table 12 shows percentage share of employment sectors for 2015 and 2024.

Table 12
Philadelphia Change in Share of Employment Sectors*
(Ranked by Percent Change of Share)

Sector	Share of Total Employment 2015	Share of Total Employment 2024	Change 2015-2024
Education and health services	31.8%	34.8%	3.1%
Professional and business services	13.3%	14.7%	1.4%
Government	14.8%	13.5%	-1.4%
Trade, transportation, and utilities	13.5%	11.2%	-2.3%
Leisure and hospitality	10.0%	9.8%	-0.2%
Financial activities	6.2%	6.3%	0.1%
Other services	4.0%	3.7%	-0.3%
Manufacturing	3.1%	2.5%	-0.6%
Mining, logging, and construction	1.7%	1.6%	-0.1%
Information	1.7%	1.9%	0.2%
Total	100.0%	100.0%	-

Source: Bureau of Labor Statistics, 2024 annual average; totals may not sum due to rounding.

* Includes persons employed within the City, without regard to residency.

Unemployment

Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels. As shown in Table 13, with the exception of the COVID-19 pandemic in 2020, employment gains in 2016 through 2025 resulted in a decline in Philadelphia's unemployment rate from an annual average high of 6.7% in 2016 to 5.1% in 2025.

Table 13 below shows unemployment information for Philadelphia, the MSA, the Commonwealth, and the United States.

Table 13
Unemployment Rate in Selected Geographical Areas
(Annual Average 2016-2025)

Geographical Area	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Change in rate from 2016-2025
United States	4.90	4.40	3.90	3.70	8.10	5.40	3.60	3.70	4.00	4.30	-0.6
Pennsylvania	5.40	5.00	4.50	4.50	9.10	6.60	4.40	3.80	3.40	4.00	-1.4
Philadelphia-Camden-Wilmington MSA	5.00	4.70	4.30	4.10	9.20	6.30	4.10	3.70	3.80	4.30	-0.7
Philadelphia	6.70	6.40	5.70	5.60	12.30	8.90	5.90	4.50	4.50	5.10	-1.6

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2025.

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (i) grow quality jobs by fostering an improved business environment; (ii) increase the City's population and visitation; (iii) boost Philadelphia's competitiveness through strategic and sectoral investments; and (iv) enable inclusive growth and neighborhood revitalization. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

Economic Competitiveness

In addition to Mayor Parker's vision of a safer, cleaner, and greener Philadelphia, which are part of a broader economic development strategy, the City utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all new construction, as well as on improvements to existing properties (legislative changes to this program are described in APPENDIX C – "REVENUES OF THE CITY – Real Property Taxes – Assessment and Collection"); (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth up to \$100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) neighborhood revitalization investments including staffing and physical improvements to facilitate commercial corridors that are attractive places for people to work, shop, and live.

The City and its partners work to attract and retain businesses through business resources, strategic investments, and marketing. Philadelphia offers a suite of additional incentives to businesses, including, but not limited to, the Quality Jobs Grant, Job Creation Tax Credit, Fair Chance Hiring Initiative, Boost Your Business! Fund, and Philadelphia Business Lending Network Incentive Grant. The City provides financial support to a number of nonprofit partners to provide business planning, technical assistance, and access to capital.

International Business & Global Strategy

The City actively works to raise its profile in the international business community. The City hosts delegations of business leaders and officials on missions to the United States, from a high of 156 delegations in 2019, and bouncing back post pandemic to 97 in 2025. This includes high profile visits (up to Heads of State or Royal family members). The City also participated in recent years in business missions to Germany, China, Canada, Japan, Mexico, and the United Kingdom. These efforts have resulted in new business attraction leads, enhanced cooperation, support to international air route development, and strengthening of various civic and business ties.

Since the pandemic, the City has continued to engage with foreign businesses and partners to strengthen exchanges, resulting in delegations and visits for new business attraction projects (from 189 foreign businesses engaged within calendar year 2022, to around 300 in each of calendar year 2024 and 2025). In particular, primarily out of European markets, several life sciences projects came to fruition, as well as tech companies opening operations.

Sizable foreign investments into Philadelphia-based assets have also happened in 2024 and 2025. These included Philly Shipyard being acquired by Hanwha (South Korea) for \$100 million, with \$5 billion of additional investments announced in 2025; S. Korea's LIG Nex1 and KIPE taking a controlling

participation in UPenn's spinout Ghost Robotics for \$240 million; Nomura's (Japan) acquisition of Macquarie's (Australia) overseas activities including operations in Philadelphia; and Bonduelle (France) selecting Philadelphia as home to its Growth Hub. Foreign companies increasingly leverage Philadelphia's assets of talent availability, academics, hospitals, approachable costs of living and doing business, and connectivity, along with City and State support.

A rebound of foreign visitors has been observed in the City. Foreign tourists have been returning to the City since 2022, catching up on domestic tourism. Although shifts have been observed (origins, size of conventions, etc.), the sector is now on par with pre-COVID visitation. This has helped rebuild international flight routes from PHL with 5 additional routes in 2024, and new key ones in 2025 (both expanded and new routes, such as Mexico City.), along with increased domestic tourism. PHL has consequently seen an increase in passengers of 9.8% over 2024, which includes a 6.5% increase for international passengers: PHL welcomed over 30 million passengers in 2024, passing the record year of 2019 (including 3.8 million foreign passengers). The City, Visit Philadelphia, PHLCVB, PHL and other partners closely collaborate on messaging and marketing efforts to support those trends, with 2026 celebrations being a key milestone and opportunity to boost Philadelphia's brand reputation. Concerns around visitation are however arising, as a result of federal policies and stances that shift the perception of the United States.

Industry Partnerships

Industry partnerships bring together multiple employers in the same industry, along with workforce development and community partners. These public-private partnerships convene to align workforce planning with the needs of employers in order to create industry-specific solutions. The Philadelphia region has several industry partnerships in the following industries: Advanced Manufacturing; Logistics, Transportation, and Distribution; Hospitality and Entertainment; Technology; and Life Sciences/Cell and Gene Therapy.

Neighborhood Revitalization

The City drives growth and neighborhood revitalization through strategic investments and place-based economic development strategies. These strategies include (i) providing direct support and investing in businesses and entrepreneurs; (ii) investing in the capacity of community organizations and business associations; and (iii) investing in physical environment and infrastructure of neighborhood commercial districts.

The Planning Commission has identified approximately 300 commercial corridors in the City. While the City's Department of Commerce supports all businesses throughout the City, there are approximately 80 corridors that are targeted for support and investment. These 80 areas are neighborhood based, pedestrian and transit oriented, and have a high density of commercial spaces (average 100 businesses in a 3-4 block area). Examples of vibrant commercial corridors include 2nd Street in Old City, 52nd Street in West Philadelphia, Main Street in Manayunk, North 5th Street in Olney, and Woodland Avenue in Southwest Philadelphia.

The City's Commerce Department employs a three-prong corridor strategy. First, it provides direct support to businesses through Business Services Managers, grant programs, and referrals to partner agencies funded to provide technical assistance, training, and lending. Commerce also supports the Philadelphia Business Lending Network (PBLN), which simplifies the process for businesses applying for loans. This service provides access to nonprofit and for-profit lenders with one form.

Second, the City drives commercial corridor revitalization through support of local management organizations such as business improvement districts (BIDs), community development corporations (CDCs), and business associations. The City currently provides funding to 48 organizations through corridor management, a CDC Tax Credit Program, and/or CDC Economic Development Support Grants. These community-based staff help neighborhood businesses take advantage of programs and resources, as well as attract new businesses to vacant properties and storefronts. For the targeted corridors that do not have a caretaker, the Commerce Department provides Business Services Managers that perform that role and work to build local capacity so the City has a partner to support businesses. The City also provides funding to neighborhood nonprofits for acquisition and construction of commercial and mixed-use properties to remove blight and encourage commercial development.

Third, the City invests in the public environment. It supports Business Improvement Districts (BIDs) and manages the \$23.8 million PHL Taking Care of Business (PHL TCB) Clean Corridors Program, which provides sidewalk cleaning on 131 corridors around the City. The City provides funding and design support to reimburse businesses for improvements to their storefronts, including lighting, signage, windows, and for installation of security camera systems. Lastly, the City manages streetscape improvement projects and funds other capital investments like bus shelters, Bigbelly waste control, and police cameras.

City and Quasi-City Economic Development Agencies

City of Philadelphia - Department of Commerce (“Commerce”)

The mission of the Department of Commerce is to be a catalyst for economic growth in Philadelphia.

Grow Philly is the Philadelphia Department of Commerce's strategic roadmap for business and community success, with the goal to deliver excellent service to businesses, drive growth, revitalize commercial corridors, and establish Philadelphia as a premier global business destination with an impact-driven workforce system.

The Department of Commerce employs seven strategies and, under each strategy, invests in a portfolio of projects designed to maximize impact and achieve the City's goals, which are as follows:

1. Streamline the Business Experience
2. Offer Business Education & Capacity Building
3. Provide Direct Capital to Businesses
4. Proactively Attract & Retain Businesses
5. Activate Neighborhood Economic Growth
6. Advance Innovative Workforce Solutions
7. Enable Efficient & Effective Operations

City of Philadelphia - Department of Planning and Development (“DPD”)

The Department of Planning and Development aligns City resources to support the development of housing and investment into communities. DPD works in collaboration with communities to promote, plan, preserve, and develop successful neighborhoods. DPD includes the Division of Housing and Community Development (DHCD); Division of Planning and Zoning (DPZ); and Division of Development Services (DS). DPD works closely with the Philadelphia Housing Development Corporation (PHDC), the City's full-service community development nonprofit organization. DS supports developers and implements the Mixed Income Housing Bonus Program and the Mixed Income Neighborhoods Program from the zoning

code. DPZ promotes community development through its boards and commissions: Philadelphia City Planning Commission (PCPC), Philadelphia Historical Commission (PHC), Philadelphia Art Commission (AC), and Zoning Board of Adjustment (ZBA). DHCD leads the City's efforts to address the ongoing national housing crisis in Philadelphia by financing and facilitating housing construction and housing renovation, improving and adapting individual homes and advancing neighborhood quality of life improvements. DHCD manages the Housing Trust Fund and creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant and other funding. DHCD will also work with the Mayor's Office of the City to carry out the City's responsibilities for implementation of the H.O.M.E. Plan, as described in "ECONOMIC BASE AND EMPLOYMENT – Housing – *Home Construction*."

Philadelphia Housing Authority ("PHA")

PHA is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases, and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and Commonwealth governments, as well as private investors. Over 93% of PHA's annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA's budget is derived from resident rent payments. Neither PHA's funds nor its assets are available to pay City expenses, debts, or other obligations, and the City has no power to tax PHA or its property. Neither the City's funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA.

Philadelphia Housing Development Corporation ("PHDC")

PHDC is a 30-year-old, full-service community, and economic development entity with an annual program budget of more than \$60 million and \$23 million for operations. It works to build stronger communities by creating and preserving affordable housing, supporting economic development projects, and redeveloping vacant land and properties throughout the City.

PHDC staffs the PLB (as defined herein) and the PRA boards and functions. All land management, community investment functions, and housing improvement programs now operate under one leadership team at PHDC. PHDC's Home Improvement programs serve approximately 5,000 people annually and help to stabilize over 100 small businesses. Under a contract with the DPD, from Fiscal Years 2020 through 2022, \$65.5 million in PHDC financing leveraged funding for 1,313 units at 26 developments.

PHDC also supports the Philly First Home Program, providing grants of up to \$10,000 to low and middle-income first-time home buyers. To date, such program has supported over 3,700 residents in home purchases and has led to approximately \$600 million in mortgages from banking institutions. PHDC is continuing to expand homeownership opportunities by leveraging the land acquired by the PLB to support private developers to build 100 new homes on these parcels. In Fiscal Year 2022, PLB disposed of 70 parcels, on which 203 housing units were built and title to 27 side yards/gardens was transferred. Such parcels also support four economic development projects.

Philadelphia Land Bank ("PLB")

As described in APPENDIX C, the PLB is an independent agency formed under the authority of City ordinance and Pennsylvania law to return vacant and tax delinquent properties to productive reuse. Established in 2013, the PLB is an institutional partner in land use. The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can:

(i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City's lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

Another PLB responsibility is to develop a strategic plan for vacant land in Philadelphia. In the PLB's 2019 update to its strategic plan, certain key achievements were highlighted, including, among other things, (i) an increase in acquisitions (up from 21 in Fiscal Year 2017 to 276 in Fiscal Year 2018 and 463 through the second quarter of Fiscal Year 2019); (ii) an increase in dispositions (up from 18 properties conveyed in Fiscal Year 2017 to 78 conveyed in Fiscal Year 2018 and 132 properties conveyed through the second quarter of Fiscal Year 2019); and (iii) formalizing the process for executing license agreements.

Philadelphia Industrial Development Corporation ("PIDC")

Established as a public-private partnership in 1958 by the City and the business community, PIDC is a non-profit organization that offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 65+ years, PIDC and its affiliates have settled over 13,500 transactions, including nearly \$21 billion in financing that has leveraged tens of billions of dollars of total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. As of year-end 2024, PIDC managed a direct loan and third-party portfolio exceeding \$522 million across 548 loans and a 135-acre publicly-controlled industrial land inventory.

PIDC continues to advance development projects in key areas across Philadelphia. PIDC remains committed to transforming 40 riverfront acres along the Lower Schuylkill River into a world-class urban campus for modern manufacturing, supporting up to one million square feet — a development project marketed as the Lower Schuylkill Innovation Campus (formerly "Lower Schuylkill Biotech Campus"). This vision stems from the City's 2010 Industrial Land and Market Strategy and the 2013 Lower Schuylkill Master Plan, which identified this corridor as an "Innovation District." Despite shifting economic conditions and capital market trends, PIDC remains dedicated to preparing the site for future development, ensuring it is shovel-ready by continuing land remediation, enhancing infrastructure, and improving connectivity with nearby communities. Future plans will consider additional innovative advanced manufacturing uses while prioritizing job creation accessible to Southwest Philadelphia residents, particularly those without college degrees.

In 2024, PIDC and its developer partners continue to implement the updated Navy Yard master plan released in summer 2022, which details a comprehensive vision for the Navy Yard that incorporates development that has occurred to date, integrates and refines future development plans, and charts an innovative course for public realm, transportation, and infrastructure in the Navy Yard's next stage of growth. The plan calls for a total of over 4.3 million square feet of new construction and adaptive reuse supporting commercial and life sciences development, complemented with retail, hospitality, additional welcoming open spaces, expanded transit options, and — for the first time since the military base closure — residential units. After breaking ground in 2023, construction progressed in 2024 on the \$285 million Chapel Block residential project which will bring 614 units (including 91 affordable workforce housing units) and residents to the Navy Yard for the first time in decades. This project includes a \$100 million equity fund raised by Basis Investment Group.

Also, the Skill Initiative at the Navy Yard – a workforce training and development partnership between PIDC and the West Philadelphia Skills Initiative – continues to connect more Philadelphians (over 115 since the program’s inception) to full-time employment.

After a \$22 million reconstruction project to rebuild Broad Street at the Navy Yard, the gateway road has reopened. This project was a critical step in restoring safe, multimodal access to the Navy Yard for its 150 companies, 15,000+ employees, and thousands of annual visitors, while also advancing PIDC’s \$6 billion redevelopment partnership that, at full buildout, is expected to generate over 12,000 additional quality jobs over the next 20 years. The Navy Yard also welcomed new corporate partners in 2024, including bioMérieux, which opened a \$125 million Molecular and Genetic Innovation Center, and Axalta, which established its new headquarters at the Navy Yard.

In 2024, PIDC played a key role supporting the development of the Bellwether District in Girard Point/Passyunk, closing on a major Welcome Fund (EB-5) loan to Hilco Redevelopment Partners. This project will help remediate and redevelop a 1,300-acre brownfield site into a logistics and life sciences hub, supporting or creating more than 1,500 jobs. PIDC remains committed to driving economic growth across Philadelphia by leveraging strategic investments, fostering real estate development, and strengthening small businesses. These efforts ensure that Philadelphia continues to attract investment, create jobs, and support thriving communities citywide.

Philadelphia Redevelopment Authority (“PRA”)

In 1945, the Commonwealth enacted the Urban Renewal Law and created the PRA as the City’s urban renewal agency. Today, the PRA continues its role as a key financier, project manager, leader, and expert of developing and maintaining land in the City. The PRA is one of five municipal land holding agencies. Its Real Estate Division facilitates the redevelopment of PRA assets, and it provides project management and analysis for real estate sales, acquisitions, redeveloper agreements, developer submissions, and required approvals. PHDC leads the underwriting and loan closing process for affordable housing projects within the City and works primarily with non-profit and for-profit developers as a lender.

Philadelphia Works, Inc. (“PhilaWorks”)

PhilaWorks is the City of Philadelphia’s designated workforce development board and a 501(c)(3) non-profit organization. PhilaWorks invests in solutions and services that support the growth of Philadelphia’s economy by connecting employers to workforce talent and career seekers to employment and training opportunities. Additionally, PhilaWorks influences the public policies that support economic growth throughout the region and optimizes funding and resources to invest in solutions that build a skilled and thriving workforce.

PhilaWorks manages the City’s public workforce system, PA CareerLink® Philadelphia, and a network of youth workforce providers. The system offers skills gap training/upskilling, long-term career planning, and tech talent solutions for career seekers and talent pipeline development, subsidized wage programs, and tax incentives for employers. PhilaWorks engages local career seekers through in-person and online services, via direct outreach, and through business relationships.

Rebuilding Community Infrastructure Program (“Rebuild”)

The Rebuild program, using funds from the Philadelphia Beverage Tax (see “REVENUES OF THE CITY – Other Taxes”), invests hundreds of millions of dollars in Philadelphia’s parks, recreation centers, and libraries. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development, make capital improvements

in neighborhood public and shared spaces, and build capacity and opportunities for businesses and job opportunities for local residents. In 2026, the Rebuild program will have approximately \$138 million of construction underway, with 21 groundbreakings and ribbon cuttings planned. As of May 4, 2026, 72 total sites have been approved for the Rebuild Program. Of these sites, 43 have been completed, with the remaining 29 sites either in the planning and evaluation phase, engagement and design process, or construction phase. For more information on a recent Rebuild bond financing, see APPENDIX C – “DEBT OF THE CITY – Recent and Upcoming Financings.”

Private and Nonprofit Economic Development Agencies

Local Chambers of Commerce (“Chambers”)

The City of Philadelphia partners with multiple chambers representing the county and region. In 2021, a collective of local chambers of commerce announced a formal partnership to collaboratively facilitate entrepreneurship and growth, advocate on shared issues, and increase each member’s organizational efficiency. The Greater Philadelphia Chamber of Commerce leads the region’s business advocacy and business and talent attraction efforts, which include Select Greater Philadelphia.

Business Improvement Districts (“BIDs”)

Since the founding of the Center City District (CCD) in 1990, BIDs have been important partners in the economic development of Philadelphia. BIDs are local organizations that are organized by property owners and businesses to cooperatively fund services within their local area. BIDs are formed when these stakeholders create a plan and secure authorization through City Council, which enables BIDs to collect a mandatory annual BID assessment from property owners in the area receiving the BID services. Philadelphia has 15 BIDs. BIDs typically provide cleaning and beautification services, and market their districts and host special events to attract shoppers to the area. BIDs are important advocates for the businesses located in their areas. BID staff are important partners to the City in making sure that neighborhood businesses are aware of local programs and other business development resources.

The Philadelphia BID Alliance, formed in 2020, is a citywide association of the 15 BIDs and aligned organizations. It is a venue for sharing best practices among BID staff and advocates for BIDs and the interests of the businesses their organizations support.

Community Development Corporations (“CDCs”)

Philadelphia has more than 40 non-profit CDCs that invest resources in managing a neighborhood commercial corridor. CDCs work to keep commercial areas safe, free of litter, and attractive. They strive to bring visitors and shoppers to support local economies and create opportunities for local entrepreneurs and small businesses that seek a brick-and-mortar space from which to operate. CDC staff, including the position of “commercial corridor manager” or “business district manager,” are often the most visible faces working to build trust with business owners, respond to their concerns, and help them grow and succeed in business.

Philadelphia offers various grant and partnership programs to support the work of these important community partners, including the CDC Tax Credit and Economic Development Support grants, the Targeted Commercial Corridor Management Program, and partnership with the Philadelphia Association of CDCs and Local Initiatives Support Corporation (LISC) Philadelphia for capacity-building and staff training programs. The City also has a CDC Tax Credit program that allows businesses to support local CDCs in exchange for a one-to-one tax credit. Through this program and its accompanying CDC Economic

Development Support Grant, the City provides operating support to 47 community based nonprofit organizations that perform economic development activities.

Within these programs, economic development activities are defined as business support services such as assistance in navigating City business processes, accessing grants and financing, connecting to technical assistance providers, and supporting business associations, as well as undertaking planning and commercial development projects that improve access to high-quality goods and services in all neighborhoods of the City.

Visit Philadelphia

Established in 1996, Visit Philadelphia markets Philadelphia to promote leisure travel. The organization utilizes robust campaigns, media relations, advertising, websites, and social media to promote tourism. According to the Visit Philly 2024 Annual Report, of the 3.6 million hotel rooms consumed, demand was greatest among leisure visitors, who were projected to lead the Center City recovery. In 2024, the City welcomed 26.6 million visitors, marking a 3% increase from 2023. These visitors contributed \$4.5 billion in spending and generated a total economic impact of \$7.0 billion. The tourism sector supported 77,800 hospitality-related jobs in Philadelphia, reflecting a 6% rise from the previous year. Local tax revenues from tourism reached \$417 million, an 8% increase over 2022. Hotel performance in the City also improved, with occupancy rates climbing to 66% and average daily rates reaching \$199.

Philadelphia Convention & Visitors Bureau (“PHLCVB”)

Established in 1941, the Philadelphia Convention and Visitors Bureau (PHLCVB) is a private, nonprofit corporation that serves as the official tourism promotion agency for the City to overseas markets, as well as the primary sales and marketing agency for the Pennsylvania Convention Center. PHLCVB also books domestic group tours. PHLCVB markets Philadelphia broadly to attract overnight visitors through innovative content such as advertising, marketing, public relations, and digital campaigns. In 2023, PHLCVB had 20 citywide events on the books – gatherings that generate 2,000 or more hotel room stays on its peak night.

The Pennsylvania Convention Center (the “Convention Center”) was completed in 1993, and underwent a substantial expansion that was completed in 2011. The Convention Center offers more than 1 million square feet of flexible event space, including seven exhibit halls with 679,000 square feet of space, 82 meeting rooms, and two ballrooms. In 2024, the Pennsylvania Convention Center held 147 events with 942,977 attendees.

Pennsylvania Community Development Financial Institution Network (“PA CDFI Network”)

Founded in 1997, the PA CDFI Network is a statewide collective of community development financial institutions (CDFI) that provide affordable loans and technical advisory services to companies unable to access financing through traditional channels. The network seeks to build the capacity and expand the reach of its CDFI members, individually and collectively, to serve all people and places across Pennsylvania. In order to do this, the Network educates Pennsylvania residents, businesses and legislators about the purpose and function of CDFIs in promoting community development. In 2022, local CDFIs also secured a \$100 million commitment through an emerging bank-led Greater Philadelphia Financial Services Leadership Coalition to further support Philadelphia businesses. These collaborations present a promising model to create systematic supports for the City’s small businesses and showcase the potential for future collaborations across the entrepreneurship ecosystem.

CDFIs are certified by the Community Development Financial Institutions Fund at the U.S. Department of the Treasury, which provides funds to CDFIs through a variety of programs.

Entrepreneurship Ecosystem

Philadelphia has a legacy of community and small business development supported by many nonprofit organizations and government-supported endeavors. The City was the original headquarters of the Opportunity Finance Network and is home to unique public-private partnerships like PIDC and Ben Franklin Technology Partners. In 2021, United Way of Greater Philadelphia and Southern New Jersey, in partnership with the City and PIDC, issued an Equitable Entrepreneurship Ecosystem Assessment and Strategy that is guiding future investments. The strategy reflects the multitude of nonprofits actively supporting entrepreneurs in Philadelphia. These organizations continue to convene and collaborate in quarterly meetings. The Business Resource Convening brings together business service nonprofit organizations to network and tackle barriers to entrepreneurship. The Philadelphia Business Lending Network also convenes private banks and nonprofit lenders that collaborate around improved access to capital.

CULTURE, TOURISM, AND AMENITIES

Museum and Attractions

Crucial to tourism is the City's robust arts and culture sector. One in three tourists who come to Center City cites museums and cultural events as the primary reason for their visit. Top attractions include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, Reading Terminal Market, the Franklin Institute, Eastern State Penitentiary, and Franklin Square, among others.

Philadelphia is considered the "mural capital of the world" and provides the largest collection of public art in the U.S. The Benjamin Franklin Parkway (also called the "Parkway" or the "Museum Mile") alone comprises renowned art and cultural sites, such as Love Park, the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, and numerous pieces of public art. In 2021, over \$230 million in renovations were completed at the Philadelphia Museum of Art, opening 90,000 square feet of new public space. The Franklin Institute's space exhibit was expanded to about 7,000 square feet in 2023, with the \$8 million expansion opening in November 2023. In addition, a new \$70 million museum, Calder Gardens, opened in 2025. Over the next several years, the African American Museum in Philadelphia is also expected to move to a new location on the Parkway.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, Pennsylvania Academy of the Fine Arts, Fringe Arts, and more than 490 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. Philadelphia's downtown arts and cultural organizations, the second largest concentration in the country, were challenged by the pandemic, but adapted with virtual programming and outdoor performances, and are now rapidly recovering. Philadelphia was recently named one of 11 cities around the world that are home to "Must-See Public Art," per Travel + Leisure's 2022 list, which cites iconic sculptures such as LOVE and Rocky, as well as the work done by Mural Arts Philadelphia and the Association for Public Art.

Sports

Another key element of Philadelphia's hospitality industry is professional sports. Philadelphia is the only city to have a professional hockey, basketball, baseball, and football team playing in a single district, the Sports Complex Special Services District, created by the City in 2000.

The Philadelphia Eagles' Super Bowl LIX victory in February 2025 significantly boosted the City's tourism and hospitality sectors. Between February 13 and 15, Center City hotels experienced a surge, selling over 11,000 additional rooms and generating approximately \$4.3 million in extra revenue. Hotel occupancy rates reached 90% during this period, a notable increase compared to the same timeframe in 2024. The Super Bowl parade on February 14 attracted more than 919,000 residents, workers, and visitors to Center City, nearly doubling the typical Friday foot traffic.

Philadelphia has hosted or will host several of the world's biggest sporting events, including six NCAA Championships, as well as the PGA Championship (held within the greater metropolitan area), Major League Baseball All-Star Game, FIFA World Cup in 2026, the Penn Relays, and Big 5 Basketball (University of Pennsylvania, La Salle University, Saint Joseph's University, Temple University, Villanova University, and Drexel University (added 2023-2024)). The Army-Navy Game will return in 2027.

Within the greater metropolitan area, the Philadelphia Union of Major League Soccer play their home games (at Subaru Park in Chester, Pennsylvania, next to the Commodore Barry Bridge on the waterfront along the Delaware River).

The South Philadelphia Sports Complex houses three professional sports facilities: The Xfinity Mobile Arena opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively.

The Phillies and Comcast Spectacor, which owns the Philadelphia Flyers, have announced joint efforts to transform the South Philadelphia Sports Complex. The plans include two phases – (i) phase one would include upgrades to Xfinity Live!, and the addition of a mid-sized concert venue, a hotel, new retail shops, and an outdoor plaza to the South Philadelphia Sports Complex between Pattison Avenue and the Xfinity Mobile Arena, and (ii) phase two would include additional development around the Xfinity Mobile Arena, expand the outdoor plaza to Citizens Bank Park, and add another hotel, residential units, an office space, and additional restaurants, retail shops, and green space.

In 2021, Philadelphia opened The Block, the nation's first esports campus spanning 40,000 square feet. Located in Center City, The Block is also home to Localhost, a dedicated esports arena, which is accessible to the public for hourly gameplay and hosts local and national, amateur and professional esports events.

In January 2025, the Philadelphia 76ers abandoned their proposal for a \$1.3 billion arena in Center City's Market East district. Instead, they announced a partnership with Comcast Spectacor to build a new arena within the South Philadelphia Sports Complex, set to replace the Xfinity Mobile Arena by 2031. This collaboration also sought and secured a WNBA team for the City, further enhancing Philadelphia's sports infrastructure. The WNBA team is expected to start play in 2030.

Music, Theater, and Dance

Considered to be one of the top theater cities in the U.S. with the oldest theater in America built in 1809, Philadelphia continues to entertain audiences centuries later with theatre, musicals, shows, orchestras and operas. Theaters and performing arts institutions include the Philadelphia Orchestra, Opera Philadelphia, Kimmel Center for Performing Arts, Walnut Street Theater, Philadelphia Ballet, Penn Live Arts, Philadelphia Theater Company, Curtis Institute of Music, Academy of Music, and more.

As aforementioned, music is key to Philadelphia's creative economy. Prominent concert venues include the Met, the Fillmore, Theater of the Living Arts (TLA), Xfinity Mobile Arena, Union Transfer, Franklin Music Hall, World Stage (formerly World Café Live), and the Pennsylvania Convention Center, in addition to numerous local music bars, clubs, coffee houses, and smaller live music venues. Philadelphia has hosted multiple annual music festivals such as Jay Z's Made in America, the Roots Picnic, the Philadelphia Folk Festival, and HiJinx.

Philadelphia Ballet broke ground in September 2022 to expand its home on North Broad Street, the Philadelphia Ballet Center for Dance. The five-story center is expected to be completed in 2026 and will feature, among other things, new rehearsal studios, administrative offices, a black box performance space, innovation and rehearsal space, new spaces for community programs and events. The transformative renovation and expansion will add 43,000 square feet to the company's existing building.

Historic District

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. Philadelphia has 67 National Historical Landmarks in what's called the nation's "most historic square mile." As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District in Old City, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House and Elfreth's Alley, the oldest residential street in the U.S. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience.

Old City is home to some of the country's oldest historical assets. Independence National Historical Park is an international destination, attracting 4.8 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers, public parks, and a diverse mix of technology, media, professional, and service organizations. Some 5,200 residents live in Old City's historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to \$100,000 in Commonwealth tax credits.

Old City District ("OCD") is a business improvement district that promotes the area and fosters economic development locally. OCD helps companies find suitable real estate and actively promotes the sector to attract businesses. Over the last few years, technology and creative businesses have established an increasingly important presence in the area.

Retail Market

For two decades, Philadelphia has steadily diversified downtown land use creating a broad retail customer base that includes workers, tourists, regional customers and a downtown population that is the third largest in the U.S. Staple downtown shopping destinations include Rittenhouse Square, Shops at Liberty Place, University Square, and Fashion District in Market East. During the winter holidays, Center City also opens Christmas Village and the Made in Philadelphia Holiday Market.

Center City's vibrant sidewalks offer customers the ability to discover a mix of local and regional retailers and restaurants. Downtown retail has proven resilient, with vacancy declining and brokers reporting an uptick in tenant interest and leasing activity. More than 285 new retailers, restaurants and service-oriented businesses have opened in Center City since 2020, with 52 signed leases in 2024. As of March 2025, Center City's occupancy rate was 83%, nearing the pre-pandemic level of 89%. Retail brokers have also reported continued tenant inquiries, tours, and active lease negotiations.

Market East, an important commercial area between City Hall and the City’s Historic District is experiencing significant development. In late 2019, Fashion District Philadelphia (formerly the Gallery mall) opened to the public. A \$420 million redevelopment project, the Fashion District is a unique retail development offering fashion, dining, entertainment, and arts and culture. The revitalization of this section of the City, also considered a major transport hub, is expected to be transformative.

Philadelphia’s more than 300 commercial corridors are vibrant retail hubs in neighborhoods like Old City, the Gayborhood, Midtown Village, Fishtown, Northern Liberties, Germantown, Manayunk, Chinatown, as well as throughout Philadelphia. The City’s retail market generates more than \$1 billion in annual retail demand, and such figure is expected to increase as more retail space is currently under construction.

Restaurants and Nightlife

Philadelphia’s restaurant and nightlife sectors have entered a defining era in 2025–2026, marked by international recognition, culinary excellence, and large-scale global events that are reshaping the City’s after-dark economy (the “Nighttime Economy”). Most notably, the arrival of the Michelin Guide to Philadelphia signaled a new chapter in the City’s global culinary standing. Esteemed establishments, such as Dizengoff, Her Place Supper Club, Vetri Cucina, My Loup and many more, have helped position Philadelphia as a serious international dining destination, reinforcing the City’s identity as a place where independent chefs, neighborhood concepts, and globally inspired cuisine thrive side by side.

At the same time, Philadelphia is preparing to take center stage in 2026 as the nation celebrates the 250th anniversary of American independence. With marquee global events, such as the FIFA World Cup matches and the Major League Baseball All-Star Game weekend, coming to the City, the Nighttime Economy is actively coordinating with public safety, hospitality leaders, venue operators, and cultural institutions to ensure seamless activations, extended-hour programming, and welcoming experiences for residents and international visitors alike. The emphasis is not only on operational readiness, but on curated cultural moments that showcase Philadelphia’s creativity, diversity, and hospitality on a global stage.

Central to this evolution is the continued expansion of the Liberty Bell Safe Certification Program (“LBSC”). What began as a pilot initiative has grown into a cornerstone of Philadelphia’s Nighttime Economy. Today, nearly 50 nighttime establishments are certified, representing restaurants, lounges, clubs, and event spaces committed to enhanced safety protocols, staff training, and inclusive hospitality standards. The program is actively onboarding additional venues and is increasingly viewed as a best-practice benchmark for new operators opening businesses in Philadelphia. LBSC is becoming a staple expectation within the industry.

Building on this momentum, the Tuesday Nights Live pilot program was launched in 2025 and has been a successful initiative designed to activate hotel lobby spaces along the Market East corridor. The pilot program centered on structured live music programming that ensured artists received fair pay and livable wages, positioning hospitality venues as cultural anchors rather than passive spaces. The program strengthened foot traffic, enhanced guest experiences, and reinforced the role of hotels as active contributors to the City’s cultural ecosystem. In 2026, plans are underway to expand Tuesday Nights Live beyond its pilot footprint – scaling the model to additional corridors and properties across Philadelphia’s nighttime landscape.

Together, these developments reflect a City whose nighttime economy is not only expanding, but maturing – earning global acclaim, preparing for historic international moments, strengthening safety standards, and building sustainable pathways for cultural workers and businesses alike.

Casinos

Rivers Casino

Philadelphia's first casino, Rivers (formerly SugarHouse), originally opened in September 2010 and underwent a \$15 million rebrand in 2019. One of Philadelphia's largest employers, Rivers Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, live entertainment, and a parking garage.

Cordish Live! Casino

Live! Casino & Hotel Philadelphia, which opened in January 2021, is a \$700 million world-class hotel, gaming, dining and entertainment destination featuring 2,000+ slot machines and 150+ live action table games, an upscale 200+ room hotel, a new 2,700-space parking garage, locally and nationally-recognized restaurants and live entertainment venues. The project is located in the heart of the Stadium District in South Philadelphia, immediately proximate to Xfinity Live!, The Cordish Companies' premier dining and entertainment district. The project creates the first comprehensive gaming, resort, entertainment, and sports destination in the United States, making it a true regional destination.

Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are an impetus for environmental remediation and private development of former industrial property within the City.

Delaware River Waterfront Corporation ("DRWC")

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last 10 years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the expansive Delaware River Trail in 2022 and the newly renovated Cherry Street Pier in 2018. DRWC has several development projects underway, such as Graffiti Pier, the South Wetlands Park, and the Park at Penn's Landing, which will include the creation of a cap over I-95 and connect Old City Philadelphia with the Delaware River. The proposed 11-acre, multimillion-dollar park project is in the planning stages. Construction of the park began in early 2023 and is scheduled to be completed in 2028. DRWC, the City, and the Commonwealth have also partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels. The City's contribution to this project is \$80 million (\$60 million toward the park/topside amenities and \$20 million toward the Schuylkill River Trail). The project is expected to generate approximately \$1.6 billion of new revenues benefiting the City, School District, and Commonwealth. Potential future development includes two parcels that could bring 1,500 new housing units, 500 hotel rooms, and over 100,000 square feet of retail, dining, and entertainment to the waterfront.

Schuylkill River Development Corporation (“SRDC”)

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, \$70 million was invested by SRDC, the City, and partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia, such as the Christian to Crescent Connection. This trail section will connect neighborhoods on both sides of the Schuylkill River to a vast existing network of parks and trails, including the Schuylkill River trail, Fairmount Park, and the regional network of recreational trails and related facilities known as the Circuit. It will also provide those neighborhoods with a direct pedestrian and bicycle route to Center City’s jobs and services. In addition, it will help complete Philadelphia’s segment of the East Coast Greenway.

SRDC also worked with the City to extend Schuylkill Banks to 61st Street. The project included the construction of approximately 1,800 feet of trail, shoreline stabilization, constructing stormwater infiltration basins, planting approximately 125 trees, restoring approximately 1.6 acres of degraded industrial land, as well as constructing an overlook, and a fishing plaza. This project is the first phase of a larger trail extension project. Bartram’s to 61st Street was completed in 2021. Bartram’s Mile Fishing Pier was also rehabilitated in 2022. Work is underway on the Schuylkill Crossing at Grays Ferry and the Christian to Crescent Connector trail segment. Plans continue for the 61st Street to Passyunk trail segment, bringing the City closer to installing a trail and greenway with vital riverfront access along the entire tidal Schuylkill. Since 2005, Philadelphia has benefitted from more than \$1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

TRANSPORTATION

Public Transportation

General. The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL (as defined herein) and to the surrounding counties. SEPTA is also facing an operating funding crisis, which has led to service cuts and fare increases as it awaits additional investment from the Commonwealth. For more information on SEPTA, see “– Southeastern Pennsylvania Transportation Authority” and APPENDIX C – “EXPENDITURES OF THE CITY – City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA).”

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation (“PATCO”), a subsidiary of the Delaware River Port Authority. PATCO brings approximately 5.8 million riders to Philadelphia per year.

New Jersey Transit operates 16 different bus routes that serve Philadelphia, as well as the Atlantic City Train Line, which terminates in Philadelphia. In Fiscal Year 2023, there were almost 3 million passenger trips on these bus lines. There were also 500,000 passenger trips on the Atlantic City Line in the same period.

AMTRAK, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Amtrak provides direct service along the Northeast corridor to destinations such as New York, Trenton, Wilmington, Baltimore, and DC, as well as service along the Keystone line to Harrisburg and Lancaster, plus several long-distance routes to other national locations.

Philadelphia's 30th Street Station is undergoing a large-scale restoration and renovation project, which is expected to enhance the station's functionality and improve the customer experience for Amtrak, SEPTA, and NJ TRANSIT customers. Improvements at the Market Street Plaza, with expanded retail offerings and other benefits to the local community, are part of the project. The project is also part of a larger development project and part of the Philadelphia 30th Street Station District Plan.

Center City, the City's downtown core, is one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the CBD between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within City limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations in central Philadelphia and the surrounding neighborhoods. Since that time, it has more than doubled in size to a network of 250+ stations spanning from East Falls to the Navy Yard, and from the Delaware River to 53rd street.

Indego ridership continues to grow. In 2024, ridership was 1.27 million, a 17% increase over 2023. This growth is an effect of the concession contract for the operations of Indego. Bicycle Transit Systems, a Philadelphia-based company, which began a 10-year agreement in January 2021, will fund significant expansion over the coming years. When complete, the system will include more than 350 stations and 3,500 bicycles with a fleet of approximately 50% electric assist bicycles. In 2024, the Indego system has expanded to over 250 stations and 2,000 bikes.

Bipartisan Infrastructure Law ("BIL") and Inflation Reduction Act ("IRA"). The federal BIL, as enacted in the Infrastructure Investment and Jobs Act ("IIJA"), provides funding for infrastructure upgrades to not only the City, but also SEPTA, PennDOT, AMTRAK, and the Port of Philadelphia. Such funding is available for federal fiscal years 2022-2026. The City estimates over \$700 million in federal funding to be available through this program, in addition to approximately \$180 million in State funds for infrastructure projects. The City has already been awarded over \$751 million in formula and discretionary funding as of February 2025 with other agencies receiving an additional \$1 billion for projects in Philadelphia. The City is currently monitoring federal funding policy decisions and any possible funding impacts related thereto. Federal funding programs have experienced increased risk of pause, cancellation, or rescission since January 2025, however the status of most grants awarded under the BIL/IIJA remains unchanged as of March 2026.

The IRA, passed and signed into law in 2022, represented significant federal investments in climate, clean energy, environmental justice, and other economic initiatives. It was estimated that Philadelphia was a partner in or was eligible to access approximately \$685 million in additional funding, financing, and incentives from twelve IRA programs. In 2025, the City was notified that \$150 million in federal funds from the Neighborhood Access and Equity Program were rescinded from the Chinatown Stitch project to connect two sides of the Chinatown neighborhood that are divided by a highway. The project remains in the planning phase and the City will evaluate other grant funding options.

Southeastern Pennsylvania Transportation Authority

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 292.9 million in Fiscal Year 2019, which dropped to 105.8 million in Fiscal Year 2021 but recovered to 198.3 million in Fiscal Year 2024.

The remaining ridership gap combined with inflation has caused a \$213 million structural operating deficit, reduced from \$240 million by the introduction of fiscal austerity measures. SEPTA initially planned to close the operating gap by instituting a 21.5% fare increase and reducing service by 45%. Such service cuts would have a significant effect on mobility and the economy of Philadelphia and surrounding counties. In September 2025, the Pennsylvania Department of Transportation approved SEPTA's request to access \$394 million of capital funds to use for operational expenses in order to maintain service levels for the following two years. While this agreement does not provide a long-term solution to SEPTA funding, the service cuts were reversed. The fare increases of 21.5% remain in effect.

SEPTA's operations are accounted for in three separate divisions: City Transit; Regional Rail; and Suburban Transit. The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges, and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth on applicable lines, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance. SEPTA's capital budget for Fiscal Year 2026 is proposed to be just under \$1 billion dollars. SEPTA made significant changes in its Fiscal Year 2026 12-year capital program by revising all project scopes to have more realistic assumptions. This caused nearly \$2 billion in projects to be removed from the capital plan, even as it added funds to critical programs, such as Trolley Modernization.

As part of a two-year pilot program, the City has partnered with SEPTA to provide free SEPTA passes to eligible City employees through the SEPTA Key Advantage Program. All permanent full-time, part-time and provisional City employees are eligible to participate in this program, which gives them access to travel on all modes of SEPTA transit at no cost.

For more information on SEPTA funding, see APPENDIX C – EXPENDITURES OF THE CITY – City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA)."

Airport System

The airport system consists of the Philadelphia International Airport (“PHL”) and Northeast Philadelphia Airport (“PNE”) (collectively, the “Airport”). PHL and PNE are owned by the City of Philadelphia and operated by the Department of Aviation. The Airport serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. PHL serves as a primary hub in American Airlines’ route system.

The Aviation Fund is an enterprise fund of the City. Enterprise funds are established by governmental units to account for services that are provided to the general public based on user charges, and they are operated in a manner similar to business-type activities. The Aviation Fund is self-supporting, using no local tax dollars to operate. The Aviation Fund uses aircraft landing fees, terminal building rentals, concession revenue and other facility charges to fund annual expenses. The Airport’s capital program is funded by airport revenue bonds issued by the City, commercial paper (“CP”), federal and state grants, passenger facility charges (“PFCs”), customer facility charges (“CFCs”), and operating revenues.

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the United States). According to data reported by Airports Council International – North America, PHL was ranked the twenty-second busiest airport in the United States with 30.9 million total passengers served in calendar year 2024. In 2025, PHL served 30.1 million passengers, which is a decrease of approximately 2.5% from 2024.

PHL has approximately 2,598 acres located partly in the southwestern section of the City and partly in the eastern section of Delaware County, about seven miles from Center City Philadelphia. The Airport’s runway system consists of parallel runways, a crosswind runway, a commuter runway, and interconnecting taxiways. PHL’s terminal facilities consist of seven terminal units totaling approximately 3.3 million square feet and include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, a variety of food, retail and service establishments, and other support areas.

Outside of the terminal area, PHL also has the following: six active cargo facilities; various support buildings; training areas; an air traffic control tower; a fixed-base operator; corporate hangars; a fueling supply facility; two aircraft maintenance hangars; a first-class office complex; a 14-story hotel; seven rental car facilities; a cell-phone lot; employee parking lots; and five public parking garages.

PNE is located on approximately 1,118 acres situated within the City limits, ten miles northeast of Center City Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE has no scheduled commercial service.

The Airport’s three-year Airport-Airline Use and Lease Agreement (the “Airline Agreement”) with its signatory airlines took effect on July 1, 2023, and includes options for two one-year extensions. The Airline Agreement authorized an additional \$935 million in new capital investments, bringing the total airline commitment to advance the Airport’s capital development program to approximately \$1.8 billion to rehabilitate and repair the Airport’s existing infrastructure, which includes terminal and landside improvements, airfield improvements, security and information technology improvements, land acquisition, and ground transportation improvements, among other things.

Port of Philadelphia

The Port of Philadelphia (the “Port” or “PhilaPort”) is located on the Delaware River within the City limits. The Philadelphia Regional Port Authority, recently rebranded as PhilaPort, is an independent

Commonwealth of Pennsylvania agency that manages port infrastructure. The Port's facilities are serviced by two Class I railroads (CSX and Norfolk Southern) and provide service to major eastern Canadian points, as well as Midwestern, southern and southeastern U.S. destinations. Over 1,600 local general freight trucking companies operate in the MSA.

The Port has 11 marine terminal leases and 14 deep water berths. The Port's facilities encompass four million square feet of warehousing capacity and are located in close proximity to Interstate 95 and Interstate 76.

In recent years, PhilaPort, along with the U.S. Army Corps of Engineers, completed the Delaware River Main Channel Deepening Project, a long-term project to deepen the main channel of the Delaware River from 40 to 45 feet. To take advantage of the channel deepening project, PhilaPort programmed over \$750 million in capital funding to increase port capacity and competitiveness for containers, automobiles, and breakbulk cargo.

The Port has seen substantial growth in the past ten years. Calendar year 2024 saw an 8% increase in cargo handled to \$7.4 million tons. During the same period, containerized cargo increased 16% to 840,751 Twenty Foot Equivalent Units (TEUs) and automobiles increased 9% to 281,819 units.

KEY CITY-RELATED SERVICES AND BUSINESSES

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal, and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the Water and Wastewater Systems; (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of the Airport System (see "TRANSPORTATION – Airport System"); and (xiv) maintenance of a prison system. Certain of these services are described in more detail below.

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department (the "Water Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System", respectively.

The Water System service area includes the City and has one wholesale water service contract. Based on the 2024 U.S. Census Bureau estimate, the Water System served 1,573,916 individuals. As of June 30, 2025, the Water System served approximately 506,000 active customer accounts using approximately 3,200 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 56.8% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD. The combined maximum source water withdrawal capacity from the two rivers that supply

these plants is 680 MGD. The excess source water capacity enables higher than normal withdrawal from either river should conditions limit withdrawals from one.

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Based on the 2024 U.S. Census Bureau estimate, the Wastewater System served 1,573,916 individuals that live in the City and ten wholesale contracts.

As of June 30, 2025, the Wastewater System served approximately 541,000 accounts, including approximately 44,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities, authorities and one corporation.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 23 wastewater pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 770 miles of sanitary sewers, 760 miles of stormwater sewers, 16 miles of force mains (sanitary and storm), and 330 miles of appurtenant piping. The three WPCPs processed a combined average of 522 MGD of wastewater in Fiscal Year 2024, have a 783 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Gas Works

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW is (i) the largest municipally-owned gas utility in the nation, (ii) responsible for the acquisition and storage of natural gas, and (iii) the sole distributor of natural gas within the limits of the City. Such limits also define the service area of PGW which, being the corporate limits of the City, is a mostly dense urban area of 143 square miles located in southeast Pennsylvania along the Delaware River and within the smallest county of the Commonwealth.

PGW is principally a gas distribution utility, with a distribution system of approximately 3,041 miles of gas mains and 476,605 service lines. In addition, PGW operates facilities for the liquefaction, storage, and vaporization of natural gas to supplement gas supply taken directly from interstate pipeline and storage companies. The principal PGW natural gas supply facilities include nine City gate stations, owned in large part by the interstate natural gas pipeline companies serving PGW, and two liquefied natural gas plants owned by the City and operated by PGW.

The City Charter provides for a Gas Commission (the "Gas Commission") to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW's operations are managed by the Philadelphia Facilities Management Corporation ("PFMC"), a Pennsylvania non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. PFMC's responsibilities are set forth in a Management Agreement between the City and PFMC dated December 29, 1972, as subsequently amended ("Management Agreement"), which delegates responsibility for PGW's operation to an executive management team provided by PFMC. Under the Management Agreement, those responsibilities that are not specifically granted to PFMC are the responsibilities of the Gas Commission, except to the extent preempted by the Pennsylvania Public Utility Commission (the "PUC") pursuant to the Pennsylvania Natural Gas Choice and Competition Act (the "Gas Choice Act"). The Gas Choice Act made PGW subject to regulation by the PUC effective July 1, 2000, and provides that choice among natural gas suppliers will be provided to PGW's customers.

For more information on PGW, see APPENDIX C – “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services, “REVENUES OF THE CITY – PGW Annual Payments,” “PGW PENSION PLAN,” “PGW OTHER POST-EMPLOYMENT BENEFITS,” and “LITIGATION – PGW.”

Libraries

The Free Library of Philadelphia, the City’s public library system, comprises 54 branches (with a variety of digital, computer-based services at certain locations) and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the “Streets Department”) is responsible for the City’s large network of streets and roadways. The City’s pavement condition is considered to be in “Fair” pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year, but, over the years, this pavement program has accumulated a backlog. The Streets Department has invested in critical equipment replacements and implemented a strategy to address recurring state of good repair needs. The Streets Department is also emphasizing an objective, data-oriented approach towards strategically addressing roadway conditions throughout the City. New geographical information system (GIS) and global position system (GPS) technology and systems are being used, along with objective assessment tools, to rate and monitor the quality and condition of streets and roadways to prioritize paving plans. The Streets Department is responsible for the construction and maintenance of City streets, roadways, bridges and the street lighting system and management and engineering of the City’s local traffic network. The streets system in Philadelphia totals 2,575 miles – 2,180 miles of City streets, 35 miles of Fairmount Park roads, and 360 miles of state highways.

The Sanitation Department, part of the City’s umbrella “Clean and Green” initiative, is responsible for the ongoing collection and disposal of residential trash and recyclables, and the overall cleanliness of City streets. The Sanitation Department annually collects and disposes of over 620,000 tons of rubbish and 80,000 tons of recycling and works to combat illegal dumping.

Sustainability and Green Initiatives

Mayor Parker has committed to make Philadelphia the safest, cleanest, and greenest big city in the nation with economic opportunity for everyone. To aid in achieving this goal, the Philadelphia Energy Authority and the City’s Office of Sustainability have been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. Certain energy savings financings have also been undertaken by the Philadelphia Energy Authority, Philadelphia Municipal Authority, and the Philadelphia Authority for Industrial Development. The City is investing in and evaluating additional options and investing in both green and traditional infrastructure to better manage storm water reclamation and reduce pollution of the City’s public waters. There has been extensive investment in creating more and better public spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia’s streets increasingly friendly to bicyclists. The City introduced its bicycle sharing system, Indego, in 2015, as further described in “Transportation.”

In furtherance of sustainability and environmental issues that affect the health and wellbeing of Philadelphians, in 2022, the City launched a program to support the leadership of frontline communities in addressing environmental harms. Along with such program, the City announced the establishment of a

community resilience and environmental grant fund to affirm the City’s commitment to pursuing environmental solutions and climate resilience for all Philadelphians. To protect municipal investments, in 2024, the City embedded climate resilience into the capital planning process and leveraged resilience projects across the City to ensure that climate adaptation is incorporated throughout City operations and planning. The City has also begun looking beyond risks posed to municipal government and has a Place-based Initiatives program where staff work directly with community-based organizations and other regional and state stakeholders to build resilience. The Place-based team currently works in two neighborhoods, in Eastwick where they are developing a flood resilience strategy and in Strawberry Mansion where they are working to reduce impacts from extreme heat. The Office of Sustainability is also in the process of updating its citywide resilience plan, which will include a citywide engagement process. The Office of Sustainability is updating climate projections and citywide vulnerability assessments and developing tools to better understand neighborhood-level vulnerability to climate change. Another inter-agency working group, the Flood Risk Management Task Force, focuses specifically on flood mitigation and the inter-agency Environmental Justice and Climate Resilience Committee brings together departments to coordinate on work that increases climate resilience and environmental justice.

Other planning activities are underway that will identify strategic actions and funding sources to advance resilience citywide. For example, upon its successful completion of a strategic planning process for the urban forest, Philadelphia Parks and Recreation sought grant funding and is increasing tree canopy in neighborhoods vulnerable to the effects of extreme heat since trees cool the air and reduce heat islands. Parks and Recreation and partners are also working to implement the City’s Urban Agriculture Plan, which will play an important role in increasing local food production, climate resilience, and food access, while addressing issues of biodiversity loss, soil degradation, and waste. The Philadelphia Office of Emergency Management is integrating climate change and climate adaptation strategies in the update of the Hazard Mitigation Plan, which will assist with both local and statewide planning aimed at increasing community resilience. The Philadelphia City Planning Commission is also making climate change a key component of the City’s Comprehensive Plan update. Through a collaborative partnership with the Philadelphia Energy Authority, Office of Sustainability, and Department of Streets, the Philly Streetlight Improvement Project is converting approximately 130,000 high pressure sodium streetlights into a network of more efficient, longer-lasting LED lights. By upgrading to higher performing streetlights with a new lighting management system, the project is expected to: (i) foster public safety improvements for pedestrians, cyclists, and motorists; (ii) reduce energy consumption and operating costs associated with such system; and (iii) benefit local businesses.

For more information on climate change in the City, see APPENDIX C – “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Climate Change.”

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APPENDIX E

SUMMARY OF THE 1998 GENERAL ORDINANCE

The following are summaries of certain provisions of the 1998 General Ordinance. The summary does not purport to be comprehensive or definitive and is subject to the complete text of the terms and provisions of the 1998 General Ordinance, to which reference is hereby made. Copies of the complete text of the 1998 General Ordinance are available from the Office of the Director of Finance, Municipal Services Building, 1401 John F. Kennedy Boulevard, Suite 1330, Philadelphia, Pennsylvania 19102.

Certain Definitions

Set forth below are definitions in summary form of certain terms used in the forepart of this Official Statement and in this APPENDIX E – “SUMMARY OF THE 1998 GENERAL ORDINANCE.” Many of these terms and the complete text of the definitions can be found in the 1998 General Ordinance. Certain terms in this APPENDIX E vary from the terms defined in the 1998 General Ordinance. In that event, the defined term used in the 1998 General Ordinance is included in parentheses with the applicable summary definition below.

“Accreted Value” means, with respect to any Capital Appreciation 1998 Ordinance Bond as of any specified date, the Original Value of such 1998 Ordinance Bond plus interest accreted on such 1998 Ordinance Bond to such date, all as may be provided in an applicable Supplemental Ordinance.

“Act” means The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. 15901 to 15924), as from time to time amended.

“Bond Counsel” means any firm of nationally recognized bond counsel acceptable to the City.

“Bondholder or Holder” means the registered owner of any 1998 Ordinance Bonds.

“Bond Register” means the list of the names and addresses of Bondholders and the principal amounts and numbers of the 1998 Ordinance Bonds held by them maintained by the Fiscal Agent on behalf of the City.

“Capital Appreciation 1998 Ordinance Bonds” (Capital Appreciation Bonds) means any 1998 Ordinance Bonds issued under the 1998 General Ordinance which do not pay interest until maturity or until a specified date prior to maturity, but whose Original Value accretes periodically to the amount due on the maturity date.

“City Charges” means the proportionate charges, if any, for services performed for the Gas Works by all officers, departments, boards or commissions of the City which are contained in the computation of operating expenses of the Gas Works including, without limitation, the expenses of the Gas Commission, and also means the base payments to the City contained in the Management Agreement and all other payments made to the City from Gas Works Revenues.

“City Solicitor” means the head of the City’s law department as provided by the Philadelphia Home Rule Charter.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.

“Credit Facility” means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that is provided by a commercial bank, insurance company or other institution, with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody’s and S&P not lower than “A” provided that, with respect to the Sixteenth Series Bonds and the Seventeenth Series Bonds, the term “Credit Facility” means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement

(other than a Qualified Swap or an Exchange Agreement) that is provided by a commercial bank, insurance company or other institution, with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's or S&P not lower than "A".

"Credit Facility Issuer or issuer of a Credit Facility" means each issuer of a Credit Facility then in effect, and its successors. References to the Credit Facility Issuer shall be read to mean the issuer of the Credit Facility applicable to a particular Series of 1998 Ordinance Bonds or each issuer of a Credit Facility, as the context requires.

"Debt Service Requirements" means, for a specified period, the sum of (i) the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding 1998 Ordinance Bonds payable during the period and (ii) all net amounts due and payable by the City under Qualified Swaps and Exchange Agreements during the period. For purposes of estimating Debt Service Requirements for any future period, (i) any Option 1998 Ordinance Bond outstanding during such period shall be assumed to mature on the stated maturity date thereof, except that the principal amount of any Option 1998 Ordinance Bond tendered for payment and cancellation before its stated maturity date shall be deemed to accrue on the date required for payment pursuant to such tender; (ii) Debt Service Requirements on 1998 Ordinance Bonds for which the City has entered into a Qualified Swap or an Exchange Agreement shall be calculated assuming that the interest rate on such 1998 Ordinance Bonds shall equal the stated fixed or variable rate payable by the City on the Qualified Swap or Exchange Agreement or, if applicable and if greater than such stated rate, the applicable rate for any 1998 Ordinance Bonds issued in connection with the Qualified Swap or Exchange Agreement adjusted, in the case of variable rate obligations, as described below in the second to last paragraph under the heading "**Covenants – Rate Covenant**"; and (iii) Debt Service Requirements with respect to Variable Rate 1998 Ordinance Bonds shall be subject to adjustments as described below in the second to last paragraph under the heading "**Covenants – Rate Covenant**."

"Director of Finance" means the chief financial, accounting and budget officer of the City as established by the Philadelphia Home Rule Charter, including a person acting as Director of Finance under applicable law.

"Engineer" means a consulting engineer or a firm of consulting engineers, in either case having broad experience in the design and analysis of the operation of gas works or gas distribution systems of the magnitude and scope of the Gas Works and a favorable reputation for competence in such field.

"Exchange Agreement" means, with respect to a Series of 1998 Ordinance Bonds, or any portion thereof to the extent from time to time permitted by applicable law, any interest exchange agreement, interest rate swap agreement, currency swap agreement or other contract or agreement, other than a Qualified Swap, authorized, recognized and approved by a Supplemental Ordinance as an Exchange Agreement and providing for payments to and from an entity whose senior long term debt obligations, other senior unsecured long term obligations, or claims paying ability or whose obligations under an Exchange Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated not less than "A3" by Moody's, "A-" by S&P or "A-" by Fitch, or the equivalent thereof by any successor thereto as of the date the Exchange Agreement is entered into, which payments are calculated by reference to fixed or variable rates and constituting a financial accommodation between the City and the counterparty.

"Fiscal Agent" means any bank, bank and trust company or trust company named as such pursuant to the 1998 General Ordinance or its successor.

"Fiscal Year" means the Fiscal Year of the Gas Works.

"Fitch" means Fitch IBCA, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City. Whenever rating categories of Fitch are specified in the 1998 General Ordinance, such categories shall be irrespective of gradations within a category.

“Gas Commission” means the Gas Commission provided for by the Philadelphia Home Rule Charter as presently constituted or hereafter reconstituted in accordance with law.

“Gas Works” means all property, real and personal, owned by the City and used in the acquisition or manufacture, storage and distribution of natural, liquefied, synthetic or manufactured gas or in the maintenance, management or administration thereof and all activities ancillary and related thereto, and also means, as the context may require, the business entity managed by the Manager.

“Gas Works Revenues” means all operating and nonoperating revenues of the Gas Works derived from its activities and assets involved in the supply, manufacture, storage and distribution of gas, including all rents, rates and charges imposed or charged by the City upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues derived therefrom and all other income derived by the City from the Gas Works. Revenues derived from activities unrelated to the supply, manufacture, storage and distribution of gas or assets related thereto shall not be included in Gas Works Revenues, provided that the Gas Works receives fair payment for the use of gas related assets and personnel of the Gas Works used in such activities, which payments shall be included in Gas Works Revenues. In particular, Gas Works Revenues do not include revenues from enterprises or functions not related to gas activities (*e.g.*, activities involving the supply, generation or distribution of electricity). Gas Works Revenues shall not include those portions of the Gas Works’ rents, rates and charges which are securitized and sold pursuant to the 1998 General Ordinance as described below under “Permitted Securitization of Gas Works Revenues.” Gas Works Revenues may be divided into separate components in one or more Supplemental Ordinances and any Series of 1998 Ordinance Bonds issued thereafter may be limited as to source of payment to one or more of such components as provided in the Supplemental Ordinance authorizing the particular Series of 1998 Ordinance Bonds.

“Government Obligations” means any of the following which are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

(a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America;

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; or

(c) obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the “FIRRE Act”), (i) the principal of which obligations is payable when due from payments of the maturing principal of non-interest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

“Independent” means a person who is not a salaried employee or elected or appointed official of the City; provided, however, that the fact that such person is retained regularly by or transacts business with the City shall not make such person an employee within the meaning of this definition.

“Interim Debt” means any bond anticipation notes or other temporary borrowing which the City anticipates permanently financing with 1998 Ordinance Bonds or other long term indebtedness under the 1998 General Ordinance or otherwise.

“Management Agreement” means the Agreement dated December 29, 1972 between the City and the Manager for the management and operation of the Gas Works, as presently or hereafter amended, or any successor agreement which may be entered into by the City pertaining to the management of the Gas Works.

“Manager” means Philadelphia Facilities Management Corporation, currently managing the Gas Works pursuant to the Management Agreement, or its successor or such other person, corporation, board, commission or department of the City, which may be designated by the City to manage the Gas Works.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City. Whenever rating categories of Moody’s are specified in the 1998 General Ordinance, such categories shall be irrespective of gradations.

“Net Operating Expenses” means Operating Expenses exclusive of City Charges.

“1998 Ordinance Bond or Bonds” (Bond or Bonds) means any Gas Works Revenue bond or note issued and outstanding pursuant to the Act under the 1998 General Ordinance and any Supplemental Ordinance.

“Operating Expenses” means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each Fiscal Year, and shall include, without limitation, the Manager’s fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and workmen’s compensation requirements, provision for claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges. Operating Expenses shall not include Unrelated Expenses.

“Option 1998 Ordinance Bond” (Option Bond) means any 1998 Ordinance Bond which by its terms may be tendered by and at the option of the Holder thereof for payment by the City prior to its stated maturity date or the maturity date of which may be extended by and at the option of the Holder thereof.

“Original Value,” with respect to a Series of 1998 Ordinance Bonds issued as Capital Appreciation 1998 Ordinance Bonds, means the principal amount paid by the initial purchasers thereof on the date of original issuance.

“Outstanding,” when used with reference to the 1998 Ordinance Bonds, means, as of any particular date, all 1998 Ordinance Bonds which have been authenticated and delivered under the 1998 General Ordinance, except:

(a) 1998 Ordinance Bonds canceled after purchase in the open market or because of payment or redemption prior to maturity;

(b) 1998 Ordinance Bonds for the payment or redemption of which sufficient moneys shall have been theretofore deposited with the Fiscal Agent (whether upon or prior to the maturity or redemption date of any such 1998 Ordinance Bonds), provided that, if such 1998 Ordinance Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the 1998 General Ordinance or arrangements satisfactory to the Fiscal Agent shall have been made therefor, or waiver of such notice satisfactory in form to the Fiscal Agent shall have been filed with the Fiscal Agent; and

(c) 1998 Ordinance Bonds in lieu of which or in substitution for which others have been authenticated and delivered pursuant to the 1998 General Ordinance.

1998 Ordinance Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the issuer of such Credit Facility has been reimbursed for the amount of the payment or has presented the 1998 Ordinance Bonds for cancellation.

“Philadelphia Home Rule Charter” means the Philadelphia Home Rule Charter, as amended or superseded by any new home rule charter, adopted pursuant to authorization of the First Class City Home Rule Act approved April 21, 1949, P.L. 665, §1 *et seq.* (53 P.S. §13101 *et seq.*).

“Qualified Escrow Securities” means funds which are represented by (i) demand deposits, interest-bearing time accounts, savings deposits or certificates of deposit, but only to the extent such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation or any successor United States governmental agency, or to the extent not insured, fully secured and collateralized by Government Obligations having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such deposits or accounts, (ii) if at the time permitted under the Act, obligations of any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision for which cash, Government Obligations or a combination thereof have been irrevocably pledged to or deposited in a segregated escrow account for the payment when due of principal or redemption price of and interest on such obligations, and any such cash or Government Obligations pledged and deposited are payable as to principal or interest in such amounts and on such dates as may be necessary without reinvestment to provide for the payment when due of the principal or redemption price of and interest on such obligations, and such obligations are rated by any Rating Agency in the highest rating category assigned by such Rating Agency to obligations of the same type, or (iii) noncallable Government Obligations. In each case such funds (i) are subject to withdrawal, mature or are payable at the option of the holder at or prior to the dates needed for disbursement, provided such deposits or accounts, whether deposited by the City or by such depository, are insured or secured as public deposits with securities having at all times a market value exclusive of accrued interest equal to the principal amount thereof, (ii) are irrevocably pledged for the payment of such obligations and (iii) are sufficient, together with the interest to the disbursement date payable with respect thereto, if also pledged, to meet such obligations in full.

“Qualified Swap or Swap Agreement” means, with respect to a Series of 1998 Ordinance Bonds or any portion thereof, any financial arrangement that (i) is entered into by the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) provides that (a) the City shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of the Outstanding 1998 Ordinance Bonds of such Series or portion thereof, and that such entity shall pay to the City an amount based on the interest accruing on a principal amount initially equal to the same principal amount as such 1998 Ordinance Bonds, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the 1998 Ordinance Bonds) or that one shall pay to the other any net amount due under such arrangement or (b) the City shall pay to such entity an amount based on the interest accruing on the principal amount of the Outstanding 1998 Ordinance Bonds of such Series or portion thereof at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the City an amount based on interest accruing on a principal amount equal to the same principal amount of such 1998 Ordinance Bonds at a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the 1998 Ordinance Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Fiscal Agent by the City as a Qualified Swap with respect to such 1998 Ordinance Bonds.

“Qualified Swap Provider” means, with respect to a Series of 1998 Ordinance Bonds, an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated (at the time the subject Qualified

Swap is entered into) at least as high as “Aa” by Moody’s and “AA” by S&P, or the equivalent thereof by any successor thereto.

“Rate Covenant” means the covenant described below under the subheading “**Covenants – Rate Covenant.**”

“Rating Agency” means Moody’s, S&P or Fitch, to the extent that any of such rating services have issued a credit rating on any of the Outstanding 1998 Ordinance Bonds or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services if any such rating service has issued a credit rating on any of the Outstanding 1998 Ordinance Bonds.

“Rebate Amount” means the amount with respect to a Series of 1998 Ordinance Bonds, which is required to be paid to the United States of America, as of any computation date, in compliance with the restrictions imposed by the Code.

“S&P” means Standard & Poor’s Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City. Whenever rating categories of S&P are specified in the 1998 General Ordinance, such categories shall be irrespective of gradations within a category.

“Senior 1998 Ordinance Bonds” (Senior Bonds) means 1998 Ordinance Bonds which shall be first in right of payment and as to which the coverage requirement under the Rate Covenant shall be 150%.

“Series,” when applied to 1998 Ordinance Bonds, means collectively all of the 1998 Ordinance Bonds of a given issue authorized by Supplemental Ordinance as described below under “Conditions to Issuing 1998 Ordinance Bonds – Additional Conditions” and may also mean, if appropriate, a subseries of any such issue if, for any reason, the City should determine to divide any such issue into one or more subseries of 1998 Ordinance Bonds.

“Sinking Fund” means the 1998 General Ordinance Gas Works Revenue Bond Sinking Fund established by the 1998 General Ordinance, as described below under “Sinking Fund.”

“Sinking Fund Depositary” means the Fiscal Agent or any other bank, bank and trust company or trust company appointed as such by the City.

“Sinking Fund Reserve” means the Sinking Fund Reserve established by the 1998 General Ordinance, as described below under “Sinking Fund Reserve.”

“Sinking Fund Reserve Requirement” means, with respect to all 1998 Ordinance Bonds secured by the Sinking Fund Reserve, an amount equal to the greatest amount of Debt Service Requirements payable in any Fiscal Year (except that such Debt Service Requirements will be computed as if any Qualified Swap did not exist and the Debt Service Requirements attributable to any Variable Rate Bonds may be based upon the fixed rate of interest as set forth in the Supplemental Ordinance for such 1998 Ordinance Bonds), determined as of any particular date.

“Subordinate 1998 Ordinance Bonds” (Subordinate Bonds) means those 1998 Ordinance Bonds which shall be subordinate in right of payment to Senior 1998 Ordinance Bonds and as to which the coverage requirement under the Rate Covenant shall be 100%.

“Supplemental Ordinance” means an ordinance supplemental to the 1998 General Ordinance enacted pursuant to the Act and the 1998 General Ordinance by the Council of the City authorizing the issuance of a Series of 1998 Ordinance Bonds.

“Unrelated Expenses” means expenses unrelated to the supply, manufacture, storage and distribution of gas or assets related thereto.

“Variable Rate 1998 Ordinance Bond” (Variable Rate Bond) means any 1998 Ordinance Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

Purpose of 1998 Ordinance Bonds

1998 Ordinance Bonds shall be issued for the purposes of (1) paying the cost of projects, as such term is defined in the Act, related to the Gas Works, (2) reimbursing any City fund from which such costs have been paid or advanced, (3) funding any such cost for which the City shall have outstanding bond anticipation notes or other obligations, (4) refunding any bonds of the City issued for the foregoing purposes under the Act, (5) refund any general obligation bonds of the City issued for the foregoing purposes, or (6) financing anything else relating to the Gas Works permitted under the Act.

The Act defines “projects” as any buildings, structures, facilities or improvements of a public nature, the related land, rights or leasehold estates in land, and the related furnishings, machinery, apparatus or equipment of a capital nature, which the City is authorized to own, construct, acquire, improve, lease as lessor or lessee, operate, maintain or support; any item of construction, acquisition or extraordinary maintenance or repair thereof, the City’s share of the cost of any of the foregoing or any combination thereof undertaken jointly with others; and any combination of the foregoing or any undivided portion of the cost of any of the foregoing as may be designated a “project” by the City for financing purposes and in respect of which the City may reasonably be expected to receive Gas Works Revenues.

Pledge of Revenues; Grant of Security Interest; Limitation on Recourse

The City pledges, in the 1998 General Ordinance, for the security and payment of all 1998 Ordinance Bonds issued under the 1998 General Ordinance and grants a lien on and security interest in, all Gas Works Revenues, all accounts, contract rights and general intangibles representing the Gas Works Revenues and all funds and accounts established under the 1998 General Ordinance, and in each case, the proceeds of the foregoing, except as limited for a Series of 1998 Ordinance Bonds in the Supplemental Ordinance authorizing the issuance of such Series of 1998 Ordinance Bonds; provided, however, that the pledge of the 1998 General Ordinance may also be for the benefit of the provider of a Credit Facility, Qualified Swap or Exchange Agreement, or any other person who undertakes to provide moneys for the account of the City for the payment of principal or redemption price of and interest on any Series of 1998 Ordinance Bonds on an equal and ratable basis with the related Series of 1998 Ordinance Bonds, to the extent provided by any Supplemental Ordinance.

Neither the 1998 Ordinance Bonds nor the City’s reimbursement or other contractual obligations with respect to any Credit Facility, Qualified Swap or Exchange Agreement shall constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any constitutional or statutory provision or limitation of indebtedness. No Bondholder or beneficiary of any of the foregoing agreements shall ever have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal and redemption price of or interest on the 1998 Ordinance Bonds or the making of any payments under the 1998 General Ordinance. The 1998 Ordinance Bonds and the obligations evidenced thereby and by the foregoing agreements shall not constitute a lien on any property of the City other than the Gas Works Revenues.

Parity and Priority of 1998 Ordinance Bonds

All 1998 Ordinance Bonds issued pursuant to the 1998 General Ordinance shall be secured by the pledge of, and grant of a security interest in, the Gas Works Revenues, except as limited for a Series of 1998 Ordinance Bonds in the Supplemental Ordinance authorizing the issuance of such Series of 1998 Ordinance Bonds. Subordinate 1998 Ordinance Bonds shall be subordinate to Senior 1998 Ordinance Bonds in right of payment of principal, premium, if any, and interest. Senior 1998 Ordinance Bonds and Subordinate 1998 Ordinance Bonds

shall not have any preference, priority, or distinction as to lien or otherwise, except as otherwise provided in the 1998 General Ordinance or in a Supplemental Ordinance, over and other Senior 1998 Ordinance Bonds or Subordinate 1998 Ordinance Bonds, respectively.

Credit Enhancement; Exchange Agreements; Qualified Swaps

As provided by Supplemental Ordinance and subject to the requirements of the 1998 General Ordinance, the City may provide for a Credit Facility, Exchange Agreement or Qualified Swap with respect to any Series of 1998 Ordinance Bonds or portion thereof.

Order of Application of Gas Works Revenues

The 1998 General Ordinance provides that all Gas Works Revenues as and when collected in each Fiscal Year shall be applied in the following order, to the extent then payable:

First, to Net Operating Expenses then payable;

Second, to debt service on Senior 1998 Ordinance Bonds and payments (other than termination payments) due to the issuers of Qualified Swaps and Exchange Agreements related to Senior 1998 Ordinance Bonds;

Third, to payments due to issuers of Credit Facilities related to Senior 1998 Ordinance Bonds;

Fourth, to debt service on Subordinate 1998 Ordinance Bonds and payments due in respect of obligations of the Gas Works on a parity with Subordinate 1998 Ordinance Bonds (including notes issued under the Note Ordinance, or any similar ordinance, and amounts payable to the provider of a Credit Facility in respect of such notes) and payments (other than termination payments) due to the issuers of Qualified Swaps and Exchange Agreements related to Subordinate 1998 Ordinance Bonds;

Fifth, to payments due to issuers of Credit Facilities related to Subordinate 1998 Ordinance Bonds;

Sixth, to required payments of the Rebate Amount to the United States;

Seventh, to replenishment of any deficiency in the Sinking Fund Reserve;

Eighth, to payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works Revenues[†];

Ninth, to debt service on other general obligation issued for the Gas Works[†]; and

Tenth, to City Charges and any other proper purpose of the Gas Works (including any termination payments to issuers of Qualified Swaps and Exchange Agreements and fees and expenses due under Credit Facilities), except Unrelated Expenses.

The 1998 General Ordinance does not require the segregation of revenues upon collection.

Covenants

Rate Covenant

The City covenants with the Holders of all 1998 Ordinance Bonds from time to time and at the time outstanding under the 1998 General Ordinance that, so long as any such 1998 Ordinance Bonds shall remain outstanding, the City will, at a minimum, impose, charge and collect in each Fiscal Year such gas rates and

[†] No general obligation bonds of the City described in items *Eighth* and *Ninth* above are currently outstanding.

charges as shall, together with all other Gas Works Revenues to be received in such Fiscal Year, equal not less than the greater of:

- A. The sum of:
- i. all Net Operating Expenses payable during such Fiscal Year;
 - ii. 150% of the amount required to pay Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Senior 1998 Ordinance Bonds;
 - iii. the amount required to pay Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Subordinate 1998 Ordinance Bonds and other obligations of the Gas Works on a parity with Subordinate 1998 Ordinance Bonds payable during such Fiscal Year;
 - iv. the amount, if any, required to be paid into the Sinking Fund Reserve during such Fiscal Year;
 - v. the Rebate Amount required to be paid to the United States during such Fiscal Year;
- and
- vi. the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year;

OR

- B: The sum of:
- i. all Net Operating Expenses payable during such Fiscal Year;
 - ii. all Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding 1998 Ordinance Bonds and all amounts payable in respect of obligations of the Gas Works which are on a parity with any of the 1998 Ordinance Bonds and in respect of general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the Sinking Fund Reserve[†];
 - iii. the Rebate Amount required to be paid to the United States during such Fiscal Year;
- and
- iv. the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year.

For purposes of estimating Sinking Fund deposits with respect to Interim Debt and Variable Rate 1998 Ordinance Bonds, the City shall be entitled to assume that (1) Interim Debt will be amortized over a period of up to the maximum term permitted by the Act, but not in excess of the useful life of the assets to be financed, on an approximately level debt service basis and bear interest at the average interest rate on bonds of a similar maturity and credit rating (without any credit enhancement) as the 1998 Ordinance Bonds Outstanding under the 1998 General Ordinance and (2) Variable Rate 1998 Ordinance Bonds will bear interest at a rate equal to the average interest rate on such Variable Rate 1998 Ordinance Bonds during the period of twenty-four (24) consecutive calendar months immediately preceding the date of calculation or during such shorter period that such Variable Rate 1998 Ordinance Bonds have been Outstanding.

The Gas Commission is authorized and directed, without further authorization, to impose and charge and to collect, or cause to be collected, rents rates and charges which shall be sufficient in each Fiscal Year to comply with the Rate Covenant.[†]

Additional Covenants

The City covenants with the Holders of all 1998 Ordinance Bonds from time to time outstanding under the 1998 General Ordinance and at the time outstanding thereunder that: (1) it will pay or cause the Fiscal Agent

[†] No general obligation bonds described in item B.ii above are currently outstanding.

or any paying agent appointed by the City to pay from the Gas Works Revenues deposited in the Sinking Fund the principal of, and premium, if any, and interest on all 1998 Ordinance Bonds as the same shall become due and payable and as more particularly set forth in such 1998 Ordinance Bonds; (2) it will continuously maintain in good condition and continuously operate the Gas Works; and (3) it will not, in any Fiscal Year, pay from the Gas Works Revenues any City Charges or deposit from the Gas Works Revenues in the general sinking fund of the City any sinking fund charges in respect of general obligation bonds of the City unless, prior thereto or concurrently therewith, all sinking fund charges then payable in respect of Outstanding 1998 Ordinance Bonds shall have been deposited in the Sinking Fund, all amounts then payable in respect of obligations of the Gas Works which are on a parity with 1998 Ordinance Bonds shall have been paid, all amounts then payable to issuers of Credit Facilities and providers of Qualified Swaps and Exchange Agreements shall have been paid and all deposits then required to the Sinking Fund Reserve shall have been made.

Report Requirements

The City covenants with the Holders of all 1998 Ordinance Bonds from time to time outstanding under the 1998 General Ordinance and at the time outstanding thereunder that the City shall file with the Fiscal Agent, not later than 120 days after the close of each Fiscal Year, a report of the operation of the Gas Works that sets forth, (1) in reasonable detail, financial data concerning the Gas Works for such Fiscal Year (including a balance sheet, statements of income, equity and changes in financial condition, and an analysis of funds available to cover debt service (in each case not inconsistent with the statements of income, expenses, and other accounts of the City audited by the City Comptroller) prepared by the Manager in accordance with generally recognized municipal accounting principles consistently applied; and (2) complies with the Rate Covenant; which report is accompanied by a certificate of the Manager that the Gas Works are in good operating condition and by a certificate of the Director of Finance that, as of the date of such report, the City has complied with all covenants and requirements of the 1998 General Ordinance and of the ordinances supplemental thereto to be performed by the City. The Fiscal Agent will keep on file a copy of each such report and its accompanying certificates for a period of ten (10) years, and will make each available to any Bondholder or his authorized representative for inspection and copying at all reasonable times.

General Obligation Bonds - Junior Lien Revenue Bonds

The City reserves the right, and nothing in the 1998 General Ordinance shall be construed to impair such right, to finance improvements to the Gas Works by the issuance of its general obligation bonds or by the issuance, under ordinances other than the 1998 General Ordinance and Supplemental Ordinances, of Gas Works obligations for the payment of which Gas Works Revenues may be pledged subject and subordinate in each Fiscal Year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such Fiscal Year under the 1998 General Ordinance.

Conditions to Issuing 1998 Ordinance Bonds

Financial Report of the Director of Finance

The City covenants with the Holders of all 1998 Ordinance Bonds from time to time and at the time outstanding under the 1998 General Ordinance that, so long as any such 1998 Ordinance Bonds shall remain outstanding, the City will not issue any 1998 Ordinance Bonds unless the CFO Financial Report (as defined below) is filed with the City Council. The CFO Financial Report may be given in reliance on an engineering report of an Independent Engineer setting forth the qualifications of the Engineer and containing:

(a) a statement that the Engineer has made an investigation of the physical properties included in the Gas Works and of the books and records of the Gas Works maintained by the City or by the Manager, as it deemed necessary; and

(b) on the basis of such investigation containing:

- (i) the same matters, statements and opinion as are required to be contained in the CFO Financial Report supported by appropriate schedules and summaries;
- (ii) a statement that Gas Works rents, rates, and charges, on the basis of which the statements required by clause (i) are made, are currently and will be sufficient to comply with the Rate Covenant; and
- (iii) a statement that, in the opinion of the Engineer, the Gas Works are in good operating condition or that adequate steps are being taken to make them so.

The “CFO Financial Report” means the financial report required by the Act to be signed by the Director of Finance and to contain (supported by appropriate schedules and summaries): (1) a brief description of the project or projects related to the Gas Works for which the 1998 Ordinance Bonds are to be issued; (2) a statement identifying the sources from which the Gas Works Revenues are to be derived; (3) a statement that, on the basis of actual, if appropriate, and estimated future annual financial operations of the Gas Works, the Gas Works will, in the opinion of the Director of Finance, yield Gas Works Revenues over the amortization period of the 1998 Ordinance Bonds sufficient to meet the payment or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the Gas Works, (b) all reserve or special funds established under the 1998 General Ordinance, (c) the principal of and interest on all 1998 Ordinance Bonds, as the same shall become due and payable, for which Gas Works Revenues are pledged, (d) any State taxes assumed by the City to be paid on 1998 Ordinance Bonds, and (e) the surplus requirements contained in the Rate Covenant; and (4) a statement that the Gas Works Revenues upon which the statements set forth in clause (3) are based comply with the definition of “Project Revenues” contained in the Act.

Additional Conditions

Prior to the issuance of any Series of 1998 Ordinance Bonds, the Council of the City shall adopt a Supplemental Ordinance that (1) authorizes the issuance of such 1998 Ordinance Bonds; (2) specifies the aggregate principal amount or maximum aggregate principal amount of the Series to be issued; (3) states that such 1998 Ordinance Bonds are issued in respect of capital costs of a Gas Works project or projects of the City or to fund or refund bond anticipation or other obligations of the City issued in respect thereof or for the purpose of refunding debt issued for such purpose; (4) makes a finding based on the required CFO Financial Report described above that the Gas Works Revenues pledged under the 1998 General Ordinance will be sufficient to comply with the Rate Covenant and also to pay all costs, expenses and payments required to be paid therefrom and in the order and priority stated in the 1998 General Ordinance; and (5) contains the covenant that, so long as any such 1998 Ordinance Bonds shall remain unpaid, the City will make payments or cause payments to be made out of the Sinking Fund at such times and in such amounts as shall be sufficient for the payment of the interest thereon and principal thereof when due (as required by Article IX, Section 10 of the Constitution of the Commonwealth).

Prior to the issuance of any 1998 Ordinance Bonds, the Director of Finance shall file with the Fiscal Agent a transcript of the proceedings authorizing the issuance of such 1998 Ordinance Bonds, which shall include (1) a certified copy of the 1998 General Ordinance (unless previously so filed); (2) a certified copy of the Supplemental Ordinance described in the immediately preceding paragraph; (3) an executed or certified copy of the CFO Financial Report; (4) an executed copy of an opinion of the City Solicitor to the effect that, under the 1998 General Ordinance and the related Supplemental Ordinance, the holders or registered holders of the 1998 Ordinance Bonds to be issued will have no claim upon the taxing power or general revenues of the City nor any lien upon any of the property of the City other than Gas Works Revenues pledged therefor; and (5) an opinion of Bond Counsel to the effect that (a) the Series of 1998 Ordinance Bonds has been duly issued for a permitted purpose under the Act and under the 1998 General Ordinance, (b) all conditions precedent to the issuance of the Series of 1998 Ordinance Bonds pursuant to the Act and the 1998 General Ordinance have been satisfied, (c) the Series of 1998 Ordinance Bonds has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of the City, and (d) if the interest on the Series of 1998 Ordinance Bonds is intended to be excluded from gross income for Federal income tax purposes, interest on the Series of 1998 Ordinance Bonds will be so excluded.

The Director of Finance is also required, under the Act, prior to the issuance of any 1998 Ordinance Bonds, to file with court of common pleas of Philadelphia County items (1), (2), (3) and (4) described in the immediately preceding paragraph.

Sinking Fund

The 1998 General Ordinance establishes the Sinking Fund for the benefit and security of the Holders of all 1998 Ordinance Bonds. The Sinking Fund shall be held in the name of the City in an account or accounts separate and apart from all other accounts of the City and payments therefrom are made only as provided in the 1998 General Ordinance. The City covenants and the Director of Finance is directed to deposit in, and the 1998 General Ordinance appropriates to, the Sinking Fund from the Gas Works Revenues in each Fiscal Year such amounts as will, together with interest and profits earned and to be earned on investments held in the Sinking Fund, be sufficient to accumulate therein (exclusive of the amount in the Sinking Fund Reserve), on or before each interest and principal payment date of the 1998 Ordinance Bonds, the amounts required to pay the principal of and the interest on the 1998 Ordinance Bonds then becoming due and payable. Payments into the Sinking Fund shall be scheduled at such times and in such amounts in relation to the receipt of revenues and the operation and maintenance requirements of the Gas Works as the Director of Finance shall determine.

The Sinking Fund Depositary shall, on direction of the Director of Finance, or if for any reason he should fail to give such direction, on the direction of the Fiscal Agent, liquidate investments, if necessary, and pay over from the Sinking Fund in cash to the Fiscal Agent not later than the due date thereof the full amount of the principal, interest on, and premium, if any, payable upon redemption of, 1998 Ordinance Bonds. Any excess moneys in the Sinking Fund, including any excess amount in the Sinking Fund Reserve, shall be transferred to the operating accounts of the Gas Works.

The Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the Holders of all 1998 Ordinance Bonds from time to time Outstanding and may be invested and reinvested on a consolidated basis. The principal of and interest on and profits (and losses if any) realized on investments in the Sinking Fund are allocated pro rata for the Series of 1998 Ordinance Bonds or the specific 1998 Ordinance Bonds in respect of which such investments were made without distinction or priority, but moneys (and the investments thereof) specifically deposited for the payment of any particular installment of principal, interest (including capitalized interest) or premium in respect of particular 1998 Ordinance Bonds shall be held and applied exclusively to the payment of such particular principal, interest or premium.

Sinking Fund Reserve

The Sinking Fund Reserve is established as a separate account in the Sinking Fund and shall be held by the Sinking Fund Depositary as part of the Sinking Fund, but for which a separate account shall be maintained. Unless otherwise provided in the applicable Supplemental Ordinance, the City shall, under direction of the Director of Finance, deposit in the Sinking Fund Reserve from the proceeds of sale of each Series of 1998 Ordinance Bonds issued under the 1998 General Ordinance and/or Gas Works Revenues an amount which, together with other amounts in the Sinking Fund Reserve, will cause the amount in the Sinking Fund Reserve to equal the Sinking Fund Reserve Requirement. The money and investments (valued at market) in the Sinking Fund Reserve and amounts which can be drawn under Credit Facilities held for the Sinking Fund Reserve shall be held and maintained in an amount equal to the Sinking Fund Reserve Requirement.

In lieu of a deposit to the Sinking Fund Reserve or in substitution for amounts in the Sinking Fund Reserve, the City may provide one or more letters of credit or other Credit Facilities in the same aggregate amount issued by a provider or providers whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's or S&P, provided that (1) in the case of a substitution for moneys in the Sinking Fund Reserve, an opinion of Bond Counsel is delivered to the Fiscal Agent that such substitution will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the 1998 Ordinance Bonds the interest on which is intended to be so excluded, (2) each such Credit Facility permits the Fiscal Agent to make a draw thereon up to the principal amount thereof if the

Sinking Fund Reserve is needed to cover a shortfall in the Sinking Fund and other moneys in the Sinking Fund Reserve are insufficient, and (3) each such Credit Facility provides that a draw will be made thereon to replenish the Sinking Fund Reserve on the expiration thereof unless the City has otherwise made such deposit to the Sinking Fund Reserve or has obtained another Credit Facility meeting the above requirements.

If, at any time and for any reason, the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, shall be insufficient to pay as and when due, the principal of, and premium, if any, and interest on, any 1998 Ordinance Bond or Bonds secured by the Sinking Fund Reserve, the Sinking Fund Depositary is authorized and directed by the 1998 General Ordinance to withdraw from the Sinking Fund Reserve and to draw on Credit Facilities held for the Sinking Fund Reserve and pay over to the Fiscal Agent the amount of such deficiency. If by reason of such withdrawal (including draws on any Credit Facilities held to satisfy the Sinking Fund Reserve Requirement) or for any other reason there shall be a deficiency in the Sinking Fund Reserve, the City covenants in the 1998 General Ordinance to restore such deficiency (either by a deposit of funds or the reinstatement of the cash limits of Credit Facilities) within twelve months. The Sinking Fund Reserve shall be valued by the Sinking Fund Depositary promptly after any withdrawal from the Sinking Fund Reserve or any other event indicating a possible deficiency in the Sinking Fund Reserve and on August 31 of each Fiscal Year.

Investment of Funds

The moneys on deposit in the funds and accounts established under the 1998 General Ordinance, to the extent not currently required, shall be invested, and secured as required by the Act, all at the direction and under the management of the Director of Finance. All moneys deposited in any fund or account established under the 1998 General Ordinance or any Supplemental Ordinance may be invested by the Fiscal Agent, at the direction of the Director of Finance, in any investments then permitted by law, provided that any investments with respect to amounts on deposit in the funds and accounts established under the 1998 General Ordinance shall mature or shall be subject to redemption by the holder thereof upon demand at par no later than the date when such amounts are needed for the purposes of such funds or accounts. Investment earnings shall be included in Gas Works Revenues and, to the extent not required to be retained in the fund or account to which such earnings related, shall be transferred to the operating accounts of the Gas Works.

Defaults and Remedies

Defaults and Statutory Remedies

If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or the interest on any 1998 Ordinance Bond, whether at stated maturity or upon call for prior redemption, or if the City, after written notice to it, shall fail or neglect to make any payment owed by it to the provider of a Credit Facility, a Qualified Swap or an Exchange Agreement provided with respect to the 1998 Ordinance Bonds and such provider gives the Fiscal Agent written notice of such failure or neglect, or if the City shall fail to comply with any provision of the 1998 Ordinance Bonds or with any covenant of the City contained in the 1998 General Ordinance, then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any 1998 Ordinance Bond or 1998 Ordinance Bonds shall be entitled to all of the rights and remedies provided in the Act, which are as follows:

- (1) if the City fails or neglects to pay or cause to be paid the principal of or the interest on any 1998 Ordinance Bonds as the same shall become due, whether at the stated maturity or upon call for prior redemption, the right to recover the amount due in an action in assumpsit in the court of common pleas of Philadelphia County;
- (2) if the City defaults in the payment of the principal or of the interest on any Series of 1998 Ordinance Bonds after the same shall become due, whether at the stated maturity or upon call for prior redemption, and such default continues for 30 days, or if the City fails to comply with any provision of the 1998 Ordinance Bonds or the 1998 General Ordinance, the right, at the request of the Holders of 25% in aggregate

principal amount of the 1998 Ordinance Bonds of such Series then outstanding, to appoint a trustee (who may be the Sinking Fund Depository) to represent the Holders of all such 1998 Ordinance Bonds; and

(3) the right to instruct an appointed trustee, upon the written request of the Holders of 25% in principal amount of such 1998 Ordinance Bonds then outstanding and after furnishing indemnity satisfactory to such trustee, to take one or more of the following actions:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of the 1998 Ordinance Bonds, including the right to require the City to impose and collect rents, rates, tolls and charges for the use of the Gas Works, or to require the City to carry out any other agreements with the Holders of such 1998 Ordinance Bonds;

(b) bring suit on the 1998 Ordinance Bonds without the necessity for producing the bonds, and with the same effect as a suit by any Holder of the 1998 Ordinance Bonds;

(c) bring suit in equity to require the City to account as if it were a trustee of an express trust for the Holders of such 1998 Ordinance Bonds, for any Gas Works Revenues received and/or to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of any 1998 Ordinance Bonds; and

(d) after 30 days prior written notice to the City, declare the unpaid principal of all 1998 Ordinance Bonds to be immediately due and payable, together with interest thereon at the rates stated in the 1998 Ordinance Bonds until final payment, and, if all defaults shall be made good, to annul such declaration and its consequences.

Notwithstanding the foregoing and in accordance with the 1998 General Ordinance, the remedy described in paragraph 3(d) above may be exercised only upon the failure of the City to pay, when due, principal and redemption price of (including principal due as a result of a scheduled mandatory redemption) and interest on a Series of 1998 Ordinance Bonds. Upon the occurrence of an event of default described above, the Fiscal Agent shall, within thirty (30) days, give written notice thereof by first class mail to all Bondholders.

If and when a trustee takes any of the actions described in paragraph (3) above, individual Bondholders will be precluded from taking similar action, regardless of whether such action was previously or subsequently initiated. The court, in cases of extreme hardship, may provide for the payment of sums levied in five or less annual installments with interest at a rate sufficient to cover the interest accruing on the 1998 Ordinance Bonds. In any suit, action or proceeding by or on behalf of Holders of 1998 Ordinance Bonds, the fees and expenses of a trustee, including operating costs of the Gas Works and reasonable counsel fees, shall constitute taxable costs, and all such costs and disbursements allowed by the court shall be deemed additional principal due on the 1998 Ordinance Bonds and shall be paid in full from any recovery prior to any distribution to the Holders of the 1998 Ordinance Bonds.

Remedies Not Exclusive; Effect of Delay on Exercise of Remedies

No remedy in the 1998 General Ordinance or in the Act conferred upon or reserved to the trustee, if one be appointed, or to the Holder of any 1998 Ordinance Bonds is intended to be exclusive (except as specifically provided in the Act, as described above under "Defaults and Statutory Remedies") of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the 1998 General Ordinance or now or existing at law or in equity or by statute. No delay or omission of the trustee, if one be appointed, or of any Holder of any 1998 Ordinance Bond to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the 1998 General Ordinance, by the Act or otherwise may be exercised from time to time as often as may be deemed expedient.

Remedies to be Enforced Only Against Pledged Revenues

Any decree or judgment for the payment of money against the City by reason of default under the 1998 General Ordinance shall be enforceable only against the Gas Works Revenues, amounts in the Sinking Fund

Reserve and other amounts which may be specifically pledged therefor and investments thereof, and no decree or judgment against the City upon any action brought under the 1998 General Ordinance shall order, or be construed to permit the occupation, attachment, seizure or sale upon execution of any other property of the City.

Fiscal Agent

Such state or federally chartered bank, bank and trust company or trust company as may from time to time be appointed by the City in accordance with law, shall act as Fiscal Agent in respect of all 1998 Ordinance Bonds or in respect of any particular Series of 1998 Ordinance Bonds. The Fiscal Agent also acts as Sinking Fund Depositary of the Sinking Fund and as paying agent and registrar of the 1998 Ordinance Bonds in respect of which it is Fiscal Agent, unless others are appointed in such capacity by the City. The Fiscal Agent is the representative of the Holders of the 1998 Ordinance Bonds for the purpose of executing and filing financing statements to perfect the security interest granted in the 1998 General Ordinance under the Pennsylvania Uniform Commercial Code. Nothing in the 1998 General Ordinance shall be construed to prevent the City from engaging other or additional Sinking Fund Depositories, paying agents or registrars of the 1998 Ordinance Bonds or any Series thereof.[†]

Permitted Securitization of Gas Works Revenues

Notwithstanding the requirements of the Rate Covenant described under “Covenants – Rate Covenant” above and the pledge described above under “Pledge of Revenues; Grant of Security Interest; Limitation on Recourse,” the City may, at such time as there are no bonds outstanding under the 1975 General Ordinance, pursuant to a Supplemental Ordinance, securitize and sell that portion of the Gas Works rents, rates and charges which relate to assets which are designated as non-performing by the Gas Commission^{††} and as to which the Gas Commission^{††} has designated specific rents, rates or charges (such rents, rates and charges are excluded from the definition of Gas Works Revenues); provided that prior to any such securitization and sale the City delivers to the Fiscal Agent (1) an Engineer’s report including a statement that, for the three year period following such securitization and sale, the Gas Works rents, rates and charges (excluding those securitized and sold) are currently and will be sufficient to comply with the Rate Covenant applied as if the percentage in subsection A.iii under the heading “Covenants – Rate Covenant” were 175% rather than 150% and (2) an opinion of Bond Counsel that such securitization and sale will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any Outstanding 1998 Ordinance Bonds the interest on which is intended to be so excluded. Proceeds received from any such securitization and sale shall be excluded from Gas Works Revenues in all calculations relating to the Rate Covenant and, notwithstanding any provision of the 1998 General Ordinance to the contrary, may be used to redeem or refund obligations issued to finance the related assets designated as non-performing.

Amendments and Modifications

In addition to the adoption of Supplemental Ordinances supplementing or amending the 1998 General Ordinance in connection with the issuance of successive Series of 1998 Ordinance Bonds, the 1998 General Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission therein; (b) to make such provisions in regard to matters or questions arising thereunder which shall not be inconsistent with the provisions thereof and which shall not adversely affect the interests of Bondholders; (c) to grant to or confer upon Bondholders or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority or security that may be lawfully granted or conferred; (d) to incorporate modifications requested by any Rating Agency to obtain or maintain a credit rating on any Series of 1998 Ordinance Bonds; (e) to comply with any mandatory provision of state or federal law or

[†] Under the terms of the Fiscal Agent Agreement, made as of January 1, 1993, by and between the City and the predecessor to the current Fiscal Agent, as amended and supplemented, the Fiscal Agent is the secured party with the right to enforce the City pledge of Gas Work Revenues on behalf of the holders of 1998 Ordinance Bonds, the issuers of any Credit Facilities and the providers of any Qualified Swaps and Exchange Agreements.

^{††} The PUC now has jurisdiction to make the designations described under this subheading.

with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the 1998 Ordinance Bonds, but no amendment or modification shall be made with respect to any Outstanding 1998 Ordinance Bonds to alter the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected Outstanding 1998 Ordinance Bonds; and (f) except as aforesaid, in such other respect as may be authorized in writing by the Holders of a majority in principal amount (using Accreted Value in the case of Capital Appreciation 1998 Ordinance Bonds) of the 1998 Ordinance Bonds Outstanding and affected. The written authorization of Bondholders of any supplement to or modification or amendment of the 1998 General Ordinance or any Supplemental Ordinance need not approve the particular form of any proposed supplement, modification or amendment but only the substance thereof.

Deposit of Funds for Payment of 1998 Ordinance Bonds

When interest on, and principal or redemption price (as the case may be) of, all 1998 Ordinance Bonds issued under the 1998 General Ordinance, and all amounts owed under any Credit Facility, Qualified Swap and Exchange Agreement entered into under the 1998 General Ordinance (other than termination payments), have been paid, or there shall have been deposited with the Fiscal Agent an amount, evidenced by moneys or Qualified Escrow Securities the principal of and interest on which, when due, will provide sufficient moneys to fully pay the 1998 Ordinance Bonds at the maturity date or date fixed for redemption thereof, and all amounts owed under any Credit Facility, Qualified Swap and Exchange Agreement entered into under the 1998 General Ordinance (other than termination payments), the pledge and grant of security interest in the Gas Works Revenues made under the 1998 General Ordinance shall cease and terminate, and the Fiscal Agent and any other depository of funds and accounts established under the 1998 General Ordinance shall turn over to the City or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds and accounts established thereunder.

If the City deposits with the Fiscal Agent moneys or Qualified Escrow Securities sufficient to pay the principal or redemption price of any particular 1998 Ordinance Bond or 1998 Ordinance Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such 1998 Ordinance Bond or 1998 Ordinance Bonds shall cease to accrue on the due date and all liability of the City with respect to such 1998 Ordinance Bond or 1998 Ordinance Bonds shall likewise cease, except as provided in the following paragraph. From and after such deposit, such 1998 Ordinance Bond or 1998 Ordinance Bonds shall be deemed not to be Outstanding under the 1998 General Ordinance and the Holder or Holders thereof shall have recourse solely and exclusively to the funds so deposited for any claims of whatsoever nature with respect to such 1998 Ordinance Bond or 1998 Ordinance Bonds, and the Fiscal Agent shall hold such funds in trust for the Holder or Holders of such 1998 Ordinance Bond or 1998 Ordinance Bonds.

Moneys deposited with the Fiscal Agent pursuant to the preceding paragraphs which remain unclaimed two (2) years after the date payment thereof becomes due shall, upon written request of the City, if the City is not at the time to the knowledge of the Fiscal Agent (the Fiscal Agent having no responsibility to independently investigate) in default with respect to any covenant in the 1998 General Ordinance or the 1998 Ordinance Bonds, be paid to the City, and the Holders of the 1998 Ordinance Bond for which the deposit was made shall thereafter be limited to a claim against the City; provided, however, that before making any such payment to the City, the Fiscal Agent shall, at the expense of the City, publish in a newspaper of general circulation published in the City, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of publication of such notice, the balance of such moneys then unclaimed will be paid to the City.

Ordinances are Contracts with Bondholders

The 1998 General Ordinance and Supplemental Ordinances adopted pursuant thereto are contracts with the Holders of all 1998 Ordinance Bonds from time to time Outstanding under the 1998 General Ordinance and are enforceable in accordance with the provisions of the 1998 General Ordinance and the laws of the Commonwealth of Pennsylvania.

Parties Interested in the 1998 General Ordinance

Nothing in the 1998 General Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Holders of 1998 Ordinance Bonds, the Fiscal Agent, and each provider of a Credit Facility, Qualified Swap or Exchange Agreement, any right, remedy or claim under or by reason of the 1998 General Ordinance or any covenants, condition or stipulation therefor; and all the covenants, stipulations, promises and agreements in the 1998 General Ordinance by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Fiscal Agent, the Holders of 1998 Ordinance Bonds and each provider of a Credit Facility, Qualified Swap or Exchange Agreement.

Closure of the 1975 General Ordinance

After the adoption of the 1998 General Ordinance, the City shall not issue any bonds under the 1975 General Ordinance except to refund bonds issued under the 1975 General Ordinance or to replace bonds issued thereunder which have been mutilated, destroyed, lost or stolen as provided therein or in substitution for bonds issued thereunder upon transfer or exchange as provided therein.

Severability

In case any one or more of the provisions contained in the 1998 General Ordinance or in any 1998 Ordinance Bond issued pursuant to the 1998 General Ordinance shall for any reason to be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions in the 1998 General Ordinance or said 1998 Ordinance Bonds, and the 1998 General Ordinance or said 1998 Ordinance Bonds shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated September __, 2026 is by and between THE CITY OF PHILADELPHIA, PENNSYLVANIA (the “City”) and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as dissemination agent (the “Dissemination Agent”) in connection with the issuance and sale by the City of [\$_____] aggregate principal amount of its Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Ordinance) (the “Bonds”). The Bonds are being issued pursuant to the Act, the General Ordinance and the Bond Authorization. Capitalized terms used in this Agreement shall have the respective meanings specified above or in Article IV hereof.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I The Undertaking

Section 1.1. Purpose. This Agreement is authorized to be executed and delivered by the City pursuant to the General Ordinance and Section 11 of the Bond Authorization solely in order to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information.

(a) Commencing with the PGW Fiscal Year ending August 31, 2026, the Disclosure Representative shall deliver the Annual Financial Information to the Dissemination Agent for filing by the Dissemination Agent (on behalf of the City) with EMMA (as defined herein) no later than April 26, 2027 (or, if such date is not a business day, the next business day thereafter), and no later than each succeeding April 26th (or, if such date is not a business day, the next business day thereafter) for each preceding fiscal year thereafter (the “Annual Filing Date”). The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events.

(a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the

occurrence of such Notice Event, notice of such Notice Event to the MSRB internet website (currently www.emma.msrb.org).

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bonds issues of the City including the Bonds, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Dissemination Agent so to advise the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the City and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

ARTICLE II **Operating Rules**

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB internet website (currently www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access system ("EMMA"), which is currently accessible at the following web address: emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year.

(a) The Disclosure Representative shall file promptly a notification on EMMA, through the Dissemination Agent, of any change in the City Fiscal Year or the PGW Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination.

(a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment.

(a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in

circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) either (i) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the General Ordinance with consent of holders of Bonds pursuant to the General Ordinance as in effect at the time of the amendment, and (5) the Disclosure Representative shall have delivered a copy of the amendment, accompanied by copies of such opinion(s), to the Dissemination Agent. The items provided in clause (5) shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered a copy of the amendment, accompanied by a copy of such opinion, to the Dissemination Agent. Such amendment shall be filed promptly by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff of the SEC, and (2) the Disclosure Representative shall have delivered a copy of the amendment, accompanied by a copy of such opinion, to the Dissemination Agent. Such amendment shall be filed promptly by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to this Section 3.2 hereof to the accounting principles to be followed by the City in preparing the financial statements of the City or PGW in preparing the financial statements of PGW, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the

impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of Outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the General Ordinance, and the rights and remedies provided by the General Ordinance upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV
Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Act" means The First Class City Revenue Bond Act, approved October 18, 1972 (Act No. 234, 53 P.S. §§15901 to 15924), as amended.

(2) "Annual Financial Information" means, collectively:

(i) The Annual Comprehensive Financial Report of the Philadelphia Gas Works ("PGW's ACFR") for the most recently ended PGW Fiscal Year, which contains the Audited Financial Statements, and if PGW's ACFR is not otherwise prepared, the Audited Financial Statements;

(ii) the City's Annual Comprehensive Financial Report (the "City's ACFR") for the most recently ended City Fiscal Year;

(iii) financial information or operating data with respect to PGW and the City, substantially similar to the type set forth in (A) Tables 1 through 14 of the Official Statement (except Table 3 and excluding any portions of tables not reflective of a full fiscal year) and the tables entitled "PGW Historical Average Numbers of Customers by Category," "PGW Historical Revenues by Customer Type," "Supply Mix to Meet Peak Day Demand," "Existing Tariff Charges and Effective Dates," and "Budgeted Statement of Income" and (B) Tables 1 through 52 in Appendix C attached to the Official Statement; and

(iv) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement.

Annual Financial Information shall include Audited Financial Statements; provided however if Audited Financial Statements are not available by the Annual Filing Date, then the City shall cause Unaudited Financial Statements to be included in the Annual Financial Information, and subsequently file Audited Financial Statements as soon as they become available.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2 (a) hereof. In connection with Section 4.1(2), it is the City's intention to satisfy all or a portion of the obligations set forth therein by submitting to EMMA (x) PGW's ACFR, (y) the City's ACFR, and (z) to the extent not otherwise updated in either PGW's ACFR or the City's ACFR, (1) an official statement or comparable offering document, or an appendix thereto, that includes annual updates to the Tables specified in clause 4.1(2)(iii) herein or (2) if the City does not have such an official statement, offering document or appendix prepared, then annual updates to the Tables specified in clause 4.1(2)(iii) herein. If at any time the City deletes, for purposes of a then-current offering document or appendix thereto, certain financial information or operating data from such then-current offering document or appendix that is included in one of the Tables specified in clause 4.1(2)(iii) above, such deleted information will be submitted separately from the updated offering document or appendix.

The descriptions contained in this Section 4.1(2) of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(3) "Audited Financial Statements" means the annual financial statements, if any, of PGW, audited by KPMG LLP, or such other auditor as shall then be required or permitted by Commonwealth law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2 (e) hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be

followed in preparing the financial statements of the City or PGW. The notice of any such modification required by Section 3.2 (e) hereof shall include a reference to the specific federal or Commonwealth legal requirement describing such accounting principles, or other description thereof.

(4) “Bond Authorization” means the Bond Authorization for the Bonds adopted by the Bond Committee of the City (consisting of the Mayor, the City Solicitor and the City Controller and acting by a majority thereof) on August [___], 2026.

(5) “City Fiscal Year” means the fiscal year of the City, currently beginning on July 1 and ending on June 30, as may be changed as contemplated under Section 2.5 hereof.

(6) “Commonwealth” means the Commonwealth of Pennsylvania.

(7) “Counsel” means any nationally recognized bond counsel or counsel expert in federal securities laws.

(8) “Disclosure Representative” means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(9) “Financial Obligation” means “financial obligation” as such term is defined in the Rule.

(10) “Fiscal Agent” means U.S. Bank Trust Company, National Association, as fiscal agent and registrar for the Bonds.

(11) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(12) “General Ordinance” means the City’s General Gas Works Revenue Bond Ordinance of 1998, as amended and supplemented, including as supplemented by the Thirteenth Supplemental Ordinance adopted by the City Council on March 26, 2015 and signed by the Mayor on March 26, 2015, the Fourteenth Supplemental Ordinance adopted by the City Council on June 15, 2017 and signed by the Mayor on June 21, 2017, the Fifteenth Supplemental Ordinance adopted by the City Council on June 25, 2020 and signed by the Mayor on June 26, 2020, and the Sixteenth Supplemental Ordinance adopted by the City Council on June 13, 2024 and signed by the Mayor on June 26, 2024.

(13) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(14) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City (this event is considered to occur when any of the following occur” the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional paying agent, or the change of name of a paying agent, if material;

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(15) “Official Statement” means the Official Statement dated [____], 2026 of the City relating to the Bonds.

(16) “PGW” means the Philadelphia Gas Works of the City of Philadelphia.

(17) “PGW Fiscal Year” means the fiscal year of PGW, currently beginning on September 1 and ending on August 31, as may be changed as contemplated under Section 2.5 hereof.

(18) “Registered Owner” or “Registered Owners” means the person or persons in whose name a Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the General Ordinance and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term “Registered Owner” or “Registered Owners” also means and includes, for the purposes of this Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Agreement.

(19) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(20) “SEC” means the United States Securities and Exchange Commission.

(21) “Securities Depository” shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or successor thereto appointed pursuant to the General Ordinance.

(22) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(23) “Underwriters” means the financial institutions named on the cover of the Official Statement.

ARTICLE V
Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA,
has caused this Continuing Disclosure Agreement to be executed by the Director of Finance and
DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this
Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year
first above written.

**THE CITY OF PHILADELPHIA,
PENNSYLVANIA**

By: _____
Name: Rob Dubow
Title: Director of Finance

**DIGITAL ASSURANCE
CERTIFICATION, L.L.C,** as
Dissemination Agent

By: _____
Name: _____
Title: _____

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APPENDIX G

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

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September 3, 2026

Re: \$_____, aggregate principal amount, City of Philadelphia, Pennsylvania, Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Ordinance)

To the Purchasers of the Within-Described Bonds:

We have acted as Co-Bond Counsel to the City of Philadelphia, Pennsylvania (“City”) in connection with the authorization and issuance by the City of its Gas Works Revenue Refunding Bonds, Eighteenth Series (1998 General Ordinance) (the “Bonds”).

The Bonds are issued under and pursuant to provisions of: (i) the Constitution of the Commonwealth of Pennsylvania (“Commonwealth”); (ii) the First Class City Revenue Bond Act, approved October 18, 1972 (P.L. 955), Act No. 234 (“Act”); (iii) the City’s General Gas Works Revenue Bond Ordinance of 1998 (Bill No. 980232, approved May 8, 1998) as amended and supplemented prior to March 26, 2015 (the “Original Ordinance”); (iv) the Thirteenth Supplemental Ordinance thereto (Bill No. 150159, approved March 26, 2015) (the “Thirteenth Supplemental Ordinance”); (v) the Fourteenth Supplemental Ordinance thereto (Bill No. 170432, approved June 21, 2017) (the “Fourteenth Supplemental Ordinance” and together with the Thirteenth Supplemental Ordinance and the Original Ordinance as further previously supplemented through and including a Sixteenth Supplemental Ordinance to the General Gas Works Revenue Bonds Ordinance of 1998, adopted by the City Council, the “1998 General Ordinance”) and (v) and by a determination of the Bond Committee to be adopted on the sale date of the Bonds (the “Eighteenth Series Bond Authorization”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 1998 General Ordinance.

The Bonds are being issued by the City to provide funds to (i) currently refund all of the City’s Gas Works Revenue Refunding Bonds, Fourteenth Series maturing on October 1 in the years 2027 through 2037, inclusive, currently Outstanding under the 1998 General Ordinance (the “Refunded Bonds”) on October 5, 2026, (ii) purchase and cancel the bonds set forth on Schedule 1 to the Official Statement relating to the Bonds (the “Official Statement”), pursuant to the Tender Offer (as defined in the Official Statement) and (iii) pay the costs of issuing the Bonds and the Tender Offer.

The Bonds, together with all Senior Bonds presently Outstanding under the 1998 General Ordinance and any parity obligations hereafter issued under the 1998 General Ordinance (collectively, the “Senior Bonds”), are equally and ratably payable solely from and secured solely by a lien on and security interest in all Gas Works Revenues, all accounts, contract rights and general intangibles representing Gas Works Revenues, and the Sinking Fund, including the Sinking Fund Reserve established under the 1998 General Ordinance.

As Co-Bond Counsel, we have examined: (i) the relevant provisions of the Constitution of the Commonwealth; (ii) the Act; (iii) the 1998 General Ordinance; (iv) the Eighteenth Series Bond Authorization; and (v) certain statements, certifications, affidavits and other documents and matters of law as we have deemed necessary to enable us to render the opinion set forth below, including, without limitation, a certificate of officials of the City and of the Gas Works having responsibility for issuing the Bonds (“Tax Compliance Certificate”), intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (“Code”), and applicable Treasury Regulations, and the other documents and instruments listed on the Index of Closing Documents relating to the Bonds dated the date hereof. We have also examined the fully executed and authenticated Bonds.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all of the documents, records, certifications and other instruments examined including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the opinion of the City Solicitor as to all matters of fact and law set forth therein. We have not made any independent examination in rendering this opinion other than the examination referred to above. Our opinion is therefore qualified in all respects by the scope of that examination.

Except with respect to Paragraph 5 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

Based upon and subject to the foregoing and subject to the qualifications hereinafter set forth, we are of the opinion that:

1. The City is authorized under the provisions of the Constitution and laws of the Commonwealth to perform its obligations under the 1998 General Ordinance including the Thirteenth Supplemental Ordinance and the Fourteenth Supplemental Ordinance, and the Bonds and to issue the Bonds for the purposes set forth in the Thirteenth Supplemental Ordinance and the Fourteenth Supplemental Ordinance.

2. The City has duly and properly authorized the issuance of the Bonds.

3. The Bonds have been duly executed, authenticated, issued and delivered, and are the legal, valid and binding obligations of the City, enforceable in accordance with the terms thereof, except as enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or legal or equitable principles affecting the enforcement of creditors’ rights.

4. Under the laws of the Commonwealth as presently enacted and construed, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, any profits, gains or income derived from the sale, exchange

or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the City with the requirements of the Code.

In rendering this opinion, we have assumed compliance by the City with its covenants contained in the 1998 General Ordinance, the Eighteenth Series Bond Authorization and the Tax Compliance Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the City in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. These covenants relate to, *inter alia*, the use and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if required. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We call to your attention the fact that the Bonds are special obligations of the City payable solely from and secured solely by the Gas Works Revenues and amounts in the Sinking Fund, including the Sinking Fund Reserve, established pursuant to the 1998 General Ordinance. The Bonds are not general obligations of the City and do not pledge the full faith, credit or taxing power of the City or create any debt or charge against the general revenues of the City or create a lien or charge against any property of the City other than Gas Works Revenues.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion herein with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the Preliminary Official Statement or Official Statement prepared in respect of the Bonds and make no representation that we have independently verified the contents thereof.

Very truly yours,

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APPENDIX B
FORM OF PRICING NOTICE
RELATING TO THE
INVITATION TO TENDER BONDS DATED AUGUST 11, 2026
made by
THE CITY OF PHILADELPHIA, PENNSYLVANIA
to the Bondowners described herein of
all or any portion of the maturities listed on page 2 herein of
TARGET BONDS
Gas Works Revenue Bonds, Fifteenth Series (1998 Ordinance)
(Base CUSIP: 71783M)

*The purpose of this Pricing Notice dated August 18, 2026 (the “**Pricing Notice**”) is to set forth the Offer Purchase Prices for the Target Bonds. All other terms used herein and not otherwise defined are used as defined in the Invitation (hereinafter defined).*

Pursuant to the Invitation to Tender Bonds dated August 11, 2026 (as it may be amended or supplemented, the “**Invitation**”), the City of Philadelphia (the “**City**”) invited Bondowners to tender Target Bonds for cash at the applicable Offer Purchase Prices set forth in this Pricing Notice plus Accrued Interest on any purchased Target Bonds to but not including the Settlement Date. See Section 2, “Information to Bondowners” in the Invitation.

[There has been no change to the Indicative Offer Purchase Prices listed on page (i) of the Invitation / the Indicative Offer Purchase Prices listed on page (i) of the Invitation have been revised].

As set forth in the Invitation, the City retains the right to extend the Tender Offer, or amend the terms of the Tender Offer (including a waiver of any term) in any material respect, provided, that the City shall provide notice thereof at such time and in such manner to allow reasonable time for dissemination to Bondowners and for Bondowners to respond. In such event, any offers submitted with respect to the affected Target Bonds prior to such change in the Offer Purchase Prices pursuant to the Invitation, will remain in full force and effect and any Bondowner of such affected Target Bonds wishing to revoke their offer to tender such Target Bonds for purchase must affirmatively withdraw such offer prior to the Expiration Date, as extended. See Section 8, “Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date” in the Invitation.

The Invitation, including the Eighteenth Series Bonds POS is available: (i) at the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at <http://emma.msrb.org>, using the CUSIP numbers for the Target Bonds, and (ii) on the website of the Information Agent and Tender Agent at <https://www.globic.com/pgw>.

Any questions are to be directed to the Information Agent and Tender Agent at (212) 227-9622.

TENDER OFFER –TARGET BONDS – OFFER PURCHASE PRICES

Pursuant to the Invitation, the Offer Purchase Prices for the Target Bonds are listed in the table below. [There has been no change in the Indicative Offer Purchase Prices listed on page (i) of the Invitation / the Indicative Offer Purchase Prices listed on page (i) of the Invitation have been revised].

The City of Philadelphia, Pennsylvania Gas Works Revenue Bonds, Fifteenth Series (1998 Ordinance)

CUSIP ⁽¹⁾ (Base No. 71783M)	Maturity Date (August 1)	Par Call Date	Interest Rate (%)	Outstanding Principal Amount (\$)	Offer Purchase Price ⁽²⁾
AN5	2028	8/1/2027	5.000	7,775,000	
AP0	2029	8/1/2027	5.000	8,240,000	
AQ8	2030	8/1/2027	5.000	7,175,000	
AR6	2031	8/1/2027	5.000	7,530,000	
AS4	2032	8/1/2027	5.000	7,910,000	
AT2	2033	8/1/2027	5.000	8,300,000	
AU9	2034	8/1/2027	5.000	8,715,000	
AV7	2035	8/1/2027	5.000	9,150,000	
AW5	2036	8/1/2027	5.000	9,610,000	
AX3	2037	8/1/2027	5.000	10,095,000	
AY1 ⁽³⁾	2042	8/1/2027	5.000	58,555,000	
AZ8 ⁽³⁾	2047	8/1/2027	5.000	74,730,000	

- ⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc., solely for the convenience of the Bondowners of the Target Bonds and the City is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.
- ⁽²⁾ Offer Purchase Prices are expressed as a dollar amount per \$100 principal amount of the Target Bonds and exclude Accrued Interest. Accrued Interest on any purchased Target Bonds will be paid by the City to but not including the Settlement Date in addition to the applicable Purchase Price.
- ⁽³⁾ Denotes a Target Term Bond(as defined in the Invitation) subject to annual mandatory sinking fund redemption prior to maturity. See Section 2, “Information to Bondowners – *Sinking Fund Amortization of Unpurchased Target Term Bonds*” in the Invitation.