**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held May 7, 2015

Commissioners Present:

Robert F. Powelson, Chairman, Statement

John F. Coleman, Jr., Vice Chairman

James H. Cawley, Statement

Pamela A. Witmer

 Gladys M. Brown

|  |  |
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| Petition of PECO Energy Company for Approval of its Modified Gas Long-Term Infrastructure Improvement Plan  |  Docket Number: P-2013-2347340 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Commission for consideration is the Petition for approval of the Modified Gas Long-Term Infrastructure Improvement Plan (LTIIP) of PECO Energy Company (PECO). The Petition was filed on February 4, 2015. PECO’s existing LTIIP was approved by the Commission by Order entered May 9, 2013.

PECO is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal office in Philadelphia, Pennsylvania. PECO provides electric delivery service to approximately 1.6 million customers and natural gas delivery service to approximately 495,000 customers in Pennsylvania. PECO furnishes gas service within its authorized service territory in Bucks, Chester, Delaware, Lancaster and Montgomery Counties. PECO is a “public utility” within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. §§ 102, and, with respect to its provision of gas service, a “natural gas distribution company,” as defined in 66 Pa. C.S. § 2201 and is subject to the regulatory jurisdiction of the Commission.

The Modified LTIIP Petition was filed on February 4, 2015. Copies of the Modified LTIIP Petition were served on the statutory advocates as well as the active parties in PECO’s last gas base rate case proceeding[[1]](#footnote-1).

Philadelphia Area Industrial Energy Users Group (PAIEUG) filed comments on March 6, 2015. PAIEUG did not object to PECO’s proposed Modified LTIIP at this time. In its comments, PAIEUG calls for a thorough review of the scope of investment for the Modified LTIIP to ensure that the completed capital improvements remain reasonably consistent with projections outlined in the Modified LTIIP and limited to DSIC-eligible assets.

**BACKGROUND**

On February 14, 2012,Governor Corbett signed into lawAct 11 of 2012 (Act 11),[[2]](#footnote-2) which amends Chapters 3, 13 and 33 of Title 66. Act 11, *inter alia*, provides utilities with the ability to implement a Distribution System Improvement Charge (DSIC) to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file an LTIIP with the Commission that is consistent with 66 Pa. C.S. §1352. The Commission’s LTIIP Regulations are codified at 52 Pa. Code Chapter 121.

**PECO’S MODIFIED LTIIP PETITION**

**PECO’s Petition**

 PECO’s Modified LTIIP is a ten year plan, spanning the years 2013-2022, with two areas of focus that build upon PECO’s previous LTIIP. One of these areas is acceleration in the replacement of distribution mains and services beyond the previous rate of infrastructure improvement. Under this Modified LTIIP, PECO would replace all of its targeted at-risk pipe within 20 years, a marked acceleration from its previous 34 year plan. In order to accomplish this accelerated pace, PECO will increase its spending levels from $34 million per year to an annual spending commitment of $61 million per year in 2018. PECO intends to maintain this level of infrastructure improvement by adding additional inflation adjustments for each year thereafter. PECO’s increased level of investment would enable it to replace all of its oldest, high-risk cast iron mains and all of its bare steel services in approximately 8 years (by 2023) and replace all of the cast iron and bare steel mains in its system in approximately 20 years (by 2035).

As of December 31, 2013, there were approximately 1,580 miles of cast iron, wrought iron and ductile iron mains and bare steel mains and services in PECO’s gas distribution system. These mains and services were installed between the late 1800s and the 1960s. These mains and services comprise only about 12% (in length) of PECO’s system; yet they are the source of approximately 88% of all the leaks on PECO’s system. Under the company’s previous LTIIP, PECO had been scheduled to replace cast iron and bare steel mains at an average rate of 27 miles per year and replace bare steel services at a rate of 3,950 per year. In this Modified LTIIP, PECO has determined that its schedule for replacement of these mains and services should be accelerated to 51 miles of main per year, while maintaining a similar level of service line replacement at 3,850 per year.

 In addition to this aggressive increase in the replacement of legacy main, PECO is also proposing a plan to ensure compliance with the new meter regulations at 52 Pa. Code § 59.18, promulgated by Commission Order entered May 22, 2014[[3]](#footnote-3). *Inter alia*, these new regulations require that all inside meter sets (excepting those excluded by the regulations) be relocated to the exterior of the structure by September 13, 2034. PECO’s Modified LTIIP addresses this by relocating its approximately 69,000 affected meters by 2034.

PECO will prioritize replacement of wrought iron, ductile iron, cast iron and bare steel mains and bare steel services for which PECO’s risk modeling has determined to be high risk during this initial 10 year phase. With respect to cast iron main replacement, PECO will focus on cast iron main that (1) is less than eight inches in diameter; (2) operates at elevated pressure; and (3) is located in areas with greater population density and under extensively paved surfaces, or (4) was installed prior to 1900. All cast iron pipe with these characteristics will be replaced in ten years.

PECO addressed the eight LTIIP elements required in the Final Implementation Order of Act 11 as discussed below.

**(1) TYPES AND AGE OF ELIGIBLE PROPERTY**

**PECO Position**

According to PECO’s Modified LTIIP, as of December 31, 2013, there were approximately 1,580 miles of cast iron, wrought iron and ductile iron mains and bare steel mains and services in PECO’s gas distribution system. Staff data requests[[4]](#footnote-4) to the company yielded the data summarized in Table 1, below, detailing the type of PECO’s mains that remain to be replaced as of December 31, 2014.

**Table 1 – Mileage of Cast Iron, Wrought Iron, Ductile Iron and Bare Steel Mains to Be Replaced**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Cast Iron** | **Wrought Iron**  | **Ductile Iron** | **Bare Steel** | **Total** |
| **Total Miles** | 672.5 | 41.9 | 55.9 | 327.0 | 1,097.3 |

 In addition, PECO will replace 31,392 bare steel service lines, which equates to 434 miles of service lines replaced. The age of the mains to be replaced are detailed below in Table 2.

**Table 2 – Mileage of Cast Iron, Wrought Iron, Ductile Iron and Bare Steel Mains to Be Replaced by Vintage**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year Range** | **Cast Iron** | **Wrought Iron**  | **Ductile Iron** | **Bare Steel** |
| Pre 1900 | 24 | 4 |   |   |
| 1900-1910 | 52 | 14 |   | 5 |
| 1911-1920 | 71 | 19 |   | 10 |
| 1921-1930 | 196 | 8 |   | 145 |
| 1931-1940 | 41 |   |   | 24 |
| 1941-1950 | 96 |   |   | 53 |
| 1951-1960 | 169 |   |   | 81 |
| 1961-1970 | 34 |   | 56 | 10 |
| 1971-2010 |   |   |   |   |
| **Total Miles** | 672.5 | 41.9 | 55.9 | 327.0 |

 PECO states that its plans to relocate all of its indoor meters by 2035 will result in the relocation of 69,436 indoor meters.

**Comments**

No comments were received regarding the types and ages of eligible property.

**Resolution**

 Upon review of PECO’s Modified LTIIP and all supplemental information filed, the Commission finds that the types and ages of eligible property requirements of element one of the Final Implementation Order have been fulfilled. The Commission acknowledges the level of detail contained within the Modified LTIIP for item one conforms to Commission requirements and is presented in a manner that allows for complete and efficient review of, and reference to, these materials.

**(2) SCHEDULE FOR PLANNED REPAIR AND REPLACEMENT OF ELIGIBLE PROPERTY**

**PECO Position**

The historical infrastructure replacements for PECO can be found in Tables 3 and 4 below. The Schedule for Planned Replacements can be found in Table 5 below. PECO states that the miles of main and number of services replaced for a given level of investment may be different from the estimates in Table 5 if actual work site conditions are more or less favorable than those assumed for purposes of PECO’s estimates.

**Table 3 – Miles of Main and Bare Steel Services Replaced, 2005-2009**

|  |  |
| --- | --- |
|  | ACTUALS |
|  | 2005 | 2006 | 2007 | 2008 | 2009 |
| Mains | 10.4 | 11.6 | 11.5 | 12.4 | 14.0 |
| Accelerated Main |   |   |   |   |   |
| Services | 1,335 | 1,915 | 1,271 | 1,915 | 1,834 |
| Accelerated Services |   |   |   |   |   |

**Table 4 – Miles of Main and Bare Steel Services Replaced, 2010-2014**

|  |  |
| --- | --- |
|  | ACTUALS |
|  | 2010 | 2011 | 2012 | 2013 | 2014 |
| Mains | 17 | 11 | 15.5 | 13.3 | 9.5 |
| Accelerated Main | 0 | 9 | 16.5 | 19.7 | 13.3 |
| Services | 2,505 | 1,690 | 2,468 | 2,200 | 1,400 |
| Accelerated Services | 0 | 600 | 613 | 346 | 400 |

**Table 5 – Miles of Main, Bare Steel Services, and Meter Relocations Planned,**

**2015-2022**

|  |  |
| --- | --- |
|  | LONG TERM PLAN |
|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Mains | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 |
| Accelerated Main | 18.0-21.0 | 24.0-27.0 | 28.0-32.0 | 35.0-40.0 | 35.0-40.0 | 35.0-40.0 | 35.0-40.0 | 35.0-40.0 |
| Services | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 |
| Accelerated Services | 2,150 | 2,150 | 2,150 | 2,150 | 2,150 | 2,150 | 2,150 | 2,150 |
| Meter Relocations | 2,900 | 2,900 | 2,900 | 2,900 | 2,900 | 2,900 | 2,900 | 2,900 |

**Comments**

No comments were received regarding the schedule for planned repair and replacement of eligible property.

**Resolution**

 Upon review of PECO’s Modified LTIIP and all supplemental information filed, the Commission finds that the schedule for planned repair and replacement of eligible property requirements of element two of the Final Implementation Order has been fulfilled. The Commission acknowledges the level of detail contained within the Modified LTIIP for item two conforms to Commission requirements and is presented in a manner that allows for complete and efficient review of, and reference to, these materials.

**(3) LOCATION OF THE ELIGIBLE PROPERTY**

**PECO Position**

Total eligible property (including property that is the focus of this Modified LTIIP) is located throughout PECO’s territory as follows:

**Distribution Mains**

**Table 6 – Location of Mains to be Replaced (in miles)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| County | Bare Steel | Wrought Iron | Cast Iron | Ductile Iron | Total |
| Bucks | 47.0 | 1.7 | 24.4 | 2.7 | 75.8 |
| Chester | 45.0 | 3.4 | 52.4 | 9.7 | 110.5 |
| Delaware | 78.1 | 23.1 | 357.0 | 13.2 | 471.4 |
| Lancaster | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 |
| Montgomery | 172.0 | 17.0 | 243.0 | 30.0 | 462.0 |
| Total | **342.5** | **45.2** | **676.8** | **55.6** | **1,120.1** |

**Bare Steel Services**

 PECO will modernize all of its bare steel customer service lines[[5]](#footnote-5). Bare steel customer service lines are subject to corrosion like bare steel mains. Some bare steel service lines will be modernized along with the mains – to which they are attached – that are being replaced under the Modified LTIIP. The remaining bare steel service lines will be prioritized to stay ahead of any repaving projects, areas prone to blockage, and areas that have a previous leak history. Additionally, all bare steel service lines will be replaced within 10 years. Table 7 below shows the location of bare steel services within PECO’s service territory:

**Table 7 – Location of Bare Steel Service Lines to be Replaced**

|  |  |
| --- | --- |
| County | Number of Bare Steel Services |
| Bucks | 3,415 |
| Chester | 3,151 |
| Delaware | 15,345 |
| Lancaster | 17 |
| Montgomery | 11,305 |
| Total | **33,233** |

 PECO plans to relocate all of its indoor meters by 2035 will result in the relocation of 69,436 indoor meters. During the first 10 years of PECO’s replacement program, PECO will be proactively relocating indoor meters connected to bare steel service lines as they replace these services. Table 8 below provides a breakdown of the percentage of total indoor meters connected to bare steel services. After all of the bare steel services have been replaced, this will free up funds to further accelerate the relocation of indoor meters.

**Table 8 – Service Lines Connected to Indoor Meters, by Service Line Material Type**

|  |  |  |
| --- | --- | --- |
| Service Line Material | Number of Indoor Meters | Percentage |
| Plastic | 40,052 | 58% |
| Bare Steel | 23,337 | 34% |
| Unprotected Coated Steel | 2,910 | 4% |
| Copper | 1,828 | 3% |
| Protected Coated Steel | 1,309 | 2% |
| Total | **69,436** | 100% |

**Facility Relocation**

 PECO avers that when PECO moves facilities at the direction of state, municipality or other governmental entity to construct a new road or to perform other construction, costs arise that are eligible for recovery under 66 Pa. C.S. §1351 and § 1353. PECO will provide the estimated facility relocation cost for each year with PECO’s Annual Asset Optimization Plan. The locations of facilities to be relocated will depend on the directives of the municipality or other entities.

**Comments**

No comments were received regarding the location of eligible property.

**Resolution**

 Upon review of PECO’s Modified LTIIP and all supplemental information filed, the Commission finds that the location of eligible property requirements of element three of the Final Implementation Order has been fulfilled. The Commission acknowledges the level of detail contained within the Modified LTIIP for item three conforms to Commission requirements and is presented in a manner that allows for complete and efficient review of, and reference to, these materials.

**(4) REASONABLE ESTIMATES OF THE QUANTITY OF PROPERTY TO BE IMPROVED and**

**(5) PROJECTED ANNUAL EXPENDITURES AND MEASURES TO ENSURE THAT THE PLAN IS COST EFFECTIVE**

**PECO Position**

PECO provides the following estimates in Table 9 below for the amount of infrastructure to be improved over the course of the Modified LTIIP. Table 10 below provides estimates of the expenditures that will be required to achieve these improvements.

**Table 9 – Miles of Main and Bare Steel Services to be Replaced, and Meter Relocations, 2005-2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ACTUALS |  |  |  |
|  | 2005 | 2006 | 2007 | 2008 | 2009 |  |  |  |
| Mains | 10.4 | 11.6 | 11.5 | 12.4 | 14.0 |  |  |  |
| Accelerated Main |   |   |   |   |   |  |  |  |
| Services | 1,335 | 1,915 | 1,271 | 1,915 | 1,834 |  |  |  |
| Accelerated Services |   |   |   |   |   |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | ACTUALS |  |  |  |
|  | 2010 | 2011 | 2012 | 2013 | 2014 |  |  |  |
| Mains | 17 | 11 | 15.5 | 13.3 | 9.5 |  |  |  |
| Accelerated Main | 0 | 9 | 16.5 | 19.7 | 13.3 |  |  |  |
| Services | 2505 | 1690 | 2468 | 2200 | 1400 |  |  |  |
| Accelerated Services | 0 | 600 | 613 | 346 | 400 |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | LONG TERM PLAN |
|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Mains | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 | 12.0-15.0 |
| Accelerated Main | 18.0-21.0 | 24.0-27.0 | 28.0-32.0 | 35.0-40.0 | 35.0-40.0 | 35.0-40.0 | 35.0-40.0 | 35.0-40.0 |
| Services | 1700 | 1700 | 1700 | 1700 | 1700 | 1700 | 1700 | 1700 |
| Accelerated Services | 2150 | 2150 | 2150 | 2150 | 2150 | 2150 | 2150 | 2150 |
| Meter Relocations | 2900 | 2900 | 2900 | 2900 | 2900 | 2900 | 2900 | 2900 |

**Table 10 – Expenditures for Main and Bare Steel Services to be Replaced, and Meter Relocations\*, 2005-2022 (Millions of $)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ACTUALS |  |  |  |
|  | 2005 | 2006 | 2007 | 2008 | 2009 |  |  |  |
| Mains | 12.9 | 11.0 | 13.3 | 17.0 | 14.5 |  |  |  |
| Accelerated Main |   |   |   |   |   |  |  |  |
| Services | 0.3 | 0.8 | 0.6 | 1.0 | 1.3 |  |  |  |
| Accelerated Services |   |   |   |   |   |  |  |  |
| Total | 13.2 | 11.8 | 13.9 | 18.0 | 15.8 |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | ACTUALS |  |  |  |
|  | 2010 | 2011 | 2012 | 2013 | 2014 |  |  |  |
| Mains | 18.0 | 16.4 | 14.1 | 13.2 | 12.8 |  |  |  |
| Accelerated Main | 0.0 | 10.0 | 19.4 | 20.5 | 19.9 |  |  |  |
| Services | 1.5 | 1.3 | 1.1 | 1.5 | 1.2 |  |  |  |
| Accelerated Services | 0.0 | 1.0 | 1.0 | 0.6 | 1.1 |  |  |  |
| Total | 19.5 | 28.7 | 35.6 | 35.8 | 35.0 |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | LONG TERM PLAN |
|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Mains | 14.2 | 13.9 | 13.8 | 14.4 | 14.6 | 14.9 | 15.2 | 15.6 |
| Accelerated Main | 24.2 | 29.0 | 35.0 | 41.3 | 41.7 | 42.7 | 43.8 | 44.9 |
| Services | 1.6 | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 |
| Accelerated Services | 3.5 | 3.6 | 3.7 | 4.0 | 4.1 | 4.1 | 4.1 | 4.1 |
| Total | 43.5 | 48.1 | 54.1 | 61.3 | 62.1 | 63.4 | 64.8 | 66.3 |

\* The cost of the meter relocations is included in the “Services” and “Accelerated Services” categories

PECO prioritizes the replacement of specific mains within the bare steel category using the OptiMain software application, which analyzes leak history to determine how mains should be ranked for replacement. Baseline expenditures for PECO’s cast iron replacement program are prioritized by taking into account a number of considerations such as the location, size and operating pressure.

The mains and services comprising 12% of system mains (in length) but accounting for 88% of all leaks in PECO’s system are the focus of PECO’s Modified LTIIP. The eligible property within each category of vulnerable material is being prioritized for replacement using risk assessment measures derived from PECO’s Distribution Integrity Management Plan (DIMP)[[6]](#footnote-6), its cast iron main replacement protocols and the OptiMain program. Mains selected for replacement are being grouped by reasonable geographic designations to improve the efficiency of workforce and contractor deployment through the following:

* Reduced work scoping, engineering and design by aggregating individual main and service replacement efforts into larger centralized projects;
* Reduced mobilization and demobilization time associated with moving construction crews to different areas; and
* Reduced tie-in work, by replacing facilities in areas larger than city blocks.

 PECO also anticipates minimizing costs through the prudent use of contractors for construction and meter replacement. PECO has made additional supervisors and foremen available to oversee contractors. The expanded inspector force will be used to inspect the increased scope of work under the Modified LTIIP to assure that all work is done properly and cost-effectively. Audits of each project will be conducted through PECO’s Project Management and Finance groups or through monthly performance meetings to assure cost effectiveness, compliance with contract terms and high-quality work performance.

 To minimize street opening and closing costs, PECO will work closely with the Pennsylvania Department of Transportation, local municipalities, and local water and wastewater utilities to align its Modified LTIIP work with construction that each of those entities is planning. PECO will also coordinate its electric and gas work where possible.

 PECO provided a description of two potential Modified LTIIP projects that may add additional annual expenditures in the future. These projects include: (1) a potential pipeline re-designation by the US Department of Transportation’s (DoT’s) Pipeline Hazardous Material Safety Administration (PHMSA) that may result in enhanced inspection and documentation requirements and potential upgrades or replacements; and (2) replacement or upgrade of certain regulator station facilities as they age and reach the end of their service life. At this time, neither of these potential sets of projects are included in PECO’s estimates of work to be done or expenditures to be incurred during the Modified LTIIP.

**Comments**

In its comments, PAIEUG submits that the scope of investment projected for the Modified LTIIP demands the highest degree of scrutiny by the Commission to ensure that the completed capital improvements remain reasonable and consistent with projections outlined in the Modified LTIIP and limited to eligible assets. PAIEUG states that the Commission should conduct ongoing reviews of any method applied by PECO to measure cost-effectiveness and should ensure that the proposed improvements will maintain safe, reliable, and reasonable service. PAIEUG states that the Commission must ensure that only eligible equipment are included in the Modified LTIIP and the DSIC.

PAIEUG also raised some potential concerns regarding the future inclusion of projects concerning some of PECO’s pipelines that may be affected by the reclassification of said pipelines as “transmission.”[[7]](#footnote-7) PAIEUG points out that Act 11 specifically defines eligible property as “property that is part of a distribution system,”[[8]](#footnote-8) thus raising concerns about the eligibility of such property for inclusion in the Modified LTIIP, or recovery under the DSIC mechanism.

**Resolution**

The Commission has reviewed PAIEUG’s comments and agrees that it is necessary to continually measure cost-effectiveness of the Modified LTIIP and to make sure that the property for which recovery is sought in the DSIC mechanism is consistent with the Modified LTIIP and is DSIC-eligible.

As stated in the Final Implementation Order, a Commission approved LTIIP is subject to periodic review by the Commission and the process for the periodic review of approved LTIIPs was addressed in the Final Rulemaking at Docket No. L‑2012-2317274. The Commission has provided a comprehensive process for the ongoing review of approved LTIIPs and to ensure that all utilities remain in compliance with their respective LTIIPs.

PECO has described two potential projects not yet included in the Modified LTIIP - (1) potential pipeline re-designations by PHMSA that may result in enhanced inspection and documentation requirements and potential upgrades or replacements; and (2) replacement or upgrade of certain regulator station facilities as they age and reach the end of their service life. As PECO did not provide specific cost information on these projects, the Commission does not approve these projects as part of this Modified LTIIP at this time. PECO must submit cost information and project details for Commission approval to further modify the Modified LTIIP in the future to include these projects.

Staff finds that PAIEUG’s concerns regarding the inclusion of the above-mentioned PHMSA directed projects in the future to be premature and possibly incorrect. As stated above, these projects are not actually included in the Modified LTIIP, and so such discussions of their eligibility are premature. However, PAIEUG’s belief that “transmission” assets should not be included in an LTIIP, nor be eligible for DSIC funding, seems to be based on a misinterpretation of the PHMSA regulations. PHMSA’s definition of transmission facilities is based on location and operational capacity[[9]](#footnote-9), and not a determination of whether the facilities fall within the utility’s distribution system. The re-classification of portions of PECO’s infrastructure to “transmission” by PHMSA does not change the fact that the assets in question are part of PECO’s distribution system. Furthermore, these assets were paid for by rate-payers and the maintenance and upgrading of any such assets as necessary to maintain safe and reliable service to customers is generally a legitimate purpose. The restriction of eligible property to “property that is part of a distribution system” is intended to prevent rate-payer dollars being spent on non-rate-payer owned assets, not to restrict spending on necessary upgrades to an NGDC’s distribution system.

 Upon review of PECO’s Modified LTIIP and all supplemental information filed, the Commission finds that the reasonable estimates of the quantity of property to be improved and the projected annual expenditures and measures to ensure that the plan is cost effective, requirements of elements four and five of the Final Implementation Order of Act 11 have been fulfilled, except for the two projects noted above. The Commission acknowledges the level of detail contained within the Modified LTIIP for items four and five conforms to Commission requirements and is presented in a manner that allows for complete and efficient review of, and reference to, these materials, except for the two projects noted above.

**(6) ACCELERATED REPLACEMENT AND MAINTAINING SAFE AND RELIABLE SERVICE**

**PECO Position**

PECO will modernize all of the cast iron and bare steel mains in its gas system within approximately 20 years. This represents a significant acceleration over the 34-year replacement plan that existed under their previous LTIIP.

All bare steel services will be modernized within 8 years, under the same schedule as PECO’s prior LTIIP. However, the new category of infrastructure projects involving the relocation of indoor meters will be done in tandem with the bare steel service replacement program, and continued after all bare steel services have been upgraded.

 Regarding how the repairs, improvements or replacements detailed in the Modified LTIIP will maintain safe and reliable service, PECO asserts that its gas distribution system is safe and that its current monitoring, testing, operating, leak-response, odor-response and maintenance procedure ensure the safety of PECO’s gas customers and the public.

 PECO relied on its current DIMP Plan when it developed its main replacement program. PECO has focused its main and services replacement efforts on those material types that are responsible for 88% of system leaks. Replacing these mains and services is expected to significantly reduce leaks and the expenses incurred to respond to and repair leaks.

The relocation of indoor meters has been recognized by the Commission as an important safety issue. Adding the relocation program to its Modified LTIIP will improve the safety of PECO’s system by entirely removing this safety concern by 2034.

**Comments**

No comments were received regarding theaccelerated replacement and maintaining safe and reliable service.

**Resolution**

Upon review of the Modified LTIIP and supplemental information, the Commission finds that the manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service requirements of the Final Implementation Order, for the manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service, have been fulfilled. PECO is clearly planning to accelerate its infrastructure replacement over the timeframe of the Modified LTIIP and has demonstrated that completion of the planned projects of the Modified LTIIP will maintain safe and reliable service.

**(7) WORKFORCE MANAGEMENT AND TRAINING PROGRAM**

**PECO Position**

The Final Implementation Order requires utilities to include within its LTIIP a workforce management and training plan designed to ensure that the utility will have access to a qualified workforce to perform work in a cost-effective, safe and reliable manner.

PECO states that it will use outside contractors to perform much of the pipe and service-modernization work it is planning to undertake to implement its Modified LTIIP. PECO requires anyone performing work on its gas distribution system to meet required standards and take all required training. Contractors will go through the same rigorous training that PECO employees who work on mains and services are required to complete.

PECO’s training program complies with the regulations for pipeline safety developed by PHMSA as set forth in 49 CFR Part 192 Subpart N, while also requiring additional training specific to PECO’s system. Contractor safety programs are reviewed by PECO’s Methods and Training Department to ensure they comply with PECO’s requirements and may call for further testing of contractors before they are eligible to work on PECO facilities. PECO’s Methods and Training Department monitors industry developments for more efficient and effective procedures to assure the long-term effectiveness of PECO’s training program.

**Comments**

No comments were received regarding the workforce management and training program.

**Resolution**

Upon review of the Modified LTIIP, the Commission finds that the workforce management and training program requirements of the Final Implementation Order have been fulfilled.

1. **A description of a utility’s outreach and coordination activities with other utilities, PennDOT and local governments on planned maintenance/construction projects**

**PECO Position**

 To minimize street opening and closing costs, PECO will work closely with local municipalities, and local water and wastewater utilities to align its Modified LTIIP work with construction that each of those entities is planning. PECO will also coordinate its electric and gas work where possible. PECO may need to alter construction timeframes for Modified LTIIP work to allow the coordination of street openings with governmental entities and other utilities.

**Comments**

No comments were received regarding the coordination activities.

**Resolution**

Upon review of the Modified LTIIP, the Commission finds that the coordination activities requirements of the Final Implementation Order have been fulfilled.

**LTIIP SUMMARY**

The Commission has reviewed each of the eight required elements of PECO’s Petition for Approval of its Modified LTIIP individually and has taken into account the Comments received on this Petition. Accordingly, PECO’s Modified LTIIP is approved.

**CONCLUSION**

Upon review, the Commission finds that PECO’s Modified LTIIP and manner in which it was filed conforms to the requirements of Act 11 and our regulations. Moreover, the Commission has reviewed the filing and finds it to be consistent with the applicable law or Commission policy; **THEREFORE,**

**IT IS ORDERED:**

That the Petition for Approval of a Modified Gas Long-Term Infrastructure Improvement Plan (LTIIP) filed by PECO Energy Company is approved, consistent with this Order.

**BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: May 7, 2015

ORDER ENTERED: May 7, 2015

1. Docket Number R-2010-2161592 [↑](#footnote-ref-1)
2. <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM> [↑](#footnote-ref-2)
3. Docket No. L-2009-2107155 [↑](#footnote-ref-3)
4. Data Request sent 2-13-15 [↑](#footnote-ref-4)
5. PECO owns and maintains customer service lines from the main to the meter. [↑](#footnote-ref-5)
6. A DIMP is a requirement per the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration Pipeline Safety Regulations. 49 C.F.R. § 192.1107. [↑](#footnote-ref-6)
7. PAIEUG comments at 5. [↑](#footnote-ref-7)
8. PAIEUG comments at 5. [↑](#footnote-ref-8)
9. 49 CFR § 192.3. [↑](#footnote-ref-9)