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December 21, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

**RE: Philadelphia Gas Works Long Term Infrastructure Improvement Plan;
Docket No. P-2012-2337737**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the Comments of the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") regarding the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Please date stamp the extra copy of this transmittal letter and Comments, and kindly return them to our messenger for our filing purposes. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By 
Elizabeth P. Trinkle

Counsel to the Philadelphia Industrial and
Commercial Gas Users Group

EPT/sds
Enclosures
c: Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Philadelphia Gas Works Long Term
Infrastructure Improvement Plan

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Docket No. P-2012-2337737

**COMMENTS
OF THE PHILADELPHIA INDUSTRIAL AND
COMMERCIAL GAS USERS GROUP**

I. INTRODUCTION

On December 3, 2012, Philadelphia Gas Works ("PGW" or "Company") filed its Long-Term Infrastructure Improvement Plan ("LTIP" or "Plan"). PGW filed the LTIP following the Pennsylvania Public Utility Commission's ("PUC" or "Commission") issuance of a Final Implementation Order at Docket No. M-2012-2293611 ("Implementation Order"). The Implementation Order set forth the Commission's procedures for complying with the requirements of Act 11 of 2012 ("Act 11").

Act 11 provides utilities with an opportunity to implement a Distribution System Improvement Charge ("DSIC") to recover reasonable and prudent costs incurred to repair, improve, or replace existing distribution system property meeting certain eligibility requirements. The eligibility requirements are defined in Section 1351 of the Public Utility Code. 66 Pa. C.S. § 1351(1). As a further requirement for recovering costs through a DSIC, a utility must file a LTIP in accordance with the provisions of Section 1352 of the statute. 66 Pa. C.S. § 1352(a).

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Consistent with the procedures set forth in the Implementation Order, the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") hereby submits the following Comments in response to the LTIP filed by PGW on December 3, 2012.

II. COMMENTS

PICGUG has reviewed the LTIP to determine whether PGW's proposal is consistent with Section 1352 of the Public Utility Code and the Commission's Implementation Order. The Implementation Order established that the utility bears the burden of proof as to whether the proposed long-term plan and associated expenditures are reasonable and cost effective and are designed to maintain safe, adequate, and reliable service to consumers in conformance with Section 1352(a). Implementation Order, p. 20. PGW's LTIP proposes approximately \$22 million of annual investment in its accelerated main replacement program for fiscal years 2013-2017. LTIP, p. 9. These significant expenditures would allow PGW to expand on its current base line main replacement program, which will continue to remove approximately 18 miles of cast iron main annually. *Id.* The combined main replacement program would remove approximately 25 miles of cast iron main annually through 2017. *Id.* at 12.

Although the LTIP proposes substantial expenditures, PGW seems to have allocated the entire \$110 million for the purpose of reducing its cast iron main inventory, with the intent of improving the safety and reliability of the Company's infrastructure. Accordingly, based on the representations and data provided in the LTIP, PICGUG does not object to the Company's proposed LTIP at this time.¹ Several components of PGW's LTIP, however, will require further monitoring and review.

¹ Although PICGUG does not object to PGW's LTIP as filed, PICGUG will participate in any subsequent adjudication or alternate review process initiated by the Commission.

Specifically, PICGUG submits that the scope of investment projected for the LTIIIP demands the highest degree of scrutiny by the PUC to ensure that the completed capital improvements remain reasonably consistent with projections outlined in the LTIIIP and limited to eligible assets. The Commission should also conduct ongoing reviews of any method applied by PGW to measure cost-effectiveness and should ensure that the proposed improvements will maintain safe, reliable, and reasonable service. 66 Pa. C.S. § 1352(a)(7). Furthermore, the Commission must ensure that only eligible investments are included in the LTIIIP and the DSIC. The Commission has recognized the necessity to develop a stringent review process for the LTIIIP, both in acknowledging its statutory obligation to initiate a Rulemaking to establish procedures for the five-year periodic review of LTIIIPs and in further agreeing to promulgate regulations establishing standards to for amending LTIIIPs. *See* Implementation Order, p. 21.

Finally, PICGUG has one specific concern with respect to the LTIIIP, which is PGW's proposal to fund the accelerated main replacement program on a "pay as you go" basis. *Id.* at 10. PGW does not provide significant detail as to how this funding would be implemented, much less if it meets the requirements set forth in Act 11 and the Implementation Order. Because PGW's LTIIIP indicates that this proposal will be set forth more fully in the Company's DSIC Petition, PICGUG believes this issue is more appropriately addressed in PGW's DSIC proceeding; however, PICGUG seeks to reserves its right to address and possibly oppose this issue upon further review in the DSIC proceeding.² Alternatively, if the Commission approves PGW's LTIIIP prior to the outcome of the DSIC proceeding, PICGUG requests that the Order not address the merits of the "pay as you go" funding mechanism, as the LTIIIP does not seem to be the appropriate venue for full and complete review of this proposal.

² If the Commission finds that the "pay as you go" plan should be addressed in this proceeding, PICGUG then requests that the LTIIIP be referred to the Office of Administrative Law Judge for a full evidentiary hearing on the merits. *See* Implementation Order, p. 20.

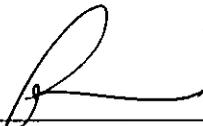
Accordingly, while PICGUG does not oppose PGW's LTIP at this time, PICGUG encourages the Commission to develop robust procedures to ensure that PGW's future implementation of the LTIP remains reasonably consistent with the projected capital improvements and that PGW's calculation of the DSIC includes only eligible projects. Moreover, PICGUG reserves its right to raise and address certain issues that PGW suggests will be set forth more fully in its DSIC Petition.

III. CONCLUSION

WHEREFORE, the Philadelphia Industrial and Commercial Gas Users Group respectfully requests that the Pennsylvania Public Utility Commission consider these Comments in disposing of Philadelphia Gas Work's proposed Long-Term Infrastructure Improvement Plan.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Dated: December 21, 2012

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APPENDIX A

PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

Aria Health

Einstein Healthcare Network

Magee Rehabilitation Hospital

Philadelphia College of
Osteopathic Medicine

Thomas Jefferson University/
Thomas Jefferson University Hospitals, Inc.

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Dated this 21st day of December, 2012, at Harrisburg, Pennsylvania.