

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works for :
Approval of a Distribution System : Docket No. P-2012-2337737
Improvement Charge :

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT'S
ANSWER TO THE PETITION FOR APPROVAL OF A
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

On January 18, 2013, Philadelphia Gas Works (“PGW” or “Company”) filed a petition with the Pennsylvania Public Utility Commission (“Commission”) pursuant to Section 1353 of the Public Utility Code¹ and the Commission’s Final Implementation Order² requesting the approval of a Distribution System Improvement Charge (“DSIC”) to become effective March 1, 2013. Furthermore, PGW requests approval of a tariff supplement that will allow for the establishment of the DSIC on less than statutory notice.

The Bureau of Investigation and Enforcement (“I&E”) has reviewed the *Petition of Philadelphia Gas Works for Approval of Distribution System Improvement Charge* (“Petition”) and opines that the Company’s plan is in compliance with the guidelines established in Act 11 as well as the Commission’s Final Implementation Order. Act 11 dictates that that Companies seeking to be eligible to implement a DSIC to recover

¹ 66 Pa. C.S. 1353.

² Final Implementation Order, Docket No. M-2012-2293611.

permissible infrastructure improvements must first submit a long term infrastructure improvement plan (“LTIP”). PGW fulfilled this requirement with the filing of its LTIP on December 3, 2012 at Docket No. P-2012-2337737. In addition, PGW has filed a base rate case as defined in Section 1308 of the Public Utility Code³ within the last five (5) years.⁴

PGW’s DSIC Petition includes the provision that improvements will be funded on a “pay as you go” basis. The pay as you go funding determination is well suited for a utility such as PGW that is regulated utilizing the cash flow methodology. Furthermore, the pay as you go funding allows PGW to avoid the issuance, and subsequent costs, of long term debt to finance its DSIC eligible infrastructure replacement projects.

I&E maintains that it is reasonable to conclude that the Company’s DSIC Petition is in compliance with the underlying requirements guiding its implementation and, as a result, is in the public interest subject to one caveat. I&E is concerned that adequate safeguards do not exist that will ensure that infrastructure replacements financed under the DSIC recovery are incremental to the current base rate replacement program. I&E offers its support of the Company’s DSIC filing with the provision that PGW provide the Commission, and interested parties with a full report detailing the current base rate replacement program plant and costs. This report will allow for an evaluation of infrastructure improvements to ensure that projects funded by the allowance in base rates are completed before DSIC funds are utilized. The benign reporting requirement will

³ 66 Pa. C.S. 1308(d).

⁴ PGW’s last base rate case was filed in 2009 at Docket No. R-2009-2139884.

allow for confirmation that base rate funded replacements are being completed separately from the DSIC eligible projects that will be recovered in the surcharge. Separate recognition of the funding sources will ensure that the main replacement programs at PGW are utilized to maximum efficiency.

WHEREFORE, the Bureau of Investigation and Enforcement submits that the *Petition of Philadelphia Gas Works for Approval of Distribution System Improvement Charge* comports with all the necessary legal requirements and, with the addition of the reporting requirement offered above, is in the public interest and should be approved accordingly.

Respectfully submitted,



Richard A. Kanaskie
Deputy Chief Prosecutor
PA Attorney ID # 80409

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: February 7, 2013