

# Philadelphia Gas Works

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April 11, 2014

## VIA EXPRESS MAIL

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2<sup>nd</sup> Floor, 1 North  
400 North Street  
Harrisburg, PA 17120

**RECEIVED**

APR 11 2014

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: Philadelphia Gas Works ("PGW")  
Annual Asset Optimization Plan  
Docket No. M-2014-\_\_\_\_\_

Dear Secretary Chiavetta:

Enclosed is PGW's Annual Asset Optimization Plan. If you have any questions, please contact me.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Gregory J. Stunder", is written over a circular stamp or watermark that also contains the name "Gregory J. Stunder".

Gregory J. Stunder

Enclosures

cc: All Parties of Record  
Bhodan R. Pankiw, Esquire, Law Bureau  
Paul T. Diskin, Technical Utility Services

**PHILADELPHIA GAS WORKS**  
**ASSET OPTIMIZATION PLAN**  
**FY 2013 and FY 2014**

Act 11 of 2012 (“Act 11”)<sup>1</sup> permits the implementation of a Distribution System Improvement Charge (DSIC) to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible property that is part of the utility’s distribution system. For utilities seeking to implement a DSIC, Act 11 requires the filing of a long term infrastructure improvement plan (“LTIIP”) and a DSIC petition with the Pennsylvania Public Utility Commission (“PUC” or “Commission”). PGW submitted an LTIIP which was approved by the PUC on April 4, 2013 and a DSIC Petition for which the Commission approved a DSIC effective date of June 1, 2013.

PGW’s approved LTIIP spans a five year period beginning on September 1, 2012 and ending on August 31, 2017 (i.e. PGW’s Fiscal Years 2013 to 2017). Now that the first year included in the LTIIP has ended (i.e. FYE August 31, 2013), PGW is submitting its annual asset optimization plan (“AOP”) required by Chapter 13 of the Public Utility Code as follows:

**§ 1356. Asset optimization plans.**

A utility with an approved distribution system charge and long-term infrastructure plan shall file annual asset optimization plans. The plan shall include the following:

- (1) A description that specifies all eligible property repaired, improved and replaced in the immediately preceding 12-month period pursuant to the utility's long-term infrastructure improvement plan and prior year's asset optimization plan.
- (2) A detailed description of all the facilities to be improved in the upcoming 12-month period.<sup>2</sup>

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<sup>1</sup> Act 11 amends Chapters 3, 13 and 33 of Title 66 and was signed into law on February 14, 2012.

<sup>2</sup> 66 Pa.C.S.A. §1356.

The Commission’s Act 11 Implementation Order<sup>3</sup> characterized the AOP as an “overall status report” regarding a utility’s progress in making infrastructure improvements pursuant to its Commission approved LTIIIP. Accordingly, this AOP submission provides: 1) a description of the eligible property repaired, improved and replaced in the immediately preceding 12-month period for FY 2013 (i.e. September 1, 2012 to August 31, 2013); and 2) a detailed description of all the facilities to be improved in the upcoming 12-month period for FY 2014 (i.e. September 1, 2013 to August 31, 2014).

**FY 2013 – September 1, 2012 to August 31, 2013**

The following table shows the cast iron main removal and replacement included in PGW’s LTIIIP and the actual mileage replaced during FY 2013.

<b><u>CURRENT BASELINE PROGRAM</u></b>	<b><u>LTIIIP</u></b>	<b><u>Actual</u></b>
<b>8" &amp; Smaller LP/IP</b>	18.00	18.05
<b><u>ACCELERATED PROGRAM</u></b>		
<b>12" HP</b>	1.84	1.33
<b>30" HP</b>	1.45	0.83
<b>8" &amp; Smaller LP/IP</b>	2.97	0.00
<b>Abandonment for Non-Use</b>	2.08	2.04
<b>ACCELERATED TOTALS</b>	8.33	4.21
<b>Yearly Totals (Miles)</b>	<b>26.33</b>	<b>22.26</b>

As the table shows, the FY 2013 actual mileage is lower than the FY 2013 LTIIIP mileage for three categories – 12 inch high pressure, 30 inch high pressure and 8 inch and smaller low/intermediate pressure. For the 12 inch and 30 inch high pressure categories, PGW included replacement estimates in the LTIIIP but when it came time to define and begin the actual projects

<sup>3</sup> Implementation of Act 11 of 2012, Docket No. M-2012-2293611; Final Implementation Order at p. 30.

(which was before the LTIIP and DSIC Petition were approved), the FY 2013 actual replacements were approximately one half mile less in each category. Nonetheless, PGW anticipates catching up for the FY 2013 mileage over the remaining five year LTIIP period. For the 8 inch and smaller low/intermediate pressure category, PGW held off on planning any acceleration (above its already existing 18 mile annual replacement program) until the DSIC Petition was approved. After the DSIC was approved, PGW determined that it was capable of accelerating the 8 inch and smaller program in FY 2014 and the Company will endeavor to make up for the FY 2013 acceleration over the remaining LTIIP period.

The following tables provide a description which specifies the cast iron which was removed/replaced during FY 2013:

<b>12" HP</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
Fairmount Ave., (34th to Mantua), Mantua Ave., (Fairmount to Haverford)	1,640	LF
Scotts Ln. (Ridge to Abbottsford)	1,762	LF
Gorgas Ln. (Chew to Germantown), Germantown Ave. (Gorgas to Carpenter), Carpenter Ln. (Germantown to Creshiem), Creshiem Rd. (Carpenter to Mount Pleasant)	3,631	LF
<b>12" HP TOTAL</b>	<b>1.33</b>	<b>Miles</b>

<b>30" HP</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
20th St. (Hamilton to Brown)	2,638	LF
20th and Hamilton to 22nd and Arch	1,763	LF
<b>30" HP TOTAL</b>	<b>0.83</b>	<b>Miles</b>

<b>Abandonment for Non-Use</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
Ontario St. (Kensington to Frankford), Frankford Ave. (Ontario to Tioga), Tioga St. (Frankford to Brabant), Tioga and Brabant to Castor and Balfour	10,785	LF
<b>Abandonment for Non-Use TOTAL</b>	<b>2.04</b>	Miles

In addition to the cast iron removal/replacement projects, PGW completed the FY 2013 LTIP project titled “Regulator Station/Valve Work” during FY 2013. This project entailed replacing a portion of the Somerton lateral line and abandoning some obsolete regulator stations which were located along this line.<sup>4</sup>

**FY 2014 – September 1, 2013 to August 31, 2014**

The following table shows the cast iron main removal/replacement included in PGW’s LTIP and planned projects for FY 2014.

<b><u>CURRENT BASELINE PROGRAM</u></b>	<b><u>LTIP</u></b>	<b><u>Projected</u></b>
<b>8" &amp; Smaller LP/IP</b>	18.00	18.00
<b><u>ACCELERATED PROGRAM</u></b>		
<b>12" HP</b>	2.16	2.23
<b>30" HP</b>	1.70	2.15
<b>8" &amp; Smaller LP/IP</b>	3.04	2.99
<b>Abandonment for Non-Use</b>	0.00	1.10
<b>ACCELERATED TOTALS</b>	6.90	8.47
<b>Yearly Totals (Miles)</b>	<b>24.90</b>	<b>26.47</b>

PGW has increased the projected mileage in FY 2014. As discussed in the preceding section, PGW is seeking to catch up during FY 2014 to FY 2017 for the 12” and 30” High Pressure Main removal and replacement, therefore, the FY 2014 projected mileage is greater than the mileage

<sup>4</sup> Higher pressure 12 inch steel main was replaced with lower pressure 20 inch protected steel main on County Line Road from Lawson Drive to Overhill Avenue .

included in the LTIP for these two categories. Additionally, the increase in the Abandonment for Non-Use category represents the abandonment of a 16" main which is located next to a portion of the 12" main being replaced during FY 2014 (this 12" main removal and replacement is included in the above table). The 16" main is being abandoned because it is in poor condition and a load analysis shows that the 16" main is no longer needed. This abandonment was not shown in the original LTIP because developments such as this are based upon information which was discovered after the LTIP was prepared.

The following provides a detailed description which specifies the cast iron removals and replacements planned for FY 2014:

<b>12" HP</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
4900 Wissahickon, Clapier to Abbottsford	275	LF
4400-4500 Main St, 100 Leverington Ave, 4600 Baker, 100-200 Ripka, 4600 Mansion, 200 Hermitage, 4700 Fowler, 200-400 Fountain	5,785	LF
Cottman, Dungan to Castor; Frontenac, Cottman to Princeton	4,527	LF
Moyamensing, 500' W of Penrose to Penrose Ferry; Penrose Ferry, Moyamensing to Hartranft	1,170	LF
<b>12" HP TOTAL</b>	<b>2.23</b>	Miles

<b>30" HP</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
20th and Hamilton to 22nd and Arch	1,363	LF
2900,3000 and 3100 Amber 2100 E Allegheny 3200 and 3300 Collins 2800-3200 Frankford 2000 E.Ann 2000 E.Auburn	5,088	LF
23rd / 24th, Arch to South	4,900	LF
<b>30" HP TOTAL</b>	<b>2.15</b>	Miles

<b>8" and Smaller LP/IP</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
8000 & 8100 Moro Street; 3500 Welsh Road	1,461	LF
1800 Venango, 1900 Venango, 3500 Ruth, 3600 Jasper, 1800 Atlantic, 1900 Atlantic, 1900 Pacific	2,114	LF
2000 McClellan, 2100 McClellan, 2200 McClellan, 2100 Sigel, 2000 Mifflin, 2100 Mifflin, 1800 S.20TH, 1900 S.20TH, 2000 S.24th, 2000 S. Bonsall	5,142	LF
3400 Hermit Lane, 600 Barnes	2,164	LF
7100-7200 Greene, 600 Allens 700-800 W. Mt. Airy	2,649	LF
4800 Sydenham, 4800 N 15TH, 4900 Carlisle, 4900 N 15TH, 1400 Rockland	2,264	LF
<b>8" and Smaller LP/IP TOTAL</b>	<b>2.99</b>	Miles

<b>Abandonment for Non-Use</b>		
<b>Project Location</b>	<b>CI Removed from Inventory</b>	
Cottman, Dungan to Castor; Frontenac, Cottman to Princeton - 16" HP	5,817	LF
<b>Abandonment for Non-Use TOTAL</b>	<b>1.10</b>	Miles

### Conclusion

The results above show that PGW's actual FY 2013<sup>5</sup> infrastructure replacement fell slightly short of that which it had projected for the first year of its LTIIP mostly resulting from the Company holding off planning the accelerated replacement of 8 inch and smaller mains<sup>6</sup> (above the already existing 18 mile annual replacement program) until the DSIC Petition was approved. While PGW endeavors to make up this lower level of replacement during the

<sup>5</sup> PGW's fiscal year ends on August 31.

<sup>6</sup> i.e. low/intermediate pressure mains.

remaining term of its LTIP, it does not believe that the first year results warrant any other modifications to its Plan, as previously approved by the Commission.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

**VIA Regular Mail**

Daryl Lawrence, Esquire  
Erin Gannon, Esquire  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place Bldg.  
555 Walnut Street  
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Charis Mincavage, Esquire  
Adeolu Bakare, Esquire  
McNEES, WALLACE, NURICK  
100 Pine Street  
Harrisburg, PA 17108-1166

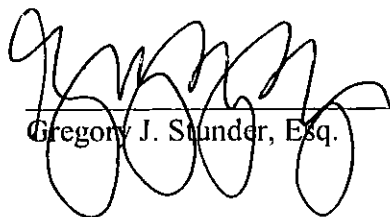
Sharon Webb, Esquire  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2<sup>nd</sup> Street  
Harrisburg, PA 17101

Richard Kanaskie, Esquire  
Investigation and Enforcement  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

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\_\_\_\_\_  
Gregory J. Stunder, Esq.

Date: April 11, 2014

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Date 4.11.14

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Address 800 W MONTGOMERY AVE

City PHILADELPHIA State PA ZIP 19122-1110

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