



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

August 15, 2014

Rosemary Chiavetta
Pa. Public Utility Commission
2nd Floor, 400 North Street
P.O. Box 3265
Harrisburg, PA 17105

Re: Pennsylvania Public Utility Commission, Bureau of Investigation and
Enforcement v. Philadelphia Gas Works; Docket No. C-2011-2278312

Dear Secretary Chiavetta:

Pursuant to the Final Order entered on January 23, 2014, at docket number C-2011-2278312, please accept for filing the Joint Leak Classification Report of the Bureau of Investigation and Enforcement's Gas Safety Division and Philadelphia Gas Works. Copies have been served on the parties of record in accordance with the Certificate of Service.

If you have any questions on this matter, please call me at 717-214-9594.

Sincerely,

Heidi L. Wushinske
Prosecutor
Attorney ID No. 93792

Enclosures

cc: As per Certificate of Service

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GAS SAFETY REPORT

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PUBLIC UTILITY COMMISSION

SECRETARY'S BUREAU

DATE: August 6, 2014

SUBJECT: Leak Classification Report; C-2011-2278312

TO: Secretary Rosemary Chiavetta

FROM: Bureau of Investigation and Enforcement, Gas Safety Division
Philadelphia Gas Works

The Commission's Gas Safety Division ("GSD") and Philadelphia Gas Works ("PGW" or the "Company") submit this joint report in compliance with the Commission's January 23, 2014 Order (Docket No. C-2011- 2278312). The Commission's Order directed PGW and Gas Safety to meet regarding enhancements to PGW's existing leak classification system and inspection and leak protection procedures, and to file a report on the outcomes on this meeting.

Summary of Meetings

Staff from the Gas Safety Division (Paul Metro, Bob Biggard, Mike Chilek, Terri Cooper-Smith, Mike Nguyen and Rob Hornsby) and PGW's Operational team (Abe Awad, Paul Mondimore, Ray Welte, Mike Jones, John Pearce, Debbi Schroeck and Colleen Murray) participated in several conference calls during April and May 2014 in order to review PGW's leak classification system and inspection and leak detection procedures ("procedures"). The purpose of the conference calls was threefold: 1) to provide GSD with a better understanding of PGW's procedures; 2) to provide the opportunity for a dialogue between GSD and PGW about these procedures; and 3) to provide PGW with a better understanding of GSD's concerns regarding PGW's procedures. |15611

The teleconferences covered multiple topics. First, PGW outlined the three leak classification categories set forth in PGW's leak classification Bulletin #126:

- Class 1 – Work Immediate (odor in air, close to structures);
- Class 2 – Work Leak (will work to reduce or eliminate readings);
- Class 3 – Safe to Hold (they will be worked in the next year and are put on a recheck schedule).

In response, the GSD related that PGW's leak procedure can be somewhat confusing because it is not a straight Class 1, 2 and 3 system as provided in the Gas Piping Technology Committee (GPTC) guide. In reply, PGW explained that many of the differences between GPTC and PGW's system are beneficial because PGW's leak classification procedures also evaluate the level of gas readings and the proximity of readings to structures. In addition, PGW's procedures include a leak recheck schedule.

The GSD and PGW next discussed Distribution Department Bulletin #126 – *Investigation and Repairs of Underground Leaks (Work Initiation Schedule)*. The GSD stated that they were familiar with Bulletin #126. PGW explained that the Company is essentially using the GPTC system, but that PGW's terminology differs. PGW next discussed the guide it developed for Bulletin #126, which provides a breakdown of PGW's Class 1, 2 and 3 leaks in tabular form. The guide also compares PGW leak classification to GPTC leak classification and shows that the two systems are very similar. PGW also noted that Distribution Department Bulletin #126 was implemented and used as PGW's standard operating procedure before the GPTC guide was published.

The GSD questioned why PGW was reluctant to adopt the GPTC system. PGW outlined the costs/benefits of changing the current methodology to GPTC. Additionally, PGW has

determined that it's prudent to wait until the acquisition of PGW is completed because the current applications (e.g. PGW's AIMS system which is a work management system) used by the Operations Department may change.

The group also discussed a 2008 leak classification audit performed by an independent pipeline safety consultant.¹ The consultant found that PGW "has a robust leak survey and leak recheck program, meeting the requirements of the federal and state regulations" and the program "exceeds the GPTC Guide in many areas and provides the same, if not greater, level of safety as the GPTC classification system." Nonetheless, the audit provided some recommendations. PGW declined to implement these recommendations because the Company's program was found to be safe. Additionally, the cost of implementing the recommendations would have been substantial. *Further, implementing the recommendations would have resulted in PGW changing its program terminology at a time when the Company was rolling out a new work management system in its Operations Departments that managed work flow and tracked operational data (i.e. AIMS). If PGW would have implemented the recommendations, the related terminology changes would have required additional programming changes to AIMS and additional training for crews and dispatchers.*

GSD Chief Paul Metro questioned the number of leaks reports PGW receives and why customer reported leaks are greater than survey detected leaks. The GSD noted that PGW does a great job educating customers about reporting leaks, but wanted to know why customer reported leaks were not previously detected during surveys. PGW Vice President of Operations Paul

¹ Philadelphia Gas Works ("PGW") and the Office of the Trial Staff ("OTS") agreed to a stipulation regarding a class 2 leak repair policy evaluation during PGW's 2006-2007 base rate proceeding (Docket No. R-00061931). Pursuant to the stipulation, PGW agreed to conduct an independent evaluation of its class 2 leak repair policies. This evaluation, titled "Philadelphia Gas Works Leak Classification Audit", dated April 20, 2008, was conducted by David E. Bull, ARM. The audit and PGW's response were submitted to the Office of the Trial Staff and the Gas Safety Division on August 27, 2008.

Mondimore explained that customer reported leaks have always been higher than survey discovered leaks and that PGW's 60 minute leak response time to customer reports is responsive to any such concern. Mr. Mondimore also noted that PGW's leak survey program successfully detects leaks by providing the following types of surveys: footway surveys performed every three (3) years; roadway surveys performed annually; and supplemental cast iron, frost and winter surveys.

Documents provided to GSD

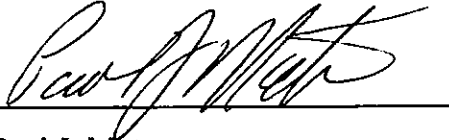
The following documents were provided to the GSD for review:

1. Distribution Department Bulletin #126 – *Investigation and Repairs of Underground Leaks (Work Initiation Schedule)*;
2. A study aid for Bulletin #126 which gives a breakdown of Class 1, 2 and 3 in tabular form comparing PGW leak classification system to GPTC Leak classification;
3. The Leak Classification Audit done by Mr. David Bull in April 2008.

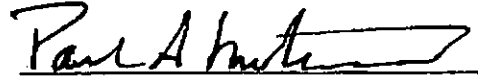
Conclusion

At the conclusion of the final conference call, Mr. Mondimore proposed that GSD and PGW personnel continue meeting so that PGW can provide more information about its programs and procedures and the parties can further review PGW's leak classification policy. The parties agreed to form a working group to facilitate the exchange of information and continue their review and, if appropriate, streamline PGW's leak classification procedures. Both parties were satisfied with the results of the teleconferences and the exchange of documents.

Submitted by:



Paul J. Metro
Chief, Gas Safety



PGW

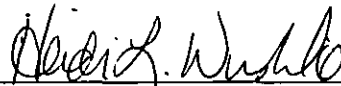
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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon the persons listed and in the manner indicated below:

Notification by certified mail addressed as follows:

Howard Lebofsky, Esq.
Assistant General Counsel
Philadelphia Gas Works
800 W. Montgomery Ave., 4th Floor
Philadelphia, PA 19122



Heidi L. Wushinske
Prosecutor
Attorney ID #93972

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Dated: August 15, 2014

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