



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

IN REPLY PLEASE
REFER TO OUR FILE

June 2, 2017

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of Philadelphia Gas Works for Approval of its Second
Long-Term Infrastructure Improvement Plan for the Period
Beginning September 1, 2017 and Ending August 31, 2022
Docket No. P-2017-2602315

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E)
Comments in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of
service. If you have any questions, please contact me at (717) 783-6170.

Sincerely,

Erika L. McLain
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #320526

EM/snc
Enclosure

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works for :
Approval of its Second Long-Term :
Infrastructure Improvement Plan for the : Docket No. P-2017-2602315
Period Beginning September 1, 2017 and :
Ending August 31, 2022 :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Comments** dated June 2, 2017, in the manner and upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

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Erika L. McLain
Prosecutor
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PA Attorney I.D. #320526

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Philadelphia Gas Works :
for Approval of Second Long-Term :
Infrastructure Improvement Plan for : Docket No. P-2017-2602315
the Period September 1, 2017 :
through August 31, 2022 :**

**COMMENTS OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT
TO PHILADELPHIA GAS WORK'S PETITION**

I. INTRODUCTION

Pursuant to 52 Pa. Code § 121.4, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) hereby submits its Comment to Philadelphia Gas Works (“PGW” or “Company”) Petition for approval of its Second Long-Term Infrastructure Improvement Plan (“Second LTIIP”) for the Period September 1, 2017 through August 31, 2022 (“Petition”) in the above-captioned proceeding filed on May 3, 2017.

PGW’s current Long Term Infrastructure Improvement Plan (“Current LTIIP”) is a modification to their first LTIIP that spans from 2016-2017. On May 3, 2017, the Company filed its Second Long Term Infrastructure Improvement Plan (“Second LTIIP”) for the 2017-2022 period.

The Second LTIIP increased the average pipeline replacement expenditures from approximately \$21.8 million to \$33.4 million per year and increased pipeline replacement from an average of 18 miles in its baseline replacement program to an average of 31

miles per year.¹ I&E supports PGW's acceleration of pipeline replacement; however, it is concerned that PGW may not be allocating the replacement expenditures appropriately. Accordingly, the Bureau of Investigation and Enforcement now files this Comment.

II. COMMENT

PGW currently has 1,409 total miles of cast iron pipe which is one of the main focuses of replacement in the Second LTIP.² There are approximately 1,139 miles of 10-inch and smaller cast iron main in PGW's system of which 125 miles are to be replaced within the 2017-2022 year period.³ PGW is also addressing 12-inch and larger main in the Second LTIP, replacing 6.59 miles of the approximately 190 miles of low pressure pipeline and 26.7 miles of the approximately 71 miles of high pressure pipeline.⁴ The Company is targeting the replacement of all cast iron pipe within 45 years.⁵

Gas companies are required to comply with Federal Regulations regarding pipeline replacement. The Pipeline and Hazardous Materials Safety Administration ("PHMSA") created the Distribution Integrity Management Program ("DIMP") to reduce the number of reportable incidents. DIMP requires a natural gas utility to undergo a series of seven elements that address risk evaluation and ranking, performance measurement and monitoring, and periodic evaluation and improvement. These elements include: a) knowledge of gas distribution system; b) identify threats that could threaten the integrity of pipeline; c) evaluate and rank risks associated with distribution pipelines;

¹ PGW Second LTIP, p. 13, 15.

² PGW Second LTIP, p. 5.

³ PGW Second LTIP, p. 14.

⁴ PGW Second LTIP, p. 14.

⁵ PGW Second LTIP, p. 2.

d) identify and implement measures to address risks; e) measure performance, monitor results, and evaluate effectiveness of Integrity Management (“IM”) Program; f) periodic evaluation and Improvement of IM Program; and g) report results of required performance measures.⁶ Using this criterion, the utility can identify and address the highest risk pipelines.

Every year, the Bureau of Investigation and Enforcement’s Pipeline Safety division conducts an audit of the jurisdictional gas utilities to determine whether the seven elements of DIMP have been followed and to ensure the company is engaging in mitigation measures for high risk pipeline. A decrease in DIMP calculated risk depends on the proper allocation and application of an appropriate amount of dollars to effectively mitigate risk. As a company replaces a pipeline segment identified to be a high risk, the total system risk is reduced.

The primary method for reducing overall risk to a distribution system is pipeline replacement; specifically, replacement of cast iron pipe. Many of PGW’s cast iron pipelines were installed over 60 years ago and still deliver gas to homes and businesses today. However, the degrading nature of iron alloys, the age of the pipelines, and pipe joints design have greatly increased the risk involved with the continued use of such pipelines. Moreover, cast iron pipes are riskiest because they are particularly susceptible to stresses from underground disturbances such as ground settlement, freeze-thaw cycles,

⁶ 49 CFR 192.1007.

soil erosion and nearby excavation. Therefore, PGW has introduced its goal to replace approximately 158 total miles of cast iron main through the Second LTIIIP.⁷

The Commission has indicated that natural gas distribution companies, such as PGW, must incorporate into their LTIIIP an analysis that includes consideration of and consistency with their DIMP plans.⁸ A utility's LTIIIP should address the replacement schedule of aging infrastructure and demonstrate how the utility will ensure safe and reliable service. PGW's Second LTIIIP demonstrates its knowledge of the risk of cast iron pipelines and provides a replacement strategy.

I&E does not oppose the Company's proposed replacement plan set forth in the Second LTIIIP; however, has questions about whether PGW is focusing funds on reducing the greatest probable risk. Specifically, I&E would like to learn whether resources may be better spent on replacing additional smaller diameter cast iron pipe rather than larger low pressure cast iron pipe. Pipeline safety anticipates that PGW's DIMP audit will occur in the third quarter of 2017 and such inquiries will be addressed at that time. Based on the results obtained from the DIMP audit there is potential that a revised LTIIIP may have to be filed if a major modification is found.

A company may modify a Commission-approved LTIIIP during its term, by filing a separate petition for modification, to incorporate a major modification to any of the elements in its LTIIIP.⁹ In the event the DIMP audit concludes that there would be a risk

⁷ PGW Second LTIIIP, p. 13.

⁸ Implementation of Act 11 of 2012, Tentative Implementation Order (M-2012-2293611) Entered on May 11, 2012, p. 8-9.

⁹ 52 Pa. Code §121.5(a).

reduction in shifting resources from larger low pressure cast iron pipe replacement to smaller pipe, PGW may have to file an amended Second LTIIP with the Commission.

III. CONCLUSION

I&E does not oppose the Second LTIIP given its accelerated pipeline replacement program. However, I&E is concerned that PGW may not be suitably prioritizing funds for riskier pipeline replacement. These concerns will be addressed in the Pipeline Safety DIMP audit, which may potentially require PGW to modify its Second LTIIP.

Respectfully submitted,



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Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
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Dated: June 2, 2017