



PHILADELPHIA GAS WORKS

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October 1, 2020

Via E-Filing Only

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

Re: Periodic Review of Philadelphia Gas Works' ("PGW") Long-Term Infrastructure Improvement Plan, Docket No. M-2020-3019711

Dear Secretary Chiavetta:

Enclosed for filing are comments on behalf of Philadelphia Gas Works ("PGW"), in the above referenced matter. Copies of this correspondence have been served on the parties of record.

If you have any questions on this matter please do not hesitate to contact me..

Respectfully,

/s/ Craig W. Berry
Craig W. Berry, Esquire

Enclosure

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CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's comments upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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/s/ Craig W. Berry
Craig W. Berry, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Periodic Review of Philadelphia Gas Works' :
Long-Term Infrastructure Improvement Plan : Docket No. M-2020-3019711
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**COMMENTS OF
PHILADELPHIA GAS WORKS IN RESPONSE TO
LONG-TERM INFRASTRUCTURE IMPROVEMENT PLAN REVIEW
LETTER OF SEPTEMBER 1, 2020**

Philadelphia Gas Works (“PGW” or “Company”) hereby files these comments in response to the Pennsylvania Public Utility Commission’s (“PUC”) letter initiating a periodic review of PGW’s Long-Term Infrastructure Improvement Plan (“LTIIIP”) dated September 1, 2020 in Docket No. M-2020-3019711.¹ As outlined below PGW has adhered to its LTIIIP and in the first two years of the five-year plan, PGW has eliminated 8% more cast iron main from inventory than originally planned.

I. BACKGROUND

PGW’s current LTIIIP (“LTIIIP II”) was approved by the PUC on August 31, 2017,² and covers the five-year period beginning September 1, 2017 through August 31, 2022 (PGW’s fiscal years 2018 through 2022). LTIIIP II was an extension of PGW’s first LTIIIP (or “LTIIIP I”), which was approved by the PUC on April 4, 2013, and covered the fiscal years 2013 through 2017.³ Under LTIIIP I, on February 12, 2016, PGW filed a petition to modify the final year of the LTIIIP,

¹ Docket No. M-2020-3019711, Secretarial Letter (September 1, 2020).

² Docket No. P-2017-2602315, Opinion and Order (August 31, 2017) (“LTIIIP II Order”).

³ Docket No. P-2012-2337737, Opinion and Order (April 4, 2013) (“LTIIIP I Order”).

consistent with the Commission's Order that approved an increase in PGW's Distribution System Improvement Charge ("DSIC") from 5% to 7.5%.⁴ The Commission approved PGW's requested LTIP modification by Order dated June 9, 2016.⁵

As required by 52 Pa. Code § 121.6, PGW has submitted seven Annual Asset Optimization Plans ("AAO Plan") detailing its progress in removing at risk mains and services,⁶ which is financed by both PGW's current base rates and PGW's DSIC. PGW's Sixth and Seventh AAO Plans filed on October 30, 2018 and October 31, 2019 provide the actual miles of cast iron main removed during the first two-years of LTIP II.⁷ PGW will file its Eighth AAO Plan by October 31, 2020 covering the third year of LTIP II from September 1, 2019 to August 31, 2020.

II. PGW'S COMMENTS

PGW has adhered to or exceeded its pipeline main and service replacement plans as established in PGW's LTIP II. During the first two-years of LTIP II, PGW removed 68.47 miles of cast iron mains as compared to the LTIP goal of 63.65 miles, which places PGW 8% ahead of LTIP II projections in the five year plan.⁸ This level of installation is consistent with PGW's past performance across its First LTIP and Second LTIP as illustrated in the chart below.

⁴ See Docket Nos. P-2012-2337737 and P-2015-2501500.

⁵ Docket Nos. P-2012-2337737 and P-2015-2501500, Opinion and Order (June 9, 2016).

⁶ PGW uses the term "at risk" to mean cast iron and unprotected steel mains.

⁷ Docket No. M-2019-3013993, PGW's Annual Asset Optimization Plan (October 31, 2019) ("FY2019 AAOP"); Docket No. M-2018-3005778, PGW's Annual Asset Optimization Plan (October 30, 2018) ("FY2018 AAOP").

⁸ Compare FY2019 AAOP and FY2018 AAOP with LTIP II Order, Table 3.

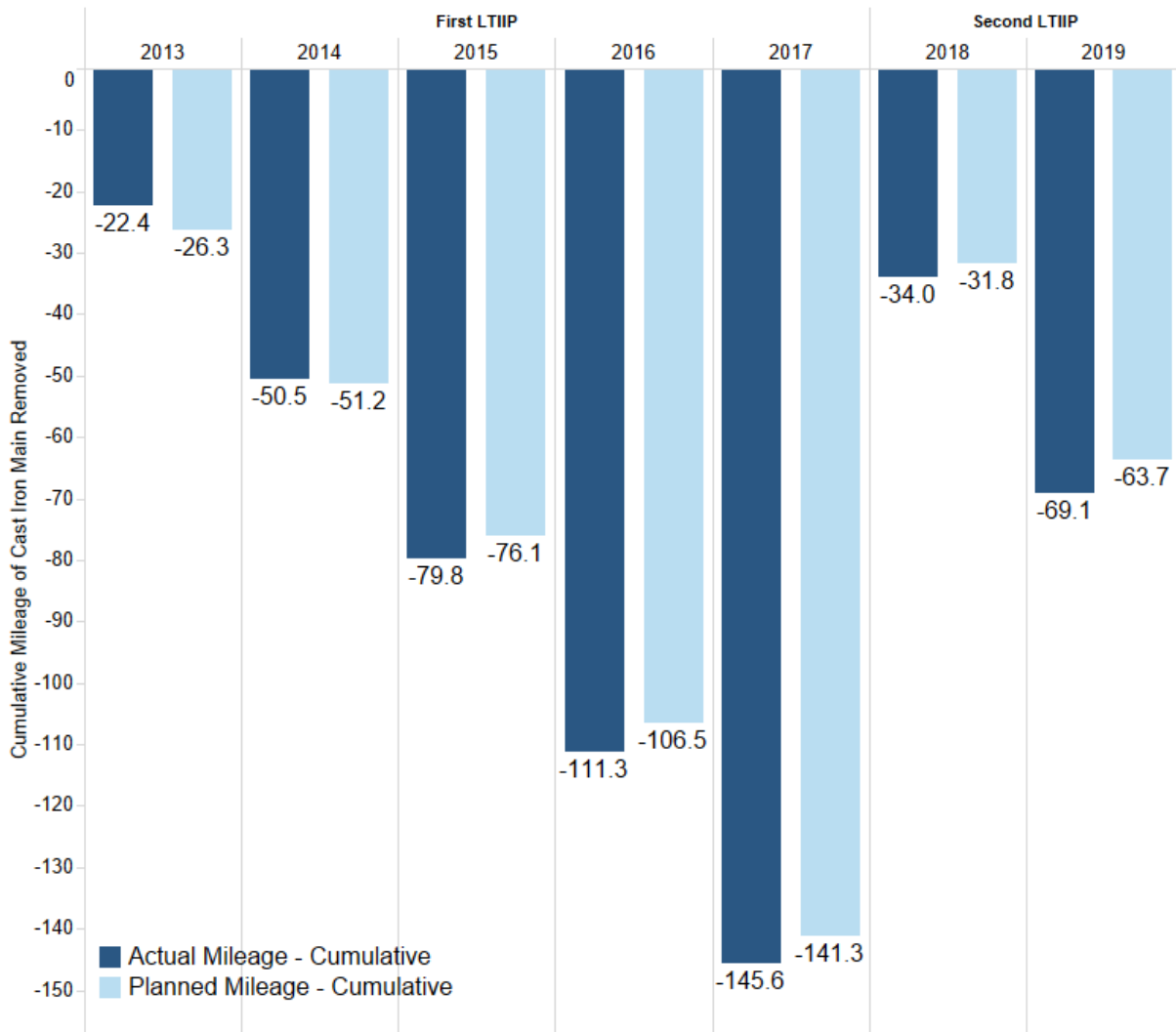


Figure 1 – LTIP Cast Iron Main Removal Cumulative Results Fiscal Years 2013 - 2019

PGW was forced to suspend pipeline replacement projects under LTIP II for approximately 2 months due to state and local restrictions imposed to respond to the COVID-19 pandemic. PGW resumed pipeline replacement activities on May 18, 2020 and has worked to clear any resulting backlog in projects. The impact of the COVID-19 pandemic on LTIP II implementation will be more fully addressed in PGW’s Eighth AAO Plan which will be filed by October 31, 2020 covering the third year of LTIP II from September 1, 2019 to August 31, 2020.

PGW submits that the infrastructure improvements made pursuant to LTIP I and LTIP II have improved the safety and reliability of PGW’s mains and services. PGW continues to make significant strides towards reducing the number of hazardous leaks encountered on the distribution system. The graph below depicts hazardous leaks repaired on distribution mains from fiscal years 2013 through fiscal year 2019 showing a downward trend.

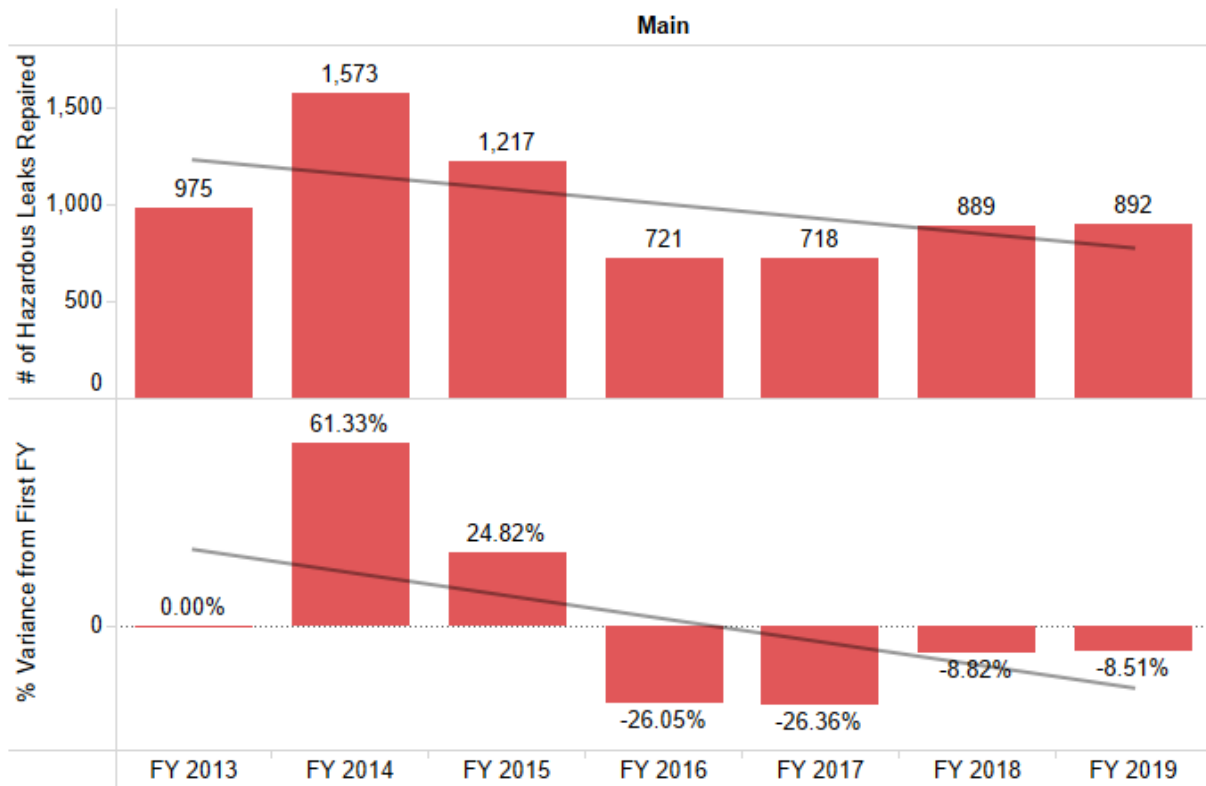


Figure 2 – Hazardous Leaks Repaired on Mains Fiscal Years 2013 – 2019

This continued downward trend is attributable to the prioritized selection of main targeted for replacement, the accelerated pace of the main replacement program, and warmer than average winter seasons.

PGW has also made substantial gains in the reduction of hazardous leaks repaired on services. The number of hazardous leaks on service lines has continually declined since FY 2013 by greater than 37%.

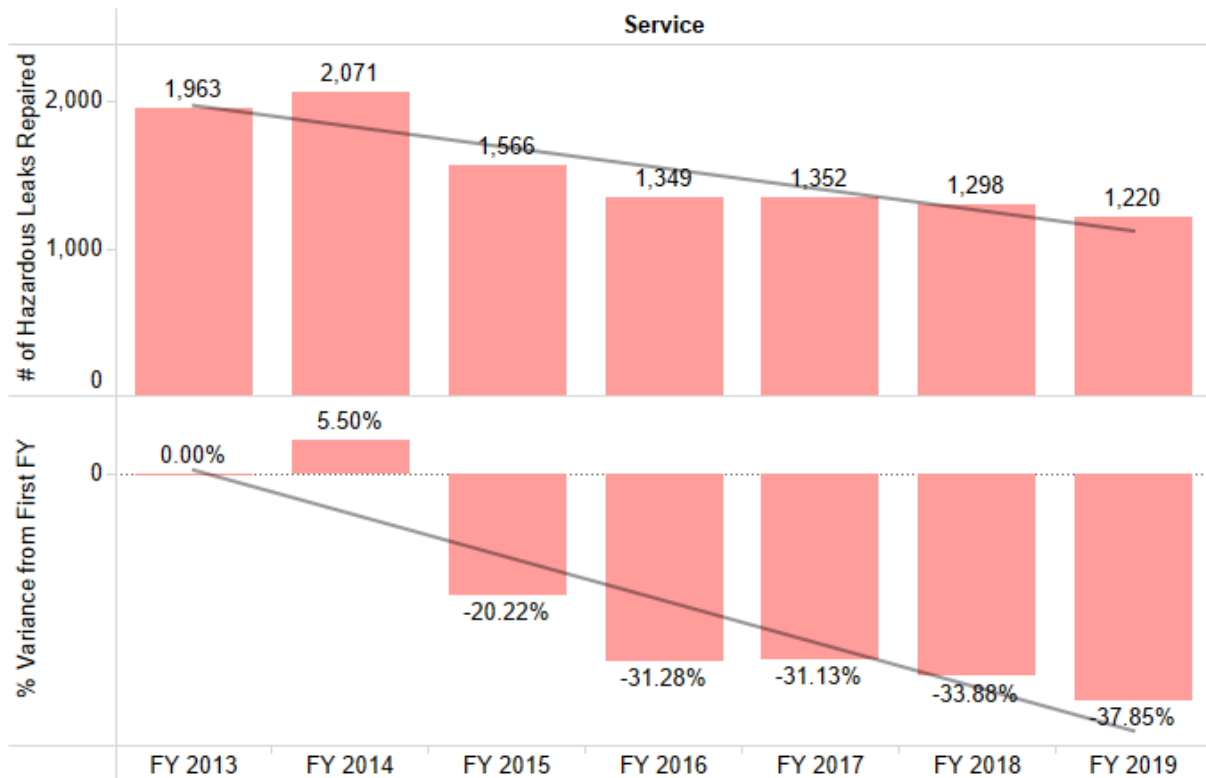


Figure 3 – Hazardous Leaks Repaired on Services Fiscal Years 2013 – 2019

This continued downward trend is attributable to PGW’s practice to replace all bare steel services encountered on main replacement projects regardless of condition. This proactive replacement of aging steel service lines has aided PGW in continuously reducing the number of hazardous leaks caused by corrosion on service lines.

PGW is committed to looking to continuously improve the efficiency of its pipeline replacement efforts as outlined in LTIP II. In PGW’s most recent base rate case before the PUC, PGW filed a Joint Petition for Partial Settlement in which PGW agreed to a number of pipeline

replacement provisions in response to testimony submitted by the PUC's Bureau of Investigation & Enforcement.⁹ Specifically, PGW agreed to: (1) present a shortened timeframe for cast iron main replacement in its next LTIIIP filing; (2) break down the cast iron assets into smaller asset group categories as part of its Distribution Integrity Management Plan ("DIMP") to allow PGW to measure the effectiveness of the LTIIIP; and (3) review PGW's most recent AAO Plan with the PUC's Pipeline Safety Division in order to discuss further cost reduction.¹⁰ These efforts illustrate PGW's commitment to managing LTIIIP II so as to efficiently improve PGW's existing distribution infrastructure.

Based on the above, PGW submits that it has adhered to its LTIIIP and is committed to working with the PUC to efficiently move pipeline replacement efforts forward to the benefit of PGW's customers.

III. CONCLUSION

PGW looks forward to assisting the PUC in its review of PGW's LTIIIP II. PGW has adhered to its LTIIIP and in the first two years of the five-year plan, PGW has eliminated 8% more cast iron main from inventory than originally planned. Further, PGW is committed to seeking out efficiencies in the LTIIIP and will be working with the PUC's Pipeline Safety Division as part of implementing the proposed settlement of PGW's most recent base rate case. Lastly, PGW will be updating the PUC on year-three, FY 2020, results when PGW files its Eighth AAO Plan by October 31, 2020.

⁹ Docket No. R-2020-3017206, Joint Petition for Partial Settlement (August 26, 2020) ("Partial Settlement Petition"). The Settlement must be approved by the presiding Administrative Law Judges and by the full Commission.

¹⁰ Partial Settlement Petition, ¶¶ 43-45.

Respectfully submitted,

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Dated: October 1, 2020