Vicinity Energy Philadelphia, Inc.

Docket No. R-2021-3024060

Direct Testimony

of

Michael J. Smedley, Vice President
Vicinity Energy Philadelphia, Inc.

VEPI STATEMENT NO. 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. 2021-3024060
Vicinity Energy Philadelphia, Inc.	:	

VERIFICATION

I, Michael J. Smedley, state as follows:

1. I am Vice President of Vicinity Energy Philadelphia, Inc., which I will refer to as "VEPI," and I am authorized to, and do, make this affidavit on its behalf.

2. VEPI Statement No. 1 contains my direct testimony in connection with VEPI's April 30, 2021 base rate filing with the Pennsylvania Public Utility Commission.

3. VEPI Statement No. 1 was prepared under my direction and control.

4. The information contained in VEPI Statement No. 1 was true when it was prepared and continues to be true.

5. I understand that VEPI Statement No. 1 is being filed with the Commission for inclusion in the official case record.

6. If called to testify, I would testify as stated in VEPI Statement No. 1 as supplemented by this Verification.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S.A. §4904 relating to unsworn falsification to authorities.

Dated:

MICHAEL J. SMEDLEY

STATEMENT OF MICHAEL J. SMEDLEY

Q. Please state your name and business address.

A. My name is Michael J. Smedley and my business address is Vicinity Energy Philadelphia, Inc., 2600 Christian Street, Philadelphia, Pennsylvania 19146.

Q. By whom are you employed and in what capacity?

A. I am employed as the Vice President of Vicinity Energy Philadelphia, Inc.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in Mechanical Engineering from Temple University in 1991 and an Executive MBA from The Kellogg School of Management at Northwestern University In 2003. I began my career in 1991 with Philadelphia Thermal Energy Corporation (predecessor of Veolia Energy Philadelphia, Inc.), which was a subsidiary of Trigen Energy Corporation, working as a project engineer. In 1994 I relocated to Trigen's corporate headquarters in White Plains, NY as an Operations Engineer supporting multiple central region facilities. In 1997 I relocated to a Trigen Energy regional office in Kansas City, MO and continued the central region operational support. Later in 1997 I accepted a Vice President & General Manager position with Trigen-Peoples District Energy Company in Chicago, IL responsible for the overall safe, reliable and efficient supply of district energy generated by a cogeneration facility. In 2004 I transferred to the larger Trigen-Trenton District Energy system in Trenton,

NJ, which was equipped with cogeneration facilities, as its Vice President & General Manager. In 2008, I transferred to Philadelphia as Vice President & General Manager and soon thereafter took on the role of Regional Vice President, Mid-Atlantic responsible for energy and water operations in Pennsylvania, New Jersey, New York and Delaware. In 2018 I transitioned to Vice President of Business Development managing our national corporate development team and in 2019 transitioned into my current role of Vice President of Business Development supporting operations in the Mid-Atlantic Region, including Philadelphia.

Q. Have you ever testified before this Commission or any other regulatory commission?

A. Yes. I testified before this Commission in 2009 pursuant to the base rate filing of what was then known as Trigen-Philadelphia Energy Corporation, which now is known as Vicinity Energy Philadelphia, Inc. I also submitted testimony before this Commission on (i) December 18, 2013, which was admitted on May 27, 2014, and (ii) June 26, 2017, which was admitted on November 6, 2017, pursuant to base rate filings of what was then known as Veolia Energy Philadelphia, Inc.

Q. What is the nature of the business of Vicinity Energy Philadelphia, Inc.?

A. Vicinity Energy Philadelphia, Inc., which I will refer to in my testimony as “VEPI” or the “Company,” is the district steam system that operates in the commercial

business district in the City of Philadelphia, commonly known as Center City Philadelphia, and in an area immediately west of the commercial business district commonly known as University City. VEPI distributes high pressure steam through a network of nearly 40 miles of pipeline buried beneath the streets in Philadelphia and sells that steam to over 350 customer buildings. Approximately 75% of the pipeline is owned by VEPI. Since June, 2012, VEPI has leased from the University of Pennsylvania ("Penn") and operated the remaining 25% of the distribution system. Our customers use that steam to heat buildings, humidify buildings, operate various industrial processes, heat water, prepare food and operate surgical instrument sterilizers among other things. Our customers include high density residential buildings, hospitals, universities, office buildings, government facilities and industrial institutions. VEPI is one of the largest district energy systems in the United States and the largest system in Pennsylvania.

Q. Does VEPI perform other public utility services besides steam?

A. Yes. In 2006 we received Commission approval to begin providing chilled water service. However, our chilled water operations are not included in this base rate filing.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide the Commission a brief explanation of the nature of VEPI's business, to provide a brief historical overview of our company and to discuss some of the initiatives VEPI has taken in an effort to

provide a cost effective energy commodity to our customers.

My testimony also is intended to inform the Commission that since our last rate increase was approved in 2017, our net operating income from steam operations has dropped to a (loss) of approximately $(4.4 million) in 2020 and a projected (loss) of approximately $(3.8 million) in 2021 ($4.2 million) in 2022 at present rates. See Exhibit HSG 1-4 of Howard Gorman's testimony.

Q. What is the effect on VEPI and its customers if its current rates are not adjusted?

A. Without rate relief, VEPI will continue earning margins below fair and reasonable levels and will likely find it difficult to continue the maintenance and capital repairs necessary to provide a cost effective and reliable service. It would also potentially jeopardize jobs.

VEPI has already undertaken numerous efficiency and cost-cutting measures and those savings are reflected in the projections for 2021 and 2022. In addition to the efficiency and cost-cutting measures, increasing the tariff rates is necessary to continue to maintain and operate the system safely and reliably. Therefore, VEPI is filing this request with the Commission seeking approval for an increase of approximately $1.9 million in annual base revenues.

Q. Has VEPI taken any steps to moderate the rate increase?

A. Yes. The increase required to produce a market rate of return is approximately $6.2 million. In the interest of moderating the effect on our customers and helping them deal with the effects of COVID-19, VEPI is requesting an increase

of approximately $1.9 million. In addition, VEPI is willing to consider a phase-in of the increase over several years in order to lessen the impact on the customer base.

Q. Please describe the corporate structure and history of VEPI.

A. VEPI is the largest operating facility owned by Vicinity Energy, Inc. (f/k/a Thermal North America, Inc.) which owns and operates [19] district energy systems and multiple cogeneration plants across North America.

Since acquisition of the Steam System from The Philadelphia Electric Company, later known as PECO Energy Company ("PECO") in 1987, there have been changes in the ownership of VEPI at the corporate parent level and above, each of which has been approved by the Commission. VEPI, which originally was known as Philadelphia Thermal Corporation, was incorporated in 1986 as a wholly-owned subsidiary of United Thermal Corporation ("UTC"), which itself had been formerly known as Catalyst Thermal Energy Corporation. In 1987 Philadelphia Thermal Corporation purchased the district steam system in Philadelphia from the Philadelphia Electric Company. In 1987 Philadelphia Thermal Corporation changed its name to Philadelphia Thermal Energy Corporation. The district steam system operated under the name of Philadelphia Thermal Energy Corporation until 1994, when it changed its name to Trigen-Philadelphia Energy Corporation. In 2007 through 2019, the system was owned by Veolia Energy North America Holdings, Inc. ("Veolia") and operated under the name Veolia Energy Philadelphia, Inc. On December 31, 2019, Veolia Energy

Philadelphia, Inc. changed its name to Vicinity Energy Philadelphia, Inc.

Q. Did that change in name signify any change in ownership?

A. Yes, it did. In 1993 UTC was acquired by Trigen Energy Corporation. At that time, Trigen Energy Corporation was a wholly-owned subsidiary of Cofreth American Corporation.

Q. Have there been any further ownership changes?

A. Yes. In 1994 Trigen Energy Corporation became a public company. However, in February, 2000, following a series of mergers, Cofreth American Corporation reacquired all of the stock of Trigen Energy Corporation. By April, 2000, Trigen Energy Corporation merged into Cofreth American Corporation, which changed its name to Trigen Energy Corporation.

Q. What changes occurred after 2000?

A. On June 28, 2005, Trigen sold its stock in UTC to Thermal North America, Inc. ("TNAI"), a private holding company which was wholly owned by Thermal North America Holdings, LLC ("Thermal Holdings"). On December 13, 2007, all of the stock of TNAI was acquired by Veolia Energy North America Holdings, Inc. ("VENAH"). The ultimate parent company of VENAH is Veolia Environment ("VE"). VENAH is based in Boston, Massachusetts, while VE is based in Paris, France. A world leader in environmental services, with operations on every continent, VE provides customized solutions to meet the needs of municipal and

industrial customers in three complementary segments: water, environmental services and, as applicable here, energy services. On May 12, 2008, UTC was merged into TNAI.

Q. What changes occurred after 2018?

As part of a regular review of VENAH's asset portfolio, VENAH determined to sell its district energy assets in the United States to AIP Project Franklin Bidco, Inc., a fund owned by Antin Infrastructure Partners. VENAH and AIP, entered into a Purchase and Sale Agreement dated as of July 31, 2019, pursuant to which 100% of the shares of capital stock of TNAI were sold to AIP. This sale was approved by the Commission in Order A-2019-3012241 entered on December 19, 2019. As part of the sale, TNAI changed its name to Vicinity Energy, Inc. and Veolia Energy Philadelphia, Inc. changed its name to Vicinity Energy Philadelphia, Inc. Vicinity Energy, Inc. is the direct parent company of VEPI.

Q. Please describe the general nature of VEPI's steam operations.

A. VEPI operates two steam producing facilities: the Schuylkill Station, with current permitted boiler capacity of 675 Mlbs per hour and the Edison Station, with boiler capacity of 618 Mlbs per hour. Since 1998, a significant portion of the steam distributed by the Company to its customers has been produced by the Grays Ferry Cogeneration Project ("Grays Ferry"), which is situated on a portion of the Schuylkill Station contiguous to the Company's principal plant. Two wholly owned, indirect subsidiaries of VEHAH now own the partnership interests in

Grays Ferry.

Another of the Company's affiliates, Philadelphia United Power Corporation ("PUPCO"), operates the Grays Ferry facility, ensuring that both the Company's own plant and the Grays Ferry facility are operated in tandem. Both PUPCO and the Company are staffed with workers from another Company affiliate, Vicinity Energy, LLC (f/k/a Veolia North America, LLC), which currently performs the staffing role previously performed by the Company's ThermalSource, LLC affiliate, further enhancing the integrated operation of the steam producing facilities.

Beginning in mid-2012, the two rapid fire boilers owned by another of the Company's affiliates, Vicinity Energy Efficiency (PA), LLC (f/k/a Veolia Energy Efficiency (PA) "VEEPA"), came on-line. The operating structure and staffing of VEEPA parallels that which is used to operate the Grays Ferry facility, such that all steam generation and distribution emanating from the Schuylkill Station site is completely integrated. The one significant difference is that the labor for VEEPA is provided directly by VEPI, whereas in the case of Grays Ferry, the labor is provided by VEPI through PUPCO. However, all of the facilities are run as a single, integrated operation, by the same personnel.

Q. How did VEPI's operation change between 2014 and 2017, when its last base rate case was filed?

A.

There have not been any significant changes in VEPI's operations during

this period.

The land and a portion of the buildings on which VEPI's Schuylkill Station operates were leased to VEPI by PECO (now Exelon Corporation ("EXELON")), and a portion of the buildings were owned outright by VEPI. Pursuant to the terms of the lease, PECO/EXELON exercised its right to compel VEPI to purchase the land and leased buildings. That transaction consummated on December 3, 2015.

Q. What changes in VEPI's operations have occurred after the last rate increase went into effect in 2017.

A. The most significant change in VEPI's operations was related to VEPI's sustainability efforts of burning renewable fuel to replace conventional fossil fuel oil, significantly reducing Vicinity's distillate fuel use, cutting carbon emissions by 12,200 tons, or the equivalent of removing 2,650 cars from Philadelphia's roads each year Permits have already been acquired and the biogenic fuel tested at Edison Station. VEPI's parent announced it has signed a long-term fuel supply agreement with Lifecycle Renewables a Boston-based firm that produces LR100™, a unique biogenic fuel derived from waste vegetable oil and fats discarded by the food service industry.

Q. What is the general state of VEPI's business?

A. Since the district steam system was acquired from The Philadelphia Electric Company in 1987, VEPI has been able to maintain a stable base of customer

steam sales. During our ownership of the system, steam sales continue to average 3,550,000 Mlbs annually with a highs of 3,900,000 Mlbs and 3,800,000 in 1996 and 2014 respectively and a low of 3,200,000 Mlbs occurring in both 1998 and 2012. One Mlb of steam equals one thousand pounds of steam. 1996 was the coldest winter (as measured by Heating Degree Days, HDD), and 1998 and 2012 were the warmest winters respectively during VEPI's 30-year history in Philadelphia.

Q. Can you describe your customer base?

A. Our ten largest customers represent 80% of our steam sales. Nine of our top ten customers have executed long term steam sales contracts with VEPI. The long term contracts have various lengths of time remaining, but notably one of the nine is approaching the end of its term. This may result in this contract being extended or renegotiated, or for service to be continued without any long term commitment or discount. Overall, there are 83 customers under long term steam sales contracts, which is has held steady since the last rate case. Overall, there are 167 customers being served through 236 meters Penn is our largest customer and represents 53% of our annual steam sales, up from 46% in 2013 and 51% in 2017.

Q. Can you describe the competitive nature of your business?

A. Competition to retain existing thermal energy customers and to attract new ones is intense. This competition stems from a number of sources in Philadelphia and

includes Philadelphia Gas Works, PECO Energy and various energy service companies. These competitors attempt to lure existing and prospective customers from VEPI by offering incentive-laden proposals to install gas or electric based energy systems in lieu of steam based systems. While the PUC has jurisdiction over our customers' rates and regulates them within a "return on rate base" framework, actual prices charged to customers are limited by what the market will bear for each specific customer. Most of our existing customer load is served pursuant to long-term contracts at prices below the amounts that are permitted by the PUC to be charged for month-to-month customers. This is consistent with our PUC-approved tariff riders that are designed to keep existing customers and attract new ones.

Q. Do you regard VEPI as a natural monopoly?

A. As a result of the competitive circumstances I just described, VEPI is not a natural monopoly. Our customers enjoy the advantages of a competitive market and are not without their options, especially the larger customers. Steam customers have always had the ability to choose their supplier for heating or cooling their buildings. These customers benefit from the ability to either buy their thermal energy requirements from VEPI or install boilers fueled by natural gas, fuel oil or electricity. More and more customers are also now exploring alternative forms of energy, including cogeneration, renewable power (solar and wind) and heat pumps. When they make a decision, it is generally a 20-year decision based on the life of the equipment.

VEPI is the smallest regulated energy service provider in its marketplace. It is a company whose revenues are measured in tens of millions of dollars, yet competes against companies whose revenues are measured in the hundreds of millions to billions of dollars. One of these larger companies is able to utilize finance offerings to enhance its proposals. Most recently the first few buildings in a multi-building site planned near 30th Street Station decided to install their own boilers and connect to PGW. Prior to that, a multi-year planned development located at the site of an old city high school accepted a finance offering from the gas company and committed their buildings to gas.

VEPI's work force is measured at fewer than one hundred, but competes against companies whose work forces measure in the thousands.

It is a company whose boundary for expansion is limited by the physical infrastructure of its steam distribution system. As a result of these limitations, VEPI finds itself in a position where the risk of investment is substantial, where the loss of a single large customer or the failure of a single large project could have an enormous impact on the financial well-being or even the viability of VEPI.

Q. What is VEPI doing to contribute to the city's greening initiatives?

A. VEPI purchases the majority of its steam from a highly efficient combined heat and power plant. The carbon footprint associated with the steam is about one half of the carbon footprint associated with a building self-performs by burning natural gas in stand-alone boilers. Additionally, VEPI just recently committed to

burn renewable fuel to replace conventional fossil fuel oil, significantly reducing VEPI's distillate fuel use, thereby further cutting carbon emissions.

Q. What efforts has VEPI undertaken to maintain a stable customer steam sales base?

A. The most important factor in holding the customer base stable has been VEPI's willingness to work with our customers by limiting, or where increases are necessary, phasing-in rate changes. Three-and-a-half years ago VEPI initiated an aggregate annual increase in Rate S revenue of approximately % phased-in over a two-year period. The first phase commenced on January 1, 2018, permitting a $1.6 million or an increase in Rate S revenue of approximately 3%; the second phase of the increase amounted to an additional $1.6 million or an increase in Rate S revenue of approximately 3% and became effective on January 1, 2019. For institutional, commercial and residential building managers and tenants alike, predictability is very important.

VEPI continues to employ a natural gas hedging program through mainly fixed price swaps during the winter period: November through March. This hedging has significantly made our steam price very predictable.

VEPI also offers a fixed steam price offering that an individual customer can execute. However, the natural gas hedging program discussed above is for the most part redundant with this offering. This offering is fixed to the degree that we utilize natural gas. In the event that fuel oil is utilized, the steam price adjusts accordingly.

VEPI has signed up a number of customers under a fixed/variable billing format whereby the non-fuel charges (demand and non-fuel consumption) are based upon the customer's estimated load, and then increased by the change in CPI each year. This product allows customers to better predict energy costs.

Another example of our efforts is working with customers to show the benefits of using steam air conditioning, whereby they are using steam to cool all or a portion of their building, and keep peak electric use down in the summer months (by using the steam cooling). This will lower their annual costs on electric and additionally contribute towards the goals of reducing energy demand and consumption within its service territory.

We provide our customers with a high degree of service. We routinely offer energy savings audits and training seminars to our customers. These programs assist our customers in maintaining their energy systems and managing their overall energy consumption.

VEPI has rolled out a LEED initiative to educate architects, engineers and building owners of the value of district steam in obtaining LEED certification versus self-generation. We also implemented a free automated benchmarking program that automatically downloads customer data into EPA Portfolio Manager, which makes it easy for them to comply with the City of Philadelphia's energy benchmarking ordinance.

We have maintained a high degree of equipment and steam reliability while at the same time reducing spending. We have averaged less than one and a half steam service interruptions per year for the past three years, providing

greater than 99% service reliability. This is a critical factor to many of our customers given the nature of our steam service in meeting the health and human welfare requirements of our customers and their clients. With the addition of VEEPA's rapid fire boiler capability, our reliability is as strong as it ever has been since the Steam System was acquired in 1987. Other benefits of the rapid fire boilers include: an overall 5% increase in system efficiency, our ability to offset expensive #6 fuel oil with cheaper, clean-burning natural gas, and the reduction in air emissions as well as raw and process water consumption.

Q. Explain the efforts VEPI has undertaken to control spending.

A. VEPI has aggressively pursued many cost saving initiatives during the past three years that have enabled the company to combat the effects of normal inflationary pressure. Incidents requiring major maintenance to manholes have occurred over the last few years, and VEPI is improving the condition of the manholes to avoid and to minimize the impact of any future incidents. There has also been an increase in reliability spending. Increased production and operating costs resulting from maintenance of older equipment have been offset by reduced depreciation expense. Some of the initiatives undertaken by VEPI to reduce costs include the following**.**

Our Corporate Procurement Department has initiated a program whereby many of our suppliers now are subject to contracts offering discounted pricing, resulting in savings on supplies and materials.

We also continue to improve the efficiency of labor resources. In 1987,

when the steam distribution system was acquired from The Philadelphia Electric Company, approximately 225 people were employed to operate and maintain the steam generating plants. Still other corporate administrative staff provided support to the steam system in the form of accounting, billing, marketing and engineering services. In 1987, VEPI began operating the facilities with a total headcount of 139 people. Under VEPI's ownership, employment peaked at 153 people in 1990. Since at least October, 2007, VEPI has operated the facilities with a fairly stable headcount of approximately 85 to 88 employees.

VEPI has also researched and experimented with non-traditional manhole repair techniques in order to avoid large expenses associated with complete manhole rebuilds. We have utilized prefabricated concrete panels and structural epoxy methods to restore deteriorated manholes to good working condition. These methods minimize the costly demolition associated with traditional reconstruction. We continue research to identify the optimal products for this purpose.

Q. Has VEPI been able to maintain cost control on capital expenditures as well?

A. Yes. In the past 3 years, more than $15 million in capital has been invested in the Steam System. Capital expenditures are focused on projects that will result in long term improvements that will allow the steam generating and distribution infrastructure to operate in a safe, reliable and efficient manner for years to come.

These capital expenditures included approximately $7M rehabilitating

significant portions of the steam distribution system: replaced leaking expansion joints resulting in significant increased system efficiencies; replaced mainline valves which allows system isolations to be minimized during maintenance; reinsulated 30 manholes which improves system efficiency and structurally rehabilitated 12 manholes.

VEPI's steam distribution system currently includes nearly 40 miles of steam pipeline, over 600 (400 Vicinity + 260 Penn) valves, nearly 700 (469 Vicinity + 226 Penn) expansion joints and over 600 (480 Vicinity + 136 Penn) manholes**,** among other miscellaneous equipment. We have reduced system line losses by taking out of service piping and manholes that no longer serve any active customers. This results in significant efficiency savings that is passed directly to our customers through the Steam Cost Rate component of our tariff. We continue to aggressively pursue efficiency increases by continuing to re-insulate manholes.

Our metering system is state of the art with nearly 98% of our revenue remotely monitored. In addition, over 100 steam traps in customer buildings are remotely monitored. This technology allows us nearly instant knowledge of problems in a customer's building, allowing us to aggressively pursue problems at customer locations. This minimizes the duration of any problem, eliminating potential increased costs for our customers. We offer building audits as a customer service further helping our customers to reduce their monthly heating costs.

Approximately $2 million was spent to the upgrade of its existing water

treatment plant. The investment in the water treatment plant included replacing demineralizer resin, refurbishment of the resin vessels, installation of a reverse osmosis (RO) water treatment system, system overhauls on pumps and mixers, and other improvements in the water treatment building infrastructure.

These capital improvements have significantly upgraded the reliability and long term viability of the operation. The new resin and RO improved efficiency by reducing the amount of chemical regenerent required for the demineralizer operation. These improvements also provided extended throughputs and shorter turnaround times for system regeneration which further improved efficiency, especially during the hearing season when steam demand is highest.

Finally, we have significantly improved our boiler plant reliability. As previously mentioned, reliable service is critical to many of our customers for meeting the health and human welfare requirements of their clients. Because of this requirement much of VEPI's capital expenditure in the operating facilities has been focused on maintaining and improving operating reliability.

VEPI estimates that the cost to replace the steam distribution system in its entirety would cost between [$200,000,000 and $400,000,000]. Therefore, we view the steam distribution system as an irreplaceable asset whose demise would have a significant adverse impact on its customers. Consequently, we view our capital spending initiatives within the distribution system as essential to maintaining the viability of the district energy system in Philadelphia. As a result of our diligent maintenance and focused capital spending, overall the distribution system is in excellent condition.

Q. Is VEPI an important part of the economic and physical infrastructure of the City of Philadelphia and the Commonwealth of Pennsylvania?

A. Yes. As previously stated in my testimony, VEPI faces very stiff competition in Philadelphia. This competition by its nature provides a benefit to the City of Philadelphia and its businesses by promoting competitively priced energy products and services, thereby reducing the overall cost to conduct business in the City of Philadelphia and the Commonwealth of Pennsylvania.

VEPI is considered an important participant in support of the economic development of our region. VEPI offers prospective business owners the opportunity to save on capital and operating costs associated with in-building energy systems. These moneys can then be invested by our customers into their core business revenue generating activities, rather than having to be sunk into non-revenue generating assets.

VEPI is the largest consumer of the City of Philadelphia's utility companies PGW and PWD. VEPI spent over $7M with these city entities in 2020.

Some of the physical improvements to our system contribute to the economic welfare of the City. The types of customers that VEPI has added to the system have been many of the most significant buildings for their building class. For example, the Barnes Museum connected to the district steam system and achieved LEED certification. Other significant customers added include the Drexel Integrated Science Building, Wexford Science and Technology Building and significant research space such as phase II of the Center for Advanced

Medicine building on the University of Pennsylvania campus. VEPI also extended a steam main to service the Wistar Institute. What was unique about this interconnection was the utilization of Penn's leased distribution lines that enabled us to connect this customer at half the capital cost it would have otherwise required.

Q. What are some examples of how VEPI contributes to the economic growth of the City of Philadelphia and the Commonwealth of Pennsylvania?

A. Over the years, VEPI and its affiliated companies have contributed to the investment of over $300,000,000 in infrastructure improvements on regulated and unregulated facilities within the City of Philadelphia, including the Grays Ferry Cogeneration Facility located at VEPI's Schuylkill Station facility that produces the major portion of the steam sold by VEPI and distributed to its customers.

As taxable businesses, VEPI and Grays Ferry pay the Commonwealth of Pennsylvania and the City of Philadelphia over $300,000 per year in various sales, income and corporate taxes.

VEPI and the related Grays Ferry cogeneration facility together form one of the largest customers of the troubled Philadelphia Gas Works, paying the Gas Works approximately $2,000,000 per year for the delivery of natural gas that is used in the production of steam for VEPI's customers.

Q. How many people does VEPI employ in the City of Philadelphia?

A. VEPI employs [88] people in the City of Philadelphia.

Q. Does this conclude your direct testimony?

A. Yes it does.