



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY, PLEASE  
REFER TO OUR FILE

January 18, 2024

Docket No. M-2023-3043952  
Utility Code: 125042

SARAH C. STONER  
ECKERT SEAMANS CHERIN & MELLOTT, LLC  
213 MARKET STREET  
8<sup>TH</sup> FLOOR  
HARRISBURG, PA 17101  
[SSTONER@ECKERTSEAMANS.COM](mailto:SSTONER@ECKERTSEAMANS.COM)

**Re: Annual Asset Optimization Plan (AAOP) for the Philadelphia Gas Works (PGW) – Docket No. M-2023-3043952**

Dear Sarah Stoner:

On October 30, 2023, Philadelphia Gas Works (PGW) filed its Annual Asset Optimization Plan (AAOP), pursuant to 52 Pa. Code § 121.6.

The Commission’s regulations require utilities with an approved Distribution System Improvement Charge (DSIC) to file annually an AAOP with the Commission. The AAOP shall be filed 60 days after the prior 12 months of the company’s Long-Term Infrastructure Improvement Plan (LTIIP) has expired, and pursuant to this timeframe for each successive AAOP. 52 Pa. Code § 121.6(a).

The AAOP must include:

- 1) A description that specifies all of the eligible property repaired, improved, and replaced in the prior 12-month period under its LTIIP and prior year’s AAOP.
- 2) A description of the eligible property to be repaired, improved, and replaced in the upcoming 12-month period.

The Commission is charged with reviewing each AAOP only to determine whether the utility is in substantial compliance with the repairs, improvements, or replacements of the specific eligible property in its approved LTIIP, for the corresponding 12-month timeframes. 52 Pa. Code § 121.6(d). The Commission has delegated the review of AAOPs to the Bureau of Technical Utility Services.

**Timely Filing**

*52 Pa. Code § 121.6(a)*

*A utility with an approved DSIC shall file with the Commission, for informational purposes, an AAO plan. The AAO plan shall be filed annually with the Commission 60 days after the 12*

*months of its LTIIIP has expired and under this time frame for each successive year of the term of the LTIIIP.*

PGW's LTIIIP is delineated by PGW's fiscal year, rather than by calendar year. PGW's fiscal year spans September 1 of each year to August 31 of the following year and is due by October 30. PGW filed their AAOP on October 30, 2023, and is in compliance.

### **Content**

*52 Pa. Code § 121.6(b)*

*An AAO plan must include:*

- (1) A description that specifies all the eligible property repaired, improved and replaced in the prior 12-month period under its LTIIIP and prior year's AAO plan.*
- (2) A description of the eligible property to be repaired, improved and replaced in the upcoming 12-month period.*

PGW's AAOP substantially complies with this requirement.

### **Substantial Adherence to LTIIIP**

*52 Pa. Code § 121.6(d)*

*An AAO plan will be reviewed by the Commission only to determine whether the utility is in substantial compliance with the repairs, improvements or replacements of the specific eligible property in its approved LTIIIP for the corresponding 12-month time frames.*

*52 Pa. Code § 121.6(e)*

*Absent any major modifications to the LTIIIP or Commission action to reject an AAO plan within 60 days of its submission to the Commission, the AAO plan will be deemed approved. The Commission may extend its consideration period if necessary.*

*52 Pa. Code § 121.6(f)*

*If an AAO plan is rejected by the Commission, the utility will be notified of the plan's deficiencies and actions needed to repair, improve or replace eligible property to bring the utility into compliance with the work schedule in its approved LTIIIP. If the utility concludes that it needs to revise its LTIIIP to comply with the Commission's determinations, it shall file a petition for modification under § 121.5.*

PGW exceeded its FY 2023 LTIIIP goal for accelerated pipeline replacement by 0.61 miles, with 13.10 miles of accelerated replacement. This 4.9% increase in accelerated replacement was accompanied by a decrease in spending of \$11.2 million, which is a decrease of 29% from

PGW's LTIIIP projections. PGW states that in FY 2024, it is projecting to replace 31.49 miles of at-risk main. This projection is 1.09 miles above PGW's LTIIIP projection of 30.40 miles for FY 2024.

Compliance with the LTIIIP is evaluated on a multiyear basis over the life of the LTIIIP. Construction and budget variations in individual years can be expected and it is reasonable to expect that over a multi-year timeframe, much of this variation will be mitigated.

The AAOP does not propose a Major Modification to the company's LTIIIP.


Accordingly, PGW's AAOP appears to substantially conform to the schedule set forth in the company's LTIIIP.

### **Conclusion**

Upon review of PGW's Annual Asset Optimization Plan filed on October 30, 2023, it appears that the filing substantially complies with the requirements of 52 Pa. Code § 121.6 and it is approved. This approval is contingent upon the possibility that subsequent audits, reviews and inquiries, in any Commission proceeding, may be conducted pursuant to 52 Pa. Code § 121.

If you are dissatisfied with the resolution of this matter, you may, as set forth in 52 Pa. Code § 5.44, file a petition with the Commission within twenty (20) days after the date of this letter. Please direct any questions regarding this filing to Matthew Stewart, Bureau of Technical Utility Services, at [mattstewart@pa.gov](mailto:mattstewart@pa.gov).

Sincerely,



Rosemary Chiavetta  
Secretary

cc: Kriss Brown, LAW  
Richard Kanaskie, BIE  
Dan Searfoorce, TUS  
John Van Zant, TUS  
Matthew Stewart, TUS