



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

IN REPLY PLEASE
REFER TO OUR FILE

September 2, 2020

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission v.
Philadelphia Gas Works
Docket No. R-2020-3017206
I&E Reply Brief

Dear Secretary Chiavetta:

Enclosed for filing please find the **Reply Brief of the Bureau of Investigation and Enforcement** for the above-captioned proceeding.

Copies are being served on parties of record per the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic Service.* Should you have any questions, please do not hesitate to contact me.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 208185

CBW/jfm
Enclosure

cc: Hon. Marta Guhl, OALJ – Philadelphia (*via email only*)
Hon. Darlene Heep, OALJ – Philadelphia (*via email only*)
Office of Special Assistants (*via email only* – RA-OSA@pa.gov)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3017206
	:	
Philadelphia Gas Works	:	

**REPLY BRIEF
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

Carrie B. Wright
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PA Attorney ID No. 208185

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Dated: September 2, 2020

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I. INTRODUCTION AND PROCEDURAL HISTORY

A. Introduction and Procedural History

On February 28, 2020, Philadelphia Gas Works (PGW or Company) filed Supplement No. 128 to PGW's Gas Service Tariff – Pa. P.U.C. No. 2 (Supplement No. 128) in which, PGW sought an increase in annual distribution revenues of \$70 million, to become effective April 28, 2020. PGW used the Fully Projected Future Test Year (FPFTY) as the basis for its rate increase request.

On April 16, 2020, pursuant to 66 Pa. C.S. § 1308(d), the Commission ordered suspension of the proposed tariff changes until November 28, 2020 unless permitted by Commission Order to become effective at an earlier date. PGW agreed to a voluntary extension of the suspension period until December 4, 2020. The Commission directed that the case be assigned to the Office of Administrative Law Judge (OALJ) for the scheduling of hearings as may be necessary for the Administrative Law Judge to render a Recommended Decision (RD). A Prehearing Conference was held on May 5, 2020, before Administrative Law Judges Marta Guhl and Darlene Heep (the ALJs).

Pursuant to the procedural schedule agreed to at the Prehearing Conference, the parties exchanged direct, rebuttal, and surrebuttal testimony, as well as oral rejoinder outlines. I&E served the following testimony and exhibits:

- I&E Statement No. 1, I&E Exhibit No. 1, and I&E Statement No. 1-SR the prepared direct and surrebuttal testimony and exhibits of I&E witness Anthony Spadaccio;
- I&E Statement No. 2, I&E Statement No. 2-R, I&E Exhibit No. 2-R, and I&E Statement No. 2-SR, the prepared direct, rebuttal, and surrebuttal testimony and exhibit of I&E witness Ethan Cline;
- I&E Statement No. 3, I&E Exhibit No. 3, and I&E Statement No. 3-SR, the prepared direct and surrebuttal testimony and exhibit of I&E witness Scott Orr.

The testimony and exhibits identified above were entered into the record during the telephonic evidentiary hearing held on July 29, 2020.

On August 19, 2020, the parties informed the ALJs that a resolution of almost all issues in this proceeding had been reached. The issues remaining for litigation were those raised by the Environmental Stakeholders composed of the Sierra Club and the Clean Air Council. On August 26, 2020, the Joint Petition for Partial Settlement of this rate proceeding was filed. I&E now files this Reply Brief in response to the issues raised by the Environmental Stakeholders.

B. Burden of Proof

The Company carries the burden of proof to show its rate proposal is just and reasonable.¹ PGW must satisfy its burden of proof by presenting a preponderance of evidence.² A preponderance of the evidence is evidence that is more convincing, by even the smallest amount, than that presented by another party.³ In base rate cases, the Commission has affirmed the utility's burden to establish the justness and reasonableness of every component of its rate request.⁴ The burden of proof does not shift to parties challenging a requested rate increase.⁵ Additionally, the Company must produce substantial evidence to satisfy its burden.⁶ Substantial evidence is "such relevant and competent evidence having a rational probative force which a reasonable mind might accept as adequate to support a conclusion."⁷ Thus, PGW must affirmatively prove the justness and reasonableness of each element of each of its claims.

¹ See 66 Pa. C.S. § 315(a); *Irwin A. Popowsky v. Pa. P.U.C.*, 674 A.2d 1149 (Pa. Cmwlth. 1996).

² *Samuel J. Lansberry, Inc. v. Pa. P.U.C.*, 578 A.2d 600 (Pa. Cmwlth. 1990).

³ *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

⁴ See, e.g., *Pa. P.U.C. v. PPL Electric Utilities Corporation*, 2012 WL 6758304 (Pa. P.U.C. 2012); *Pa. P.U.C. v. Aqua Pennsylvania, Inc.*, 2004 WL 2314523 (Pa. P.U.C. 2004).

⁵ *Id.*

⁶ See *Brockaway Glass v. Pa. P.U.C.*, 437 A.2d 1067 (Pa. Cmwlth. 1981); *Lower Frederick Township v. Pa. P.U.C.*, 409 A.2d 505 (Pa. Cmwlth. 1980).

⁷ *Dutchland Tours, Inc. v. Pa. P.U.C.*, 337 A.2d 922, 925 (Pa. Cmwlth. 1975).

II. STATEMENT OF THE CASE

As a natural gas distribution company (NGDC), PGW has an obligation to replace aging infrastructure safely and expeditiously. The argument set for by the Environmental Stakeholders in the instant proceeding would serve to thwart PGW's efforts to speed up their pipeline replacement program to the detriment of the public interest. Acceptance of the Environmental Stakeholders position creates a potential unsafe environment for PGW ratepayers in which the utility is forced to focus, not on the provision of safe and reliable service, but on ending service to its customers. This is an untenable position, not only for PGW, but for the Commission as well.

III. SUMMARY OF THE ARGUMENT

The main crux of the Environmental Stakeholders argument in this proceeding seems to be that PGW should find a way to exit the natural gas business and not accelerate the replacement of aging infrastructure to plan for this eventuality. Accordingly, the Environmental Stakeholders recommendation that PGW's requested rate increase be denied. This Commission has consistently encouraged PGW to accelerate replacement of its aging cast iron and bare steel pipeline.

In this proceeding, PGW and the majority of the parties were able to agree to a level of rate relief that I&E believes to be just and reasonable. The rate relief PGW requested in this proceeding allows it to, among other things, accelerate its replacement of cast iron mains at a rate that exceeds that approved in its Long-Term Infrastructure Improvement Plan (LTIIIP). Accelerating replacement of cast iron gas pipeline is in the public interest as this is the riskiest type of gas pipeline currently in the ground in PGW's service territory. Further, PGW, as compared to other NGDCs, currently has the longest projected replacement timeframes for these

risky assets.⁸ Expediting the replacement timeline is important as PGW's leaks per mile on cast iron have been increasing. In 2016, PGW had 0.53 leaks per mile, while in 2018 it had 0.66, and 0.69 in 2019.⁹ There is clearly a need for PGW to expeditiously remove this risky pipe. To now penalize PGW by not granting a rate increase because PGW chooses to replace this pipe instead of retiring it, is absurd.

As will be explained in more detail below, the Environmental Stakeholders position is illogical, inconsistent with prior Commission precedent, and also inconsistent with sound ratemaking principles.

IV. LEGAL STANDARDS

A. Cash Flow Method

The Company is regulated under the cash flow method as a means of determining the necessary amount of revenue needed to operate safely and reliably.¹⁰ The cash flow method of regulation requires sufficient funds for the Company to meet its debt service obligation while retaining a reasonable level of working capital. Under this methodology, revenues must be sufficient to cover all cash needs, including debt obligations and a reasonable level of working capital, that become due in the test period. The Commission considers projected levels of non-borrowed cash, internal generation of funds for construction, debt to equity ratios, the level of operating and other expenses, the level of financial performance needed to maintain or improved PGW's bond rating, management quality, efficiency, and effectiveness, service quality and reliability, and the effect on universal services.

⁸ I&E St. No. 3, p. 5.

⁹ I&E St. No. 3, p. 9.

¹⁰ 52 Pa. Code § 69.2702.

The cash flow methodology differs from the rate base/rate of return methodology, which is the primary method used to set rates for utilities under Commission jurisdiction. Under the rate base/rate of return methodology, a company's revenue requirement includes operating and maintenance expenses, depreciation expense and a rate of return on rate base. Those expenses are based on a test year, which is the best way to accurately represent the revenue requirement of the utility during the time in which the rates will be in effect. Under this methodology, the Company is permitted to earn a return on rate base and a return of rate base through depreciation expense. However, under the cash flow methodology, the company earns a return of and return on capital through debt service and margin.

B. Policy Statement

The Commission issued, in 2010, a Policy Statement which sets forth criteria to be reviewed in setting rates for PGW. Per 52 Pa. Code § 69.2703, the Commission will consider the following, among other relevant factors when setting PGW's rates:

- PGW's test year-end and (as a check) projected future levels of non-borrowed year-end cash.
- Available short-term borrowing capacity and internal generation of funds to fund construction.
- Debt to equity ratios and financial performance of similarly situated utility enterprises.
- Level of operating and other expenses in comparison to similarly situated utility enterprises.
- Level of financial performance needed to maintain or improve PGW's bond rating thereby permitting PGW to access the capital markets at the lowest reasonable costs to customers over time.
- PGW's management quality, efficiency and effectiveness.
- Service quality and reliability.
- Effect on universal service.¹¹

¹¹ 52 Pa. Code § 69.2703.

C. Rates Must Be Just and Reasonable

While PGW is regulated under the cash flow methodology of ratemaking, the standard to be met by PGW is still set forth at Section 1301 of the Public Utility Code where it is established that:

[r]easonableness of rates. In any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public utility, or in any proceeding upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.¹²

The relevant statutory provision of Section 315(a) of the Public Utility Code clearly shows that the legislature intended that the utility carry the burden of proving the justness and reasonableness of its proposed and existing rates.

V. ARGUMENT

A. Overall Position on Rate Increase

PGW and the Joint Petitioners have agreed to a level of rate relief that I&E continues to support as just and reasonable in the Joint Petition for Partial Settlement. I&E continues to support the Settlement as being in the public interest, largely because the increase will enable PGW to continue to replace its risky pipe. This Reply Brief is being filed only to respond to the arguments raised by the Environmental Stakeholders in its Main Brief.

In its Main Brief, the Environmental Stakeholders note the belief that “PGW has not shown that a rate increase to further accelerate infrastructure investments is necessary or prudent at this time.”¹³ The entire premise of the Environmental Stakeholders position seems to be that because PGW has not developed a plan to exit the natural gas business, they should not be given a rate increase. Simply put, this is not how ratemaking works in the Commonwealth.

¹² 66 Pa. C.S. § 315(a).

¹³ Environmental Stakeholder MB, p. 2.

Furthermore, the statement that PGW does not need to further accelerate infrastructure improvement is very concerning to I&E. As the Commission Bureau charged with enforcing the safety regulations found in 49 CFR § 192, this is in direct contradiction to the position I&E takes in this proceeding. While natural gas is, no doubt, a reasonably priced and efficient way to heat a home, natural gas can also be extremely dangerous. A natural gas facility must be adequately and properly maintained in order to minimize these risks. Therefore, it has been the longstanding position of the Commission and I&E's Pipeline Safety Division that PGW's aging cast iron pipe needs to be replaced as quickly and efficiently as possible.

As noted by I&E witness Orr, in December of 2019, PGW experienced a gas pipeline explosion which resulted in two fatalities, along with the destruction of multiple homes.¹⁴ While this incident is currently part of an active investigation by I&E's Pipeline Safety Division, Mr. Orr explained that in front of the structure involved, a cast iron main break was found.¹⁵ This is not the first such incident in PGW's service territory. In fact, in 2011, I&E filed a Complaint against PGW for an incident Philadelphia, in which a natural gas explosion at home located on Torresdale Avenue occurred. In this incident the explosion leveled one building, damaged several surrounding properties and damaged six vehicles and resulted in injury to five PGW employees and the death of a nineteen-year old employee of PGW.¹⁶ These types of incidents serve to highlight how tremendously important it is for PGW to replace the aged cast iron pipeline contained in its service territory.

¹⁴ I&E St. No. 3, p. 10.

¹⁵ *Id.*

¹⁶ *Pa. P.U.C. v. PGW*, Docket No. C-2011-2278312 (Order Entered July 26, 2013).

The risk associated with PGW's pipe has also been an ongoing concern to this Commission. In its 2015 Staff Report, the Commission noted that

Unprotected steel mains, like cast iron, also pose a corrosion risk because of the lack of cathodic protection. PGW has approximately 493 miles of unprotected steel still in service. With its 1,500 miles of cast iron and 493 miles of unprotected steel, PGW has the highest percentage of high-risk pipe in the ground when compared to any other large NGDC in the Commonwealth by a factor of two. Moreover, PGW's gas mains are among the oldest in the state, with more than 1,170 miles installed before 1940.¹⁷

Further, the Staff Report notes that at that time PGW was experiencing more than double the number of hazardous leaks of any other NGDC in the Commonwealth and despite the fact that PGW accelerated its pipeline replacement in 2014, PGW's replacement program was simply not aggressive enough.¹⁸ This Staff Report is comprised of 60 pages, not included appendices, devoted to encouraging PGW to accelerate pipeline replacement for the safety of its customers.

To assist PGW in that endeavor, the Commission issued an Order in 2016 allowing it to raise its Distribution System Improvement Charge (DISC) cap from 5% of billed revenues to 7.5% of billed revenues. In that Order the Commission stated:

...we will grant PGW's request for a waiver of the 5% DSIC cap, pursuant to Section 1358(a)(1) of the Code, and we will permit PGW to raise its DSIC cap to 7.5%, subject to the conditions set forth herein. It is undisputed in this proceeding that PGW's aging gas distribution infrastructure poses significant safety and reliability issues, and that the current pace of the Company's replacement efforts is unacceptable and potentially harmful to the public.

It is clear that in order for PGW to address these substantial infrastructure issues, it must obtain the additional funding necessary to further accelerate its main replacement efforts.¹⁹

¹⁷ *Inquiry Into Philadelphia Gas Works' Pipeline Replacement Program*, April 21, 2015, p. 3.

¹⁸ *Id.* at 4.

¹⁹ *Petition of Philadelphia Gas Works for Waiver of Provisions of Act 11 to Increase the Distribution System Improvement Charge CAP and to Permit Levelization of DSIC Charges*, Docket No. P-2015-2501500 (Order Entered January 28, 2016), pp. 41-42.

In addition, in its Order of PGW's Petition to Modify its LTIIP, in which PGW planned to accelerate cast iron and unprotected bare steel replacement, the Order stated, "the Commission believes PGW's increased spending on infrastructure replacement through its increased DSIC cap to be in the public interest. It should greatly accelerate PGW's replacement of at risk pipe, which will provide increased safety and reliability through the reduction of main breaks and leaks."²⁰

Multiple times, the Commission has encouraged PGW to accelerate cast iron main replacement. It would be inconsistent with prior Commission precedent to now say that affording PGW a rate increase to, in part, accelerate cast iron main replacement is improper.

Public utilities are statutorily required to provide their customers with safe and reliable service under Section 1501 of the Public Utility Code. There is no exception to this rule. However, inherent in natural gas service is some level of risk associated with the fact that natural gas is a combustible substance. Not replacing aged, dangerous cast iron is simply not an option for PGW given its continuing obligation to safely serve its customers.

The Environmental Stakeholders argument that PGW should not be granted a rate increase because it has failed to plan for a future in which it would not be providing natural gas service is inconsistent with ratemaking principles and fails to recognize that PGW is a cash-flow utility. As such, PGW must have adequate debt service coverage, sufficient days of cash on hand, and enough days cash on hand to be able to cover day-to-day operations. In fact, PGW found itself in the untenable position of requesting emergency rate relief in 2008.²¹ In its Order, the Commission explained that PGW must continue to be provide reliable service at reasonable

²⁰ *Petition of Philadelphia Gas Works for Approval of a Modified Long-Term Infrastructure Improvement Plan*, Docket No. P-2012-2337737 (Order Entered June 9, 2016), p. 6

²¹ *Pa. P.U.C. v. PGW*, Docket No. R-2008-2073938 (Order Entered December 19, 2008), p. 31.

rates and that it was critical that PGW have adequate funds to continue its, at the time, approximately \$70 million annual capital investment program to replace deteriorating gas mains.²² This is one more instance in which the Commission has shown how important it is for PGW to have sufficient funds to replace risky pipe. Moreover, from a broader perspective, utilities that are in financially tenuous positions are less likely to be able to provide safe and reliable service. Therefore, as part of the public interest determination, PGW must be permitted to increase its rates to provide sufficient revenues for its prudent operating expenses, debt reduction and recover its prudent operating expenses and reasonable additions to working capital.

As explained in detail above, ratemaking in Pennsylvania simply does not work the way the Environmental Stakeholders believe it should. Ratemaking is not premised on a utility making decisions based on the eventuality that it may at some point go out of business, nor should it be. The Commission itself has a long history of imploring PGW to accelerate its infrastructure improvement, and at this juncture requesting that the Commission order PGW to slow down its pipeline replacement program put both PGW and the Commission in a untenable position as it puts customers at further risk of leaks and explosions. This is detrimental to the public interest and should not be allowed. PGW must not be penalized for attempting to replace cast iron mains as expeditiously as finances allow.

As I&E has noted, the Joint Petitioners have agreed to a level of revenue that is appropriate. The revenue requirement contained in the Settlement is approximately half of what PGW sought in the filing of its rate case; however, PGW will still be able to accelerate its cast iron replacement program and propose a further acceleration in its next LTIP filing. As the

²² *Id.*

Bureau charged with representing the public interest and enforcing the gas safety regulations found in the CFR, I&E believes this is an appropriate resolution that will result in just and reasonable rates and accelerating cast iron replacement will reduce the risks associated with these assets in PGW's service territory.

B. Revenue Requirement

1. Pro Forma Expense Adjustments

The Joint Petition for Partial Settlement represents a "black-box" settlement which does not specifically identify the resolution of certain disputed issues. Therefore, there is no discussion of individual expense adjustments necessary at this time. I&E's Reply Brief is designed only to respond to the issues raised in the Main Brief of the Environmental Stakeholders.

2. Allowed Financial Metrics

I&E's Reply Brief is designed only to respond to the issues raised in the Main Brief of the Environmental Stakeholders. As this issue was not address in the Main Brief of the Environmental Stakeholders, no response is required.

3. Overall Revenue Requirement Recommendation

As noted above, the Joint Petitioners reached a revenue requirement level as part of a black box settlement that I&E supports as just and reasonable. A further explanation is contained in I&E's Statement in Support of the Joint Petition for Partial Settlement.

Further, as explained above, the Environmental Stakeholders position is inconsistent with sound ratemaking principles and prior Commission decisions and must be rejected.

C. Rate Structure/Cost of Service

Rate Structure and Cost of Service issues including customer charge were address by the Joint Petitioners as part of the Joint Petition for Partial Settlement. As explained in more detail

in the I&E Statement in Support of Settlement, I&E supports these resolutions as being in the public interest. As these issues were not addressed by the Environmental Stakeholders in its Main Brief, I&E is not addressing the issues in this Reply Brief.

D. Customer Service

These issues were addressed in the Joint Petition for Partial Settlement. I&E's position on these issues is explained more fully in its Statement in Support of Settlement.

E. Tariff Revisions

These issues were addressed in the Joint Petition for Partial Settlement. I&E's position on these issues is explained more fully in its Statement in Support of Settlement.

F. Infrastructure Proposals

These issues have largely been addressed in the Joint Petition for Partial Settlement. I&E continues to fully support that Settlement as being in the public interest. However, it is necessary for I&E to address the issues raised by the Environmental Stakeholders in its Main Brief.

All regulated utilities in the Commonwealth must provide safe and reliable service. In an effort to ensure that PGW is meeting its safety obligations, the Pipeline Safety Division of I&E reviewed PGW's filing and safety commitments. As explained in further detail below, PGW's Gas Safety practices have been reviewed and compromises have been reached in several areas in order to insure that PGW practices in conformity with its obligation to provide safe and reliable service.

1. Main Replacement Program Cost

In an attempt to support its case, the Environmental Stakeholders have skewed I&E witness Orr's recommendation regarding cast iron main replacement costs to fit their agenda.

This is concerning as the entire premise of I&E witness Orr's testimony was the need to further accelerate cast iron pipe replacement, while the premise of the Environmental Stakeholder's argument is that there is no need to accelerate pipeline replacement.

In testimony, Mr. Orr explained that from 2015 to 2019, PGW's capital replacement costs per mile have increased by approximately 33.8%.²³ The cost per mile in 2015 was \$1,204,801, while it rose to \$1,611,987 in 2019, equating to an increase of approximately 6.9% per year.²⁴ Further, while the cost have continued to rise, the miles of pipe replaced have remained constant. For instance, in 2016 PGW replaced 31.54 mile of cast iron main, and in 2019 PGW replaced 32.56 miles of cast iron main.²⁵ A significant driver behind the increased pipeline replacement costs is contractor costs.²⁶ As an example, PGW's contractor costs per mile have increased approximately 48% from \$26,470,959 in 2015 to \$46,217,261 in 2019.²⁷

The increasing pipeline replacement costs per mile are concerning from a gas safety perspective because as PGW pays more per mile to replace its risky pipe, less money is available to replace more pipe. This eventually will necessarily lead to less miles of cast iron pipeline being replaced per year. Because cast iron pipe is the riskiest pipe in a natural gas distribution system, this means less mile of at risk pipe will be replaced per year.

Because of the risk associated with cast iron mains and the need to replace them as quickly as possible, I&E witness Orr recommended that PGW develop a plan that reduces pipeline replacement costs and invest the savings therefrom into additional cast iron main replacement.²⁸ Therefore, I&E's recommendation was based entirely on the need to replace **more**

²³ I&E St. No. 3, p. 12

²⁴ *Id.*

²⁵ *Id.* p. 13.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.* p. 14.

aging infrastructure; not less as the Environmental Stakeholders would prefer. Using I&E's argument to support their agenda that PGW not replace aged pipe so quickly is contrary to I&E's stated intent and its goal to remove this risky pipe from the ground. As the Commission Bureau charged with enforcing the CFR and monitoring pipeline safety, I&E certainly does not agree that PGW should be replacing less pipe, less quickly. In fact, doing so would be contrary to the public interest.

Because I&E remains concerned about the rising costs of pipeline replacement this issue was addressed as part of the Joint Petition for Partial Settlement in this proceeding. Therefore, while recognizing both the risk of cast iron pipe as well as the fact that creating a plan to reduce pipeline replacement costs would not be without cost to PGW and ultimately its ratepayers, I&E and PGW agreed that the I&E Pipeline Safety Division would be allowed to review PGW's Annual Asset Optimization Plan (AAOP). As explained in more detail in the I&E Statement in Support, this will give I&E an opportunity to collaborate with PGW on areas where pipeline replacement costs seem to be rising and give PGW the opportunity to proactively react to rising costs.

It is in both PGW and its ratepayers' interest to keep pipeline replacement costs low. This allows PGW to replace the largest amount of risky cast iron pipe possible, while keeping costs, which will ultimately be borne by the ratepayers, as low as possible while still maintaining safety standards. As such, the resolution in the Joint Petition for Partial Settlement protects both PGW and its ratepayers by allowing PGW to remove the largest amount of risky cast iron pipe from the ground, while monitoring reasonable for ratepayers who will ultimately pay for this pipeline replacement.

To be clear, however, I&E's recommendation in no way supports the premise that PGW should be replacing cast iron pipe less quickly, or not at all, as the Environmental Stakeholders would seem to prefer.

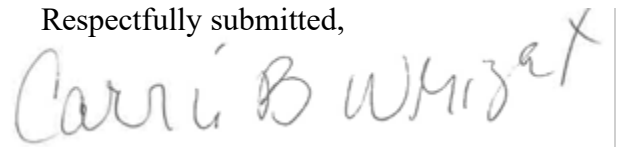
2. Pipeline Safety

As explained above, PGW has an obligation to provide safe and reliable service to all customers. The recommendations of the Environmental Stakeholders fail to take this into account. If adopted, their proposals would serve to stymie PGW's pipeline replacement program to the detriment of the PGW ratepayers.

VI. CONCLUSION

For the reasons stated above, the argument of the Environmental Stakeholders must be rejected. Their proposal is neither consistent with sound ratemaking principles, nor consistent with prior Commission decisions. Adopting their proposal is contrary to the public interest as it would result in risky pipe not being replaced, which may be harmful for PGW and its ratepayers. Therefore, I&E requests the Commission reject the arguments put forth by the Environmental Stakeholders and approve the Joint Petition for Partial Settlement filed on August 26, 2020 without modification.

Respectfully submitted,



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Dated: September 2, 2020

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A handwritten signature in cursive script that reads "Carrie B. Wright". The signature is written in dark ink and is positioned above a horizontal line.

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