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|  | **PENNSYLVANIA****PUBLIC UTILITY COMMISSION****Harrisburg, PA 17105-3265** |  |

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|  | Public Meeting held November 10, 2011 |
| Commissioners Present: Robert F. Powelson, Chairman, Joint StatementJohn F. Coleman, Jr., Vice Chairman, Joint StatementWayne E. GardnerJames H. CawleyPamela A. Witmer |
| Natural Gas Pipeline Replacement and Performance Plans |  | Docket No. M-2011-2271982 |

**TENTATIVE ORDER**

**BY THE COMMISSION:**

The Pennsylvania Public Utility Commission (Commission) is authorized by the Pennsylvania General Assembly to ensure the safety and reliability of public utility facilities within the Commonwealth. *See* 66 Pa. C.S. § 1501. Additionally, with regard to utilities distributing and transporting natural gas and hazardous liquids, the Commission has entered into an agreement with the U.S. Department of Transportation’s Pipeline and Hazardous Material Safety Administration (PHMSA) under which the Commission enforces PHMSA’s pipeline safety regulations. *See generally*, 49 C.F.R.

Part 198. Moreover, the General Assembly is considering several proposals intended to improve natural gas safety and promote development of utility infrastructure.[[1]](#footnote-1)

The changing scope of federal gas safety regulations, the continuing pipeline development resulting from Marcellus Shale and recent tragic incidents all highlight the need for the Commission to establish a new framework for natural gas and hazardous liquids safety. Through this Order, the Commission will require each gas distribution utility to submit to the Commission’s Chief, Gas Safety Division a Distribution Integrity Management Program Plan (“DIMP Plan”) and, if applicable, an Integrity Management Plan by November 30, 2011. This Order will also require all gas utilities to begin conducting enhanced leak surveys known as Frost Patrols. Lastly, the Order will issue for public comment requirements for certain natural gas utilities to file Pipeline Replacement and Performance Plans with the Commission.

**Distribution Integrity Management Plans**

PHMSA’s regulations require that as of August 2, 2011, all gas distribution operators[[2]](#footnote-2) must have in place a written DIMP Plan.[[3]](#footnote-3) Specifically, Section 192.1007 of

PHMSA’s regulations requires each DIMP Plan to contain all of the following seven elements:

1. System knowledge;
2. Threat identification;
3. Risk evaluation and ranking;
4. Identification and implementation of measures to identify risks;
5. Performance measurement, result monitoring and evaluation of effectiveness;
6. Periodic evaluation and improvement; and
7. Reporting of results.

49 C.F.R. §192.1007(a)-(f).

The Gas Safety Division of the Bureau of Investigation and Enforcement began DIMP inspections of Pennsylvania’s regulated utilities in November 2011. In order to facilitate the DIMP inspection process, the Commission is requiring by this order, that each natural gas public utility and city natural gas distribution operation[[4]](#footnote-4) provide an electronic copy of its DIMP Plan to the Chief, Gas Safety Division in the Bureau of Investigation and Enforcement no later than November 30, 2011. In addition, all Pennsylvania distribution utilities which are transmission pipeline operators subject to

PHMSA’s Integrity Management regulations at 49 C.F.R. Part 192, Subpart O,

§§ 192.901-192.953 are required to provide a copy of their Integrity Management Plans to the Chief, Gas Safety Division in the Bureau of Investigation and Enforcement no later than November 30, 2011. Whenever a utility updates either plan it is to submit an electronic copy of the update to the Chief, Gas Safety Division in the Bureau of Investigation and Enforcement within 30 days of the update.

**Frost Patrols**

The Gas Safety Division annually issues letters to each natural gas distribution utility requesting that the utility perform Frost Patrols. Frost Patrols are leak surveys that the gas utilities perform when the ground begins to freeze. These leak surveys are performed by mobile leak survey units and some walking units.

Through this Order, the Commission will require each gas distribution utility (including Philadelphia Gas Works and other public utilities distributing natural gas regardless of their classification under 52 Pa. Code § 53.63) to conduct leak surveys starting November 1 of each year and ending April 30 of each year, utilizing the following best practices:

1. Distribution mains comprised of cast iron 12 inches in diameter or less or unprotected bare or coated steel (mains and services) located in Class 3 and Class 4 areas with a leak history or leaks shall be leak surveyed weekly;
2. Distribution mains comprised of cast iron 12 inches in diameter or less or unprotected bare or coated steel (mains and services) located in Class 2 areas with a leak history or leaks shall be leak surveyed monthly; and
3. Distribution mains comprised of cast iron greater than 12 inches in diameter or unprotected bare steel (mains and services) with no leak history located in all areas shall be leak surveyed monthly.
4. Utilities shall report all leaks to the Gas Safety Division of the Bureau of Investigation and Enforcement on a biweekly basis from November 1 to April 30 of each year and in addition, will provide a schedule for repairing all reported leaks.

Notably, these leak survey parameters, as set forth herein, are not tentative. Rather, these leak surveys shall commence immediately in order to ensure that at risk pipelines are surveyed during the current heating season.

**Distribution Utilities - Pipeline Replacement and Performance Plans**

The Commission believes that one of the most important elements of a DIMP Plan is the identification and implementation of measures to address risks. *See* 49 C.F.R. §192.1007(d). This element requires gas distribution operators to “[d]etermine and implement measures designed to reduce the risks from failure of its gas distribution pipeline.” Leak survey procedures will be addressed in each utility’s DIMP Plan.

49 C.F.R. § 192.1007(b).

Pennsylvania’s natural gas utilities have been providing safe and reliable service for many years. Nonetheless, it is the nature of the industry that gas utility distribution systems will have varying amounts of pipe classified as “high risk” under their DIMP Plan risk assessments. A primary purpose of this order is to propose a process under which Pennsylvania’s major natural gas distribution systems will each implement a Commission-approved pipeline replacement and performance plan based on the utility’s DIMP plan. Accordingly, we are issuing this proposal as a Tentative Order to seek comments from affected utilities and interested stakeholders.

Pursuant to our authority under Sections 501, 504, 505, 506 and 1501 of the Public Utility Code, 66 Pa. C.S. §§ 501, 504, 505, 506 and 1501, and, in particular, our fundamental duty to ensure the provision of safe and reliable utility service to consumers, utility employees and the public, we propose that Pennsylvania’s major natural gas

distribution utilities be required to file Pipeline Replacement and Performance Plans (“PRP Plans”) for Commission review and approval.[[5]](#footnote-5)

**Replacement Timeframes** - The PRP Plans for each utility must include pipeline replacement time frames and a proposal for the means by which the cost of the pipeline replacement program should be addressed in rates.[[6]](#footnote-6) Because “one size does not fit all,” we will permit these utilities to design PRP Plans that take into consideration each utility’s total amount of risky pipe, customer rate stability, utility financial health, and the amount of time that the utility estimates to replace the failing infrastructure.

**Performance Metrics** - In addition, each PRP Plan shall demonstrate compliance with the following Pipeline Replacement Performance Metric (“Metric”): the utility’s average rate of pipeline replacement during the ten years prior to the filing of the establishment of the Metric; or the rate that will result in the replacement of all high-risk pipe within twenty years unless the company demonstrates that a lower rate of replacement is in the public interest. Additional, each gas utility will be required to replace unprotected bare or coated steel and cast iron pipe based upon their DIMP plan for risk assessment and the rate of replacement must be equal to or exceed their Metric.

Other performance metrics each utility shall adopt in its PRP Plan will address (1) damage prevention; (2) corrosion control and distribution system leaks; (3) emergency response times; and (4) critical valve determination.  We will also consider other metrics proposed by utilities and stakeholders in their comments.

**Schedule for Filings** - The Commission proposes to adopt a staggered schedule for the filing of PRP Plans, with three groups of utilities each filing their plans on March 16, 2012, May 16, 2012, and July 16, 2012. The Commission anticipates issuing final orders on the respective plans in November 2012, January 2013, and March 2013.

**CONCLUSION**

The Commission takes seriously its statutory obligation to ensure safe and reliable utility service. The Pipeline Replacement and Performance Plan and the Integrity Management Plans for major natural gas distribution companies are intended to enhance and improve our safety oversight of these industries. However, before we finalize these aspects of our Order, we shall seek comments from the industry and interested persons. **THEREFORE**,

 **IT IS ORDERED:**

1. That a copy of this order shall be served on all Commission regulated natural gas distribution public utilities and city natural gas distribution operations.
2. That each natural gas distribution public utility and city natural gas distribution operation shall provide an electronic copy of its DIMP Plan to the Chief, Gas Safety Division, Bureau of Investigation and Enforcement no later than November 30, 2011 and updates within 30 days of the adoption of the update.
3. That each natural gas distribution public utility and city natural gas distribution operation which is a transmission pipeline operator subject to PHMSA’s Integrity Management regulations provide an electronic copy of its Integrity Management Plan to Chief, Gas Safety Division, Bureau of Investigation and Enforcement no later than November 30, 2011 and updates within 30 days of the adoption of the update.
4. That each natural gas distribution public utility and city natural gas distribution operation shall immediately adopt and commence immediately the leak survey practices set forth in the body of this Order.
5. That comments regarding the proposed Pipeline Replacement and Performance Plans be filed with the Secretary no later than December 2, 2011.

**BY THE COMMISSION**

Rosemary Chiavetta,

Secretary

(SEAL)

ORDER ADOPTED: November 10, 2011

ORDER ENTERED: November 10, 2011

1. For example, Pennsylvania House Bill 344 (HB 344) and Pennsylvania Senate Bill 325 (SB 325) each would grant jurisdiction to the Commission to enforce PHMSA’s pipeline safety regulations over non-public utilities operating non-FERC jurisdictional natural gas and hazardous liquids pipelines. In addition, Pennsylvania House Bill 1294 (HB 1294) would enable electric, gas, wastewater utilities to utilize alternative ratemaking methods to recover the costs of certain infrastructure improvements. We note that the initiatives we adopt and/or propose today are entirely independent of any proposed bills but will be complementary to the bills if they are enacted. The references to HB 344, SB 325 and HB 1294 are based upon the language contained therein at the time of the adoption of this Tentative Order. [↑](#footnote-ref-1)
2. PHMSA’s regulations apply to gas system operators. *See* 49 C.F.R. § 192.3. Such operators include, but are not limited to, Pennsylvania’s jurisdictional public utilities engaged in the distribution and/or transportation of natural gas. The Public Utility Code and Commission regulations use different terms to describe specific categories of jurisdictional utilities distributing or transporting natural gas. *See.*, *e.g*., 52 Pa. Code § 53.63 “categories of gas utilities” and Sections 102 “public utility,” 1404 “natural gas distribution utility” and 2202 “natural gas distribution company” of the Public Utility Code, 66 Pa C.S. §§ 102, 1403, and 2202. Different categories of gas utilities will have differing requirements in this Order. [↑](#footnote-ref-2)
3. PHMSA published the final rule establishing integrity management requirements for gas distribution pipeline systems on December 4, 2009. *See* 74 FR 63906. The effective date of the rule was February 12, 2010. Distribution system operators were given until August 2, 2011 to write and implement DIMP plans. *See* 49 C.F.R. § 192.1005. [↑](#footnote-ref-3)
4. This includes the Philadelphia Gas Works and all public utilities distributing natural gas regardless of classification under Section 53.63 of the Commission’s regulations. *See* 52 Pa. Code § 53.63. [↑](#footnote-ref-4)
5. As proposed, this provision would apply only to the entities categorized as “Section 1307(f) utilities” pursuant to section 53.63(1) of the Commission’s regulations. *See* 52 Pa. Code § 53.63(1). These utilities are Philadelphia Gas Works, Peoples TWP, Peoples, Columbia, Equitable Gas, UGI Utilities, Inc., UGI Penn Natural Gas, UGI Central Penn, PECO Energy and National Fuel Gas. [↑](#footnote-ref-5)
6. Utilities will be permitted to amend their PRPs in the event legislation permitting alternative ratemaking mechanisms is enacted into law. [↑](#footnote-ref-6)