**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held September 21, 2017

Commissioners Present:

Gladys M. Brown, Chairman

Andrew G. Place, Vice Chairman

David W. Sweet

John F. Coleman, Jr.

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| Petition of Columbia Gas of Pennsylvania, Inc. forApproval of a Major Modification to its Existing Long-Term Infrastructure Improvement Plan and Approval of its Second Long-Term Infrastructure Improvement Plan  |  Docket Numbers: P-2017-2602917 P-2012-2338282 |
|  |  |

**OPINION AND ORDER**

**BY THE COMMISSION:**

 Before the Commission for consideration is the Petition of Columbia Gas of Pennsylvania, Inc. (Columbia or Company) for approval of a Major Modification to its existing Long-Term Infrastructure Improvement Plan (Modified LTIIP) and approval of its Second Long-Term Infrastructure Improvement Plan (Second LTIIP). The Major Modification was docketed at P-2012-2338282.[[1]](#footnote-1) The Second LTIIP was docketed at P‑2017-2602917. Copies of the Petition were served upon the Commission’s Bureau of Investigation and Enforcement (BIE), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), and the parties of record to Columbia’s most recent base rate case at Docket No. R-2016-2529660.

The OSBA filed comments on June 5, 2017. The OSBA averred that Columbia’s Petition did not adequately demonstrate that the acceleration of infrastructure improvement and associated expenditures were reasonable, cost-effective, and prudent. OSBA also stated that additional information was necessary for the Commission to determine if the proposed cost increases are prudent, and absent this additional information, the Commission should deny Columbia’s Petition. (OSBA Comments at 4).

On June 28, 2017, Columbia filed a Response to Request for Additional Information (June 28 Letter), in response to OSBA’s Comments. In the June 28 Letter, Columbia detailed a number of factors that have caused the Company to experience rising unit costs for pipeline replacement, including the need to install steel replacement pipe, construction in high traffic and urban areas, and street restoration requirements. Columbia also provided several additional documents with supplementary information, including: a list of some projects with higher-than-average costs; testimony from the Company’s 2016 base rate case; and Columbia’s audit of its ten largest replacement projects of 2013.[[2]](#footnote-2)

No other comments were received.

On August 4, 2017, the Commission issued a Secretarial Letter extending the Commission’s consideration time for the instant Petition until September 22, 2017.

**BACKGROUND**

 On February 14, 2012,Governor Corbett signed into lawAct 11 of 2012, (Act 11),[[3]](#footnote-3) which amends Chapters 3, 13 and 33 of Title 66. Act 11, *inter alia*, provides jurisdictional water and wastewater utilities, electric distribution companies (EDCs), and natural gas distribution companies (NGDCs) or a city natural gas distribution operation with the ability to implement a DSIC to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file a LTIIP with the Commission that is consistent with 66 Pa. C.S. §1352.

The Commission promulgated regulations relating to LTIIPs at 52 Pa. Code §§ 121.1 – 121.8 that became effective December 20, 2014. In accordance with the regulations, an NGDC must include the following elements in its LTIIP:[[4]](#footnote-4)

1. Types and age of eligible property;
2. Schedule for its planned repair and replacement;
3. Location of the eligible property;
4. Reasonable estimates of the quantity of property to be improved;
5. Projected annual expenditures and measures to ensure that the plan is cost effective;
6. Manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service;
7. A workforce management and training program; and
8. A description of a utility’s outreach and coordination activities with other utilities, PennDOT and local governments on planned maintenance/construction projects.
9. **COLUMBIA’S MODIFIED LTIIP**

**Columbia’s Petition**

 Columbia is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. Columbia is in the business of selling and distributing natural gas to retail customers within the Commonwealth, and is therefore a “public utility” within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. §§ 102, subject to the regulatory jurisdiction of the Commission. Columbia, as an NGDC, provides natural gas service to approximately 426,000 residential, commercial, and industrial customers in portions of 26 counties throughout its greater York and Western Pennsylvania service territories. Columbia provides service through approximately 7,500 miles of mains and 425,038 services that it owns, operates and maintains.

 Columbia’s First LTIIP Petition was filed on December 7, 2012, and approved by Commission Order entered March 14, 2013.[[5]](#footnote-5) Columbia’s First LTIIP demonstrated that it met the requirements of 52 Pa. Code § 121.3, and therefore only the proposed modifications are discussed, below.

 In the instant Petition, Columbia proposes a Major Modification to its existing LTIIP by increasing its infrastructure replacement and expenditures in 2017. The Company proposes an increase in main replacement from 500,000 feet to 680,000 feet, and an increase in expenditures from $116.9 million to $230 million.

**Comments**

 The OSBA directed its comments primarily, but not exclusively, to Columbia’s Major Modification of its existing LTIIP. OSBA notes that while the footage of main projected to be replaced in 2016 is 37% higher than the original projections, Columbia expects to spend 97% more than its original estimated expenditures in 2017. OSBA also claims that none of the detail in Columbia’s Modified LTIIP explains why the Company’s costs are increasing at nearly three times the rate of Columbia’s infrastructure replacements. OSBA avers that Columbia has not met the burden of proof to show that these increased expenditures and accelerated pace of infrastructure improvement are “reasonable, cost-effective, and are designed to ensure and maintain efficient, safe, adequate, reliable and reasonable service to consumers” (OSBA Comments at 4). OSBA suggests that the Commission require Columbia to submit additional proof that the accelerated infrastructure replacements and expenditures are reasonable, cost-effective and prudent, and that absent such additional proof, that the Commission should deny the Petition.

**Columbia’s Reply**

 In its June 28 Letter, Columbia submitted an explanation of the need for additional acceleration of infrastructure replacement, and for the rising expenditures associated with those replacements. The Company explains that the accelerated replacements are necessary in order to stay on track with its goal as stated from its original LTIIP – to replace all cast iron and bare steel pipelines in its system by 2029 – and therefore the accelerated schedule is reasonable and prudent to maintain safe and adequate service.

 Columbia’s June 28 Letter also addresses the cost drivers that are causing its level of expenditures to rise faster than its rate of infrastructure replacement acceleration. The Company attributes the rising costs primarily to four factors:

1. The need to install steel replacement pipe instead of plastic
2. The location of the construction in high traffic and urban areas
3. Rising contractor costs
4. Increased street restoration requirements by local governments

 Columbia also provided a list of projects from 2017 with higher than average replacement costs per foot (Project List) as well as a copy of a portion of Wesley Soyster’s testimony in Columbia’s 2016 base rate proceeding at Docket No. R-2016-2529960 (Soyster Testimony). Columbia also provided the results of an audit of its ten largest replacement projects from 2013 (Audit).

 In the Soyster Testimony, Mr. Soyster addresses the four factors noted, above. Specifically, he points to the location of the projects, changes in restoration requirements, contractor costs, and the cost of steel main compared to plastic (Soyster Testimony at 12). Two of the other factors cited in the Soyster Testimony, the location of projects and the need to use steel main as opposed to plastic, are largely out of the Company’s control.

 Regarding the changes in restoration requirements, Mr. Soyster provides many examples of changes in restoration requirements in multiple municipalities in Columbia’s service territory, and how that has affected the Company’s construction costs (Soyster Testimony at 15). He also explains that Columbia frequently engages with local officials in an attempt to negotiate with the municipality, and reduce the eventual restoration requirements. Mr. Soyster cites several instances in which Columbia has succeeded in negotiations with municipalities to reduce restoration costs (Soyster Testimony at 18).

 In Columbia’s June 28 Letter, the Company states that it has formalized a review process for restoration requirements by creating a cross-functional team of regulatory, engineering, and legal personnel. This team reviews projects in advance in those instances where municipalities or other entities demand restoration that goes beyond the typical or historical expectations.

 Mr. Soyster also explains that Columbia’s Distribution Integrity Management Program (DIMP) consistently ranks cast iron and bare steel as the highest priority for removal from Columbia’s system, due to the threat of external corrosion and eventual failure. He points out that it is therefore not only prudent from Columbia’s perspective to accelerate the replacement of these portions of Columbia’s system, but it is a requirement under the federal DIMP rule (Soyster Testimony at 21).

**Resolution**

 Regarding the location of the projects and the use of steel when necessary instead of plastic pipe, while causing year to year variations, these factors do not represent an overall rise in average costs. Columbia has a set inventory of mains and services that it is planning to replace by the end of 2029. Whether the Company replaces more of the mains that require steel pipe replacements, or are in difficult or urban locations in a particular year, does not change the underlying cost structure of Columbia’s construction projects. If Columbia were to install exclusively plastic pipe in a particular year, it would appear that the Company’s costs to install pipelines had fallen dramatically, even though the fundamental cost structure would remain the same.

 Regarding the increase in contractor costs, in its Petition, Columbia notes that they have taken action to mitigate these cost increases by entering long-term contracts with its contractors, extending through December 31, 2020. The Commission believes this is prudent and should provide cost stability through the contract period.

 Regarding the increasing costs from changing restoration requirements being imposed by local governments and municipalities, the Commission requested additional information from Columbia. Columbia filed responses on August 4, 2017, and August 9, 2017. In its responses, Columbia provided examples of where the magnitude of restoration costs increased in certain portions of their service territory, based on projects completed both before and after the new ordinances or requirements were put in place. Based on the data provided, it appears there are significant cost increases associated changes in municipal restoration requirements. The changes vary in each municipality, with some changes resulting in only relatively modest increases in restoration costs of 20% to 30%, while others increased significantly by 50% to 80%. In some instances, the restoration costs per mile more than doubled.

 Based on this information provided by Columbia, it appears that these changing restoration requirements are a significant driver of Columbia’s cost increases. It is likely that a portion of Columbia’s 97% cost increase in 2017 over its original projections is attributable to these restoration cost increases. Columbia has demonstrated that it has put measures in place in an attempt to control these costs and restoration requirement changes when possible. However, the Company cannot prevent a local government body or official from enacting ordinances as they see fit to govern their township, borough, or city. While Columbia is attempting to do as much as it can to mitigate these costs, the Commission recognizes that such costs are, to some extent, out of the Company’s control.

 It appears that Columbia has taken proactive steps to address those cost factors where it has some control. Where Columbia has no control, such as with increased restoration requirements, the Company also been proactive in addressing these issues and to control its costs in good faith. We also note that some portion of the increased costs in the Modified LTIIP are due to the fact that Columbia has continued to accelerate its replacement program and replace additional footage of main.

 Based on Columbia’s June 28 Letter and the additional information provided to the Commission, the Commission finds that the Company has met its burden of proof to show that the acceleration of infrastructure replacement and the associated expenditures in the Modified LTIIP are reasonable, cost-effective, and prudently incurred.

**MODIFIED LTIIP SUMMARY**

 The Commission’s review of an LTIIP must determine if the LTIIP:[[6]](#footnote-6)

* Contains measures to ensure that the projected annual expenditures are cost‑effective.
* Specifies the manner in which it accelerates or maintains an accelerated rate of infrastructure repair, improvement or replacement.
* Is sufficient to ensure and maintain adequate, efficient, safe, reliable and reasonable service.
* Meets the requirements of 52 Pa. Code § 121.3(a).

 The utility has the burden of proof to demonstrate that its proposed LTIIP and associated expenditures are reasonable, cost effective and designed to ensure and maintain sufficient, safe, adequate, reliable and reasonable service to consumers.[[7]](#footnote-7)

The Commission has reviewed Columbia’s Modified LTIIP and any resulting comments. The Commission finds that Columbia has met its burden of proof by demonstrating that its Modified LTIIP contain measures to ensure that the projected annual expenditures are cost-effective, specify the manner in which they accelerate or maintain an accelerated rate of infrastructure repair, improvement, or replacement, are sufficient to ensure and maintain adequate, safe, reliable, and reasonable service, and meet the requirements of 52 Pa. Code § 121.3(a). Accordingly, Columbia’s Modified LTIIP is approved.

1. **COLUMBIA’S SECOND LTIIP**

**Columbia’s Petition**

 Columbia’s Second LTIIP covers a period from 2018 through 2022 with total expected expenditures of over $1.3 billion. Columbia notes that from 2007 through 2016, it has replaced or retired 37% of the total amount of cast iron and bare steel in its system. Columbia notes that it still has approximately 1,458 miles of cast iron, wrought iron, and bare steel pipe remaining in its system. Columbia also has 51,295 bare steel services. Columbia avers its Second LTIIP will continue its accelerated pace of replacing at-risk and aging infrastructure. Columbia notes that its Second LTIIP only includes DSIC-eligible property.

 Columbia’s Second LTIIP addressed the eight LTIIP elements as required by 52 Pa. Code § 121.3, as discussed below:

 **(1) TYPES AND AGE OF ELIGIBLE PROPERTY**

**Columbia’s Position**

Mains

 Columbia states that over the course of its Second LTIIP, the primary focus of its accelerated main replacement program is continuing to replace bare steel and cast iron pipe. The Company explains that these materials are most susceptible to failure from corrosion, cracks, and leaks. Columbia notes these materials were largely installed from the 1850’s through the 1960’s. Columbia notes that although these facilities are the primary focus for the Company, should a replacement project be near or adjacent to other types of facilities that are considered “high-risk,” Columbia will replace these additional sections of pipe as well. Examples of such high-risk facilities could include unprotected steel pipe, ineffectively coated steel pipe, and older generation plastic pipe (Adyl-A).

Gas Service Lines

 Columbia explains that bare steel service lines are subject to the same elements that threaten the physical integrity of the company’s distribution mains, regardless of whether the services are owned by the company or the customer. Columbia points out that it would be impractical and inefficient to require customers to arrange for the replacement of customer-owned service lines at the time of replacement. In an Order entered May 19, 2008, the Commission allowed Columbia to replace customer-owned service lines at the time of main replacement, and book these costs to the Company’s mains account.[[8]](#footnote-8) Columbia plans to continue the practice of replacing at-risk customer-owned service lines in its Second LTIIP.

Additional Infrastructure

 Columbia states that in addition to replacing mains and associated services, it is also replacing associated distribution and safety equipment that is compatible with the upgraded design. Columbia indicates that this will involve the installation and/or replacement of excess flow valves, automated meter reading systems, risers, meters, meter valves, meter bars, and service regulators. Columbia states that all of the facilities included in its LTIIP are considered “eligible property” under 66 Pa. C.S. § 1352.

**Comments**

No comments were received regarding the types and age of eligible property.

**Resolution**

Upon review of Columbia’s Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code § 121.3(a)(1) by identifying the types and ages of eligible property for which it seeks DSIC recovery.

 **(2) SCHEDULE FOR PLANNED REPAIR AND REPLACEMENT OF ELIGIBLE PROPERTY**

**Columbia’s Petition**

Columbia’s focus under the accelerated main replacement program in its Second LTIIP is replacing existing bare steel and cast iron mains and other related facilities based on the needs driven by its distribution system. Columbia considers factors such as: condition and age of the pipe; geographical proximity; leak history; the capacity needs of the area; and expected growth in system demand requirements. Columbia annually attempts to identify the highest risk segments and prioritizes those segments each year using the Optimain DS® as a tool to identify the most efficient plan to accomplish this goal.

 Optimain DS® is a comprehensive software solution used by all NiSource, Inc. Gas Distribution Companies to help assess and prioritize the risk associated with priority mains and allocate capital towards those risks.[[9]](#footnote-9) Optimain DS® utilizes many environmental and pipe condition factors obtained from field reports to develop and calculate the risk for each segment of pipe. Leak history, pipe condition and depth, coating condition, pipe size, and pressure and pipe material are some examples of the factors. Columbia notes that if other facilities are located adjacent to the projects that are prone to fail, such as unprotected coated steel pipe, ineffectively coated steel pipe, Aldyl-A, *etc*., those facilities will also be replaced.

 Columbia explains that the replacement schedule is also consistent with its DIMP plan. Columbia avers its DIMP complies with the standards set forth by the US Department of Transportation’s Pipeline and Hazardous Materials Safety Administration.[[10]](#footnote-10) Columbia avers that it referenced replacement programs as one of the measures to reduce risk in its DIMP plan.

 Columbia’s expected infrastructure replacements for its Second LTIIP are summarized in Table 1, below.

**Table 1: Columbia’s Expected Infrastructure Replacements for Its Second LTIIP**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2018** | **2019** | **2020** | **2021** | **2022** | **Total** |
| **Main (ft)** | 690,000 | 690,000 | 730,000 | 745,000 | 750,000 | 3,605,000 |
| **Services (Average #)** | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 | 47,500 |
| **Meters (Average #)** | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 15,000 |

 The planned main replacements in the Second LTIIP represent a 29% increase in the estimated replacements as compared to Columbia’s First LTIIP. Factoring in Columbia’s Modified LTIIP, as detailed above, the Company is still accelerating its main replacement by 21%.

 Columbia notes that unlike the Company’s main replacement projects, meter replacements are not planned out at the beginning of the calendar year. The number of meter replacements is driven by the conditions found at each service location. Columbia explains that while this makes it difficult to forecast the number of meters to be replaced in a given year, it avers the average replacements in Table 1, above, are reasonable estimates.

**Comments**

 No comments were received regarding the schedule for planned repair and replacement of eligible property.

**Resolution**

Upon review of Columbia’s Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code § 121.3(a)(2) by detailing the schedule for planned repair and replacement of eligible property.

 **(3) LOCATION OF ELIGIBLE PROPERTY**

**Columbia’s Petition**

Columbia states that mains constructed using cast iron, bare steel, and Aldyl-A[[11]](#footnote-11) are located throughout Columbia’s 26 counties in its certificated service territory in Western and South Central Pennsylvania. The Company avers that a precise identification of each piece of eligible property throughout Columbia’s service territory at any given time would be impractical due to the geographic diversity of Columbia’s service territory, and the distribution of eligible property throughout that service territory. Columbia explains that it utilizes a systemic approach to determining the property to be replaced in a given year based on age, condition, geographical proximity, leak history, and capacity needs of the area. The specific projects identified are then engineered for a calendar year beginning in the first quarter of the preceding year in accordance with expected capital budgets. Columbia uses the Annual Asset Optimization Plans (AAOPs) required by 52 Pa. Code § 121.6 to provide the Commission with current specific annual replacement projects as well as address any changes that were made in the implementation of the prior year’s replacement schedule.

**Comments**

No comments were received regarding the location of eligible property.

**Resolution**

Upon review of Columbia’s Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code § 121.3(a)(3) by providing a general description of the location of eligible property.

 **(4) REASONABLE ESTIMATES OF THE QUANTITY OF PROPERTY TO BE IMPROVED**

**Columbia’s Petition**

 Columbia’s reasonable estimates of the quantity of property to be improved are provided in Table 1, above.

**Comments**

 No comments were received regarding the reasonable estimates of the quantity of property to be improved.

**Resolution**

Upon review of Columbia’s Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code § 121.3(a)(4) by detailing reasonable estimates of the quantity of property to be improved.

 **(5) PROJECTED ANNUAL EXPENDITURE AND MEASURES TO ENSURE THAT THE PLAN IS COST EFFECTIVE and (6) ACCELERATED REPLACEMENT AND MAINTAINING SAFE AND RELIABLE SERVICE**

**Columbia’s Petition**

 The Company’s proposed annual expenditures for the Second LTIIP are detailed in Table 2, below. This represents a 107% increase over Columbia’s First LTIIP.

**Table 2: Columbia’s Proposed Annual Expenditures for Its Second LTIIP**

|  |  |
| --- | --- |
| Year | LTIIP Expenditures |
| 2018 | $250,200,000 |
| 2019 | $252,750,000 |
| 2020 | $273,495,000 |
| 2021 | $286,695,000 |
| 2022 | $295,455,000 |
| **Total** | **$1,358,595,000** |

Cost-effectiveness

 Columbia discusses how it employs a systematic approach, rather than a segmented one. The Company explains that replacing larger sections of the system in a systematic fashion is more efficient and cost-effective in the long run than replacing smaller segments of pipeline. Columbia avers that this approach not only reduces costs, but also reduces the inventory of bare steel and cast iron more rapidly, and reduces the amount of disruption to customers and the municipalities within its service territory.

 The Company explains that costs are also controlled through a competitive bidding process for its contractors. Additionally, Columbia notes that it is able to purchase larger quantities of construction materials through competitive bidding, resulting in lower costs by moving away from the segment-by-segment approach to pipeline replacement.

 Columbia uses cathodically protected steel when higher operating pressures are needed. However, for lower pressure portions of its distribution system, it is installing plastic (polyethylene) pipe, which is not only resistant to ground movement stress and corrosion, but is also less costly to install and maintain.

 The Company notes that one of the drawbacks to plastic pipe is vulnerability to third party excavation damage. To mitigate this risk, the Company explains that it has improved its locating performance, and enhanced its excavator outreach. Columbia also states that it has starting using “marking balls” when installing its plastic facilities, which enable the company to locate the pipeline using electronic technology.

 Columbia notes that its capital budgets associated with the projected replacement activity in the Second LTIIP are preliminarily approved in the fourth quarter of the year preceding the projections. Columbia’s Second LTIIP expenditures are included as part of its overall capital budgeting process.

Infrastructure Replacement Acceleration

 The goals for the amount of distribution main replaced in Columbia’s Second LTIIP are a significant acceleration from the goals in its First LTIIP. Table 3, below, compares the replacement goals from the two LTIIPs.

**Table 3: Comparison of Columbia’s Main Replacement Goals between its Current LTIIP and Second LTIIP**

|  |  |
| --- | --- |
| First LTIIP (ft) | Second LTIIP (ft) |
| 2013 | 625,000 | 2018 | 690,000 |
| 2014 | 625,000 | 2019 | 690,000 |
| 2015 | 525,000 | 2020 | 730,000 |
| 2016 | 525,000 | 2021 | 745,000 |
| 2017 | 500,000 | 2022 | 750,000 |
| **Total** | **2,800,000** | **Total** | **3,605,000** |

 The main replacement goals in the Second LTIIP are 29% higher than the First LTIIP. However, Columbia has consistently exceeded its pipeline replacement goals in its First LTIIP, as evidenced in its AAOPs.[[12]](#footnote-12) The replacement goals in the Second LTIIP are higher than the *actual* footage replaced under the current LTIIP by 4%.

 Columbia has also raised its goal for the replacement of services in its Second LTIIP up to an average goal of 9,500 services per year, or 1,500 more per year than in the First LTIIP.

Enhancing Safe and Reliable Service

 Columbia states that as they replace their target pipelines, they are upgrading their distribution system to operate at a higher pressure. Columbia avers that this will substantially reduce the need for pressure regulators on main lines, allowing the Company to operate the system more safely, easily, and reliably. Columbia also explains that they are installing excess flow valves on nearly all of the services connected to pipelines that are being run at the higher pressures. The Company states that this will make services lines much less vulnerable to safety risks from third-party damage.

**Comments**

 The OSBA states that its comments are directed primarily, but not exclusively, to Columbia’s Petition for Modification of its existing LTIIP, as detailed above. Regarding the Second LTIIP, OSBA notes that Columbia has made a good faith effort to meet its burden to prove the costs in the Second LTIIP are prudent. However, the OSBA suggests that additional information is necessary for the Commission to make such a determination with respect to Columbia’s Modified LTIIP (OSBA Comments at 4).

**Resolution**

 As noted in the review of the Modified LTIIP, above, Columbia provided sufficient additional information in its June 28 Letter and August 2017 submissions in regards to managing the cost effectiveness of the Modified LTIIP and Second LTIIP. Therefore, the Commission finds that the Company has met its burden of proof to show that the acceleration of infrastructure replacement and the associated expenditures in the Second LTIIP are reasonable, cost-effective, and prudently incurred.

Upon review of the Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code §§ 121.3(a)(5)-(6) by providing the projected annual expenditures and means to finance the expenditures, and a description of the manner in which infrastructure replacement will be accelerated and how repair, improvement, or replacement will ensure and maintain adequate, efficient, safe, reliable, and reasonable service to customers.

 **(7) WORKFORCE MANAGEMENT AND TRAINING PROGRAM**

**Columbia’s Petition**

 Columbia explains that it has had to engage in increased hiring for field operations personnel due to employee retirements, combined with increased capital expenditures. To help facilitate the increased hiring, Columbia hired a third workforce planning coordinator to help develop a long-term, comprehensive strategy to address the challenges of an aging workforce and additional workload. Columbia states that it holds numerous Career Fairs throughout its service territory each year to attract talent and create a pool of new potential employees to recruit from.

 Columbia also provided a description of its new, state-of-the-art training facility that opened in July 2016, in Monaca, Pennsylvania. The Company details a number of training programs that this new facility provides for new and existing employees. In particular, Columbia notes the training facility allows it to offer a curriculum that includes a great deal of hands-on activity. Columbia notes these programs enable employees to practice skills in a safe and controlled environment while gaining efficiencies in common on the job tasks.

 Columbia states that it began negotiations with many of its incumbent contractors in early 2015, resulting in new long-term contracts. These new contracts cover the period from January 1, 2016, through December 31, 2020. The Company explains that these new long-term contracts will provide certainty for Columbia, allowing for a cost-effective means of ensuring an available workforce through the year 2020.

Columbia also states that in order to ensure that all employees and contractors are qualified, the NiSource Gas Distribution companies maintain a written Operator Qualification (OQ) Plan applicable to all Columbia employees, contractors and mutual aid individuals who perform covered tasks on behalf of Columbia. Columbia avers that this plan encompasses all aspects of ensuring a qualified workforce and that its operations comply with relevant Federal pipeline safety regulations.

 The Company notes that it is currently transitioning to an enhanced OQ program through December 31, 2018. Columbia currently operates under both its legacy NiSource-based program, and the Northeast Gas Association (NGA) enhanced OQ program. Columbia states that each program provides covered task lists, establishes qualification intervals, allows for reviewing qualification status, sets forth the direct observation of non-qualified individuals, and lists non-Columbia OQ programs incorporated for mutual aid. The enhanced OQ portion of Columbia’s program also includes specific domains and elements information for each covered task, spelling out content of each specific module and means of evaluation. Columbia states that the NGA plan also establishes examination parameters such as the effect of repeated exam failures.

**Comments**

No comments were received regarding the workforce management and training program.

**Resolution**

Upon review of the Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code § 121.3(a)(7) by providing a workforce management and training program that is designed to ensure that Columbia will have access to a qualified workforce to perform the work in a cost‑effective, safe and reliable manner.

**(8) DESCRIPTION OF OUTREACH AND COORDINATION ACTIVITIES WITH OTHER UTILITIES, PENNDOT AND LOCAL GOVERNMENTS ON PLANNED PROJECTS**

**Columbia’s Petition**

 Columbia claims that it proactively communicates information about planned infrastructure work and the impact to roadways to representatives from PennDOT, county and local municipal governments, other utilities, the media, and to its customers within its service territory. Columbia further provides a list of examples of meetings and communication channels that it utilizes, including:

* Meetings with PennDOT District Offices regarding planned infrastructure work that will impact Commonwealth roads
* Meetings with County officials regarding infrastructure work that will impact county roads
* Meetings with local municipal officials regarding infrastructure work that will impact local roads and residents
* Town Hall meetings as requested by municipalities
* Meetings with local business owners
* Pipeline safety outreach and communications to local fire departments, public officials, and the affected public
* Communications to customers regarding infrastructure work in their local communities including letters, emails, door tags, and personal contacts by employees

**Comments**

No comments were received regarding the description of outreach and

coordination activities with other utilities, PennDOT and local governments on planned projects.

**Resolution**

Upon review of the Second LTIIP, the Commission finds that Columbia’s Second LTIIP fulfills the requirements of 52 Pa. Code § 121.3(a)(8) by providing a description of Columbia’s outreach and coordination activities with other utilities, PennDOT, and local governments on planned projects and roadways that may be impacted by the Second LTIIP.

**SECOND LTIIP SUMMARY**

 The Commission’s review of an LTIIP must determine if the LTIIP:

* Contains measures to ensure that the projected annual expenditures are cost‑effective. Specifies the manner in which it accelerates or maintains an accelerated rate of infrastructure repair, improvement or replacement.
* Is sufficient to ensure and maintain adequate, efficient, safe, reliable and reasonable service.
* Meets the requirements of 52 Pa. Code § 121.3(a).

 The utility has the burden of proof to demonstrate that its proposed LTIIP and associated expenditures are reasonable, cost effective and designed to ensure and maintain sufficient, safe, adequate, reliable and reasonable service to consumers.

The Commission has reviewed Columbia’s Second LTIIP and any resulting comments. The Commission finds that Columbia has met its burden of proof by demonstrating that its Second LTIIP contain measures to ensure that the projected annual expenditures are cost-effective, specify the manner in which they accelerate or maintain an accelerated rate of infrastructure repair, improvement, or replacement, are sufficient to ensure and maintain adequate, safe, reliable, and reasonable service, and meet the requirements of 52 Pa. Code § 121.3(a). Accordingly, Columbia’s Second LTIIP is approved.

**CONCLUSION**

The Commission finds Columbia’s Modified LTIIP and Second LTIIP, and manner in which they were filed, conform to the requirements of Act 11 and our Regulations. The Modified LTIIP and Second LTIIP, as approved herein, are designed to maintain safe, adequate and reliable service and, as such, Columbia shall be required to comply with the infrastructure replacement schedules and elements of the plans; **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition for Approval of a Major Modification to its Existing Long-Term Infrastructure Improvement Plan and Approval of a Second Long-Term Infrastructure Improvement Plan filed by Columbia Gas of Pennsylvania, Inc. is approved, consistent with this Order.

2. That the proceeding at Docket No. P-2017-2602917 be closed.

3. That the proceeding at Docket No. P-2012-2338282 be closed.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: September 21, 2017

ORDER ENTERED: September 21, 2017

1. Major Modifications, as defined at 52 Pa. Code § 121.2, require a petition for modification. *See* 52 Pa. Code § 121.5. [↑](#footnote-ref-1)
2. Columbia’s audit of its ten largest projects of 2013 was completed in accordance with its settlement of its 2014 base rate case at Docket No. R-2014-2406274. [↑](#footnote-ref-2)
3. <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM>. [↑](#footnote-ref-3)
4. *See* 52 Pa. Code § 121.3. [↑](#footnote-ref-4)
5. *See Petition of Columbia Gas of Pennsylvania, Inc. for Approval of its Long-Term Infrastructure Improvement Plan*, Order entered March 14, 2013, at Docket No. P-2012-2338282. [↑](#footnote-ref-5)
6. *See* 52 Pa. Code § 121.4(e). [↑](#footnote-ref-6)
7. *See* 52 Pa. Code § 121.4(d). [↑](#footnote-ref-7)
8. *See Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement*, Order entered May 19, 2008, at Docket No. P-00072337. [↑](#footnote-ref-8)
9. NiSource Inc. is a utility holding company with gas subsidiaries in seven states, including Columbia Gas of Pennsylvania, Inc. [↑](#footnote-ref-9)
10. *See* 49 CFR §192.1007. [↑](#footnote-ref-10)
11. Aldyl-A is a polyethylene pipeline product manufactured by DuPont. Some of the pipe produced and installed has a defect that causes the pipe to be very susceptible to interior crack propagation, making it more likely to fail much earlier than its intended useful life. It is impossible to distinguish the defective pipe from the non-defective pipe without destructive testing. [↑](#footnote-ref-11)
12. *See* Docket Nos. M-2014-2413928, M-2015-2474732, M-2016-2531750, and M-2017-2591172. [↑](#footnote-ref-12)