

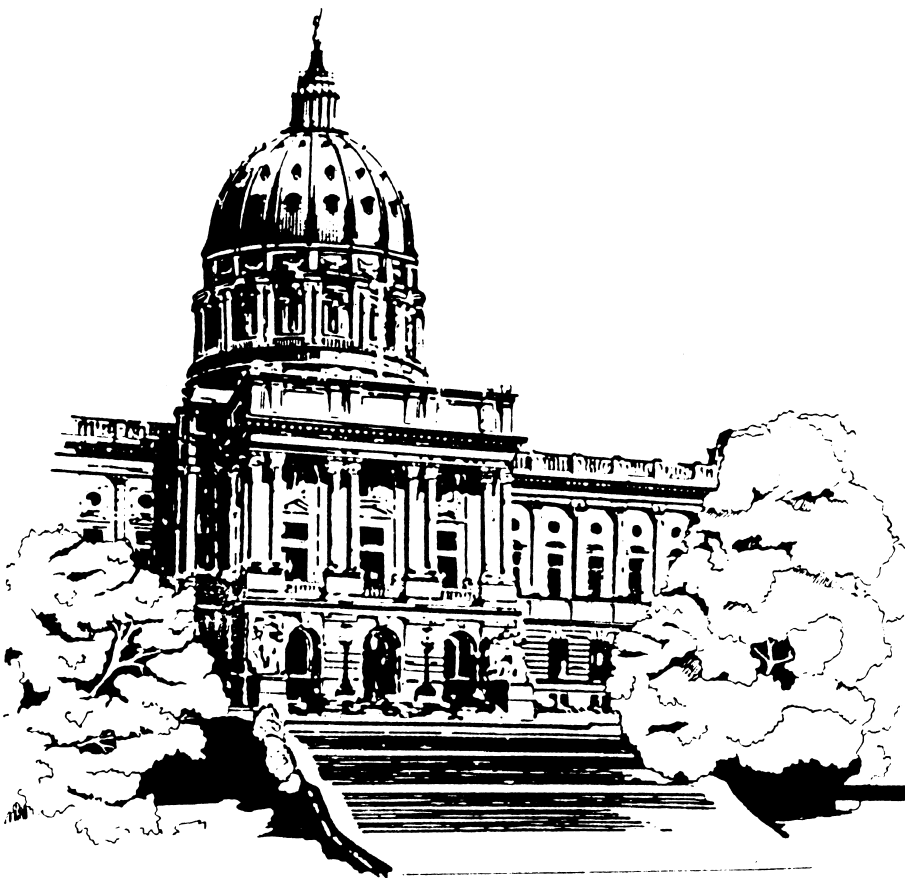
PENNSYLVANIA BULLETIN

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Number 7

Part II

This part contains
the Pennsylvania Public Utility Commission
Notices



NOTICES

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Certificate of Public Convenience

A-2024-3046068. Appalachian Utilities, Inc. Application of Appalachian Utilities, Inc. for a certificate of public convenience evidencing the Pennsylvania Public Utility Commission's (Commission) approval of the transfer of 40% of outstanding and issued stock in Appalachian Utilities, Inc.

Formal protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before Monday, March 4, 2024. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission, 400 North Street, 2nd Floor, Harrisburg, PA 17120, or on the Commission's web site at www.puc.pa.gov with a copy served on the applicant. The documents filed in support of the application are available for inspection and copying at the Office of the Secretary between 8 a.m. and 4:30 p.m., Monday through Friday, on the Commission's web site at www.puc.pa.gov and at the applicant's business address. If a filing contains confidential or proprietary material, the filing is required to be submitted by overnight delivery.

Applicant: Appalachian Utilities, Inc.

Through and By Counsel: Thomas J. Sniscak, Esquire, Todd S. Stewart, Esquire, Hawke McKeon & Sniscak, LLP, 100 North Tenth Street, Harrisburg, PA 17101, tjsniscak@hmslegal.com, tsstewart@hmslegal.com, (717) 236-1300

ROSEMARY CHIAVETTA,
Secretary

[Pa.B. Doc. No. 24-217. Filed for public inspection February 16, 2024, 9:00 a.m.]

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Default Service Plan; Telephonic Prehearing Conference

P-2024-3046008. PECO Energy Company. Petition of PECO Energy Company for approval of the default service plan for the period from June 1, 2025, through May 31, 2029 (DSP VI Petition).

Formal protests, petitions to intervene and answers must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before March 4, 2024. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission, 400 North Street, Harrisburg, PA 17120, with a copy served on the petitioner and a copy provided to the Administrative Law Judges. The documents filed in support of the petition are available for inspection and copying at the Office of the Secretary between 8 a.m. and 4:30 p.m., Monday through Friday, and at the petitioner's business address.

Applicant: PECO Energy Company

Through and by Counsel: Brandon J. Pierce, Esquire, Assistant General Counsel, PECO Energy Company, 2301 Market Street, S23-1, Philadelphia, PA 19103

Telephonic Prehearing Conference

A telephonic prehearing conference on the previously captioned case will be held as follows:

<i>Date:</i>	Friday, March 8, 2024
<i>Time:</i>	10 a.m.
<i>Presiding:</i>	Administrative Law Judges Eranda Vero and Arlene Ashton 801 Market Street Suite 4063 Philadelphia, PA 19107 (215) 560-2105 fax (215) 560-3133

To participate in the telephonic prehearing conference, individuals must:

- Dial the following toll-free conference number.
- Enter the following PIN number when instructed to do so.
- Speak the individual's name when prompted and press #.

The telephone system will connect individuals to the telephonic prehearing conference.

Toll-free conference number: (866) 560-8322

PIN number: 36676820

Individuals representing themselves are not required to be represented by an attorney. Corporations, partnerships, associations, trusts or governmental agencies or subdivisions must be represented by an attorney, who should file a notice of appearance before the scheduled hearing date.

Individuals with a disability who wish to attend the prehearing conference—the Pennsylvania Public Utility Commission (Commission) may be able to make arrangements for any special needs. Call the Scheduling Office at the Commission at least 5 business days prior to the prehearing conference to submit a request.

Individuals who require an interpreter to participate in the prehearing conference—the Commission will make every reasonable effort to have an interpreter present. Call the Scheduling Office at the Commission at least 10 business days prior to the prehearing conference to submit a request.

- Scheduling Office: (717) 787-1399
- Pennsylvania Hamilton Relay Service number for persons who are deaf or hearing-impaired: (800) 654-5988

The Commission offers a free eFiling Subscription Service which allows users to automatically receive an e-mail notification whenever a document is added, removed or changed on the Commission's web site regarding a specific case. Instructions for subscribing to this service are on the Commission's web site at http://www.puc.pa.gov/Documentation/eFiling_Subscriptions.pdf.

ROSEMARY CHIAVETTA,
Secretary

[Pa.B. Doc. No. 24-218. Filed for public inspection February 16, 2024, 9:00 a.m.]

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Peoples Natural Gas Company LLC

Public Meeting held
February 1, 2024

Commissioners Present: Stephen M. DeFrank, Chairperson, conflict statement follows; Kimberly Barrow, Vice Chairperson; Ralph V. Yanora; Kathryn L. Zerfuss; John F. Coleman, Jr.

*Pennsylvania Public Utility Commission, Bureau of
Investigation and Enforcement v. Peoples Natural Gas
Company LLC; M-2023-3024990*

Opinion and Order

By the Commission:

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the proposed Joint Petition for Approval of Settlement (Settlement, Settlement Agreement, or Petition) (attached as Attachment A) filed on July 31, 2023, by the Commission's Bureau of Investigation and Enforcement (I&E) and Peoples Natural Gas Company LLC (Peoples or the Company) (collectively, the Parties), with respect to an informal investigation conducted by I&E. The Parties each filed Statements in Support of the Settlement and submit the proposed Settlement is in the public interest and consistent with the standards delineated in the Commission's Policy Statement at 52 Pa. Code § 69.1201, Factors and Standards for Evaluating Litigated and Settled Proceeding Involving Violations of the Public Utility Code and Commission Regulations. Petition at 22.

In an Opinion and Order entered on December 6, 2023 (December 2023 Order), the Commission directed the Parties to augment the Settlement by filing supplemental information. On December 21, 2023, the Parties filed a Supplemental Record to Joint Petition for Approval of Settlement (Supplemental Record) with the requested supplemental information clarifying the record in this proceeding.

Prior to issuing a final decision on the merits of the proposed Settlement, and consistent with the requirement imposed in 52 Pa. Code § 3.113(b)(3), we shall publish the Settlement in the *Pennsylvania Bulletin* and provide an opportunity for interested parties to file comments regarding the proposed Settlement.

History of the Proceeding

This matter arises from an over-pressurization event that occurred on April 29, 2020, on Peoples' distribution system serving Robinson, Pennsylvania. Petition at 4-5. The incident resulted in the over-pressurization of approximately two hundred and four (204) service lines, caused three (3) furnaces to flare and catch fire, and resulted in the replacement of eleven (11) furnaces, seventy (70) water heaters, one (1) range, one hundred and ninety-four (194) furnace valves, and one hundred and thirty-five (135) water tank valves. Petition at 5-6.

I&E conducted a field investigation and interviewed three (3) Peoples' employees. As part of its investigation, I&E also served forty-two (42) individual data requests. Petition at 7.

Thereafter, the Parties entered negotiations and agreed to resolve the matter in accordance with the Commission's policy to promote settlements at 52 Pa. Code § 5.231(a). Petition at 11. As previously indicated, the Parties filed the instant Settlement on July 31, 2023.

Pursuant to the December 2023 Order, the Parties were directed to supplement the record in this proceeding. Specifically, the Commission requested:

First, the Settlement should be supplemented by the Parties to clearly and publicly indicate the costs of replacing the private property damaged by this incident. This information is only accessible to the Parties and should be included in the Settlement, and we see no reason why these costs should be confidential. Second, the Parties should explain how the cost to remediate the damage to private property will be paid for. For example, whether insurance will cover the replacement of these private facilities, whether Peoples' shareholders will bear those costs, or whether cost recovery will be sought in rates. Finally, the Parties should comment on their intentions regarding recovery of the civil penalty in rates.

December 2023 Order at 12.

On December 21, 2023, the Parties, in response to the Commission's December 2023 Order, filed the Supplemental Record, which is attached hereto as Attachment B.

Background

Peoples' Robinson distribution system serves two hundred and twenty-one (221) properties in Robinson, Indiana County, Pennsylvania. Petition at 6. The system is supplied gas through a single regulator station (LS 260 or station) with an inlet maximum operating pressure (MAOP) of sixty (60) pounds per square inch gauge (psig) and outlet MAOP of one psig. Id. The station's typical operating pressures are between fifty-two (52) and fifty-six (56) psig on the inlet side, and eight (8) ounces on the outlet side. Id. LS 260 is designed as a single regulator with double-stacked relief, a single-relief isolation valve, a single bypass valve, an upstream valve, and a downstream valve. Id.

On April 29, 2020, three (3) technicians employed by Peoples were conducting an annual regulator inspection of LS 260. To test the regulator, the technicians took the regulator out of service by closing a valve upstream and a valve downstream of the regulator. Petition at 4. Pressure to the downstream system was adjusted manually by opening the bypass valve at the regulator station. During the manual operation of the bypass valve, the technicians noted the downstream gauge was not registering pressure. After placing a second gauge on the downstream side of the bypass valve, the second gauge displayed an outlet operating pressure of twenty (20) ounces, more than the MAOP of the system. Petition at 4-5. The technicians opened a closed downstream valve, which allowed gas to escape through the double-stacked relief and shut down the system using an emergency valve. Petition at 5. Peoples estimates that between thirty (30) to sixty (60) seconds of overpressure occurred. However, because there was no recording gauge on the downstream piping, the precise duration of the over-pressurization event is unknown. Petition at 8.

Peoples submitted an incident report, Report No. 1276429, to the National Response Center on April 30, 2020.

I&E's Safety Division's findings indicate the three Peoples' technicians had received relevant operator quali-

fication training, though only one of the three technicians had previously conducted an inspection on a regulator station where the downstream valve could, if shut, isolate the double-stack relief and regulators from the rest of the system. Petition at 7. I&E's Safety Division also noted the technicians failed to follow Company procedures as set forth in Peoples' Job Procedure 703, Bypassing a Regulating Station, by failing to install a pressure gauge in the correct position to monitor system pressure, only installing the downstream pressure gauge after the overpressurization event occurred. Petition at 9. I&E's Safety Division also found training materials provided by Peoples were not sufficiently detailed to ensure employees were qualified to conduct bypass operations when inspecting regulator stations. Id. Finally, I&E's Safety Division found the design of LS 260 likely contributed to the overpressure incident with certain isolation valves, when shut off, isolating the relief valve and double-stacked relief. Id.

I&E's Safety Division directed Peoples to conduct daily leak surveys for one week (or until leaks were no longer discovered) and expedite the replacement of bare steel piping and metallic service lines affected by the overpressure. Petition at 6-7. Peoples complied with I&E's Safety Division's directive and conducted daily leak surveys for eight (8) weeks until all leaking service lines were replaced. Petition at 7. Peoples also replaced approximately four thousand five hundred and fifty-two (4,552) feet of steel pipe and one hundred and thirty-three (133) service lines. Petition at 7. As mentioned supra, the overpressurization event also resulted in the replacement of eleven (11) furnaces, seventy (70) water heaters, one (1) range, one hundred and ninety-four (194) furnace valves, and one hundred and thirty-five (135) water tank valves. Petition at 5-6.

If this matter had been fully litigated, I&E would have proffered evidence and legal arguments to demonstrate that Peoples, inter alia, committed multiple violations related to 66 Pa.C.S. § 1501, 49 CFR § 192, and the adoption of Federal pipeline safety laws at 52 Pa. Code § 59.33(b), including, but not limited to, the following: insufficient safety standards to protect against accidental overpressure; failure to establish sufficient training materials; operating steel or plastic pipelines in excess of maximum operating pressure (MAOP); failure to ensure employees have the necessary knowledge and skills to safely perform such tasks; and failure to maintain adequate, safe and reasonable service. Petition at 9-10.

Terms and Conditions of the Settlement

The Parties submit that the Settlement Agreement is in the public interest because it effectively addresses I&E's allegations that are the subject of the I&E informal investigation and avoids the time and expense of litigation. Petition at 19. Both Parties jointly acknowledge that approval of the Settlement Agreement is in the public interest and is fully consistent with the Commission's Policy Statement at 52 Pa. Code § 69.1201. Id.

The Settlement consists of the Joint Petition for Approval of Settlement containing the terms and conditions of the Settlement and thirteen Attachments, including Proposed Ordering Paragraphs (Appendix A to the Petition) and the respective Statements in Support of the Settlement of I&E (Appendix B to the Petition) and Peoples (Appendix C to the Petition), filed on July 31, 2023.

Pages 12—19 of the Settlement set forth the full terms and conditions. The essential terms of the Joint Settlement

are set forth in Paragraph No. 38 of the Petition, which is recited in full, below, as it appears in the Petition:

38. I&E and Peoples, intending to be legally bound and for consideration given, desire to fully and finally conclude this investigation and agree that a Commission Order approving the Joint Petition without modification shall create the following rights and obligations:

a. Peoples shall pay a civil penalty in the amount of Two Hundred and Fifty Thousand Dollars (\$250,000) pursuant to 58 P.S. § 801.502 and 52 Pa. Code § 69.1201. Said payment shall be made within thirty (30) days of the entry date of the Commission's Final Order approving the Joint Petition for Approval of Settlement in this matter and shall be made by certified check or money order payable to the "Commonwealth of Pennsylvania." The docket number of this proceeding shall be indicated with the certified check or money order and the payment shall be sent to:

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

b. Peoples agrees that the civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f).

c. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall review all regulator stations in its distribution system. Peoples has "reviewed all of the low-pressure regulator stations and agrees to similarly review all medium and high-pressure regulator stations to identify all medium-pressure and high-pressure SRS.

d. The Company agrees to provide lists for medium-pressure and high-pressure SRS identified out of the total number of medium and high-pressure regulator stations within sixty (60) days following entry of a Final Order approving the Settlement Agreement.

e. Peoples agrees to develop a process to rank the specific risk of each SRS.

f. Peoples agrees to use the risk model for identifying regulator station improvement project prioritization.

g. Peoples agrees to develop a plan and timeline for "reconfiguration."

h. Peoples agrees to use the risk model hereto for identifying regulator station improvement projects. The Parties agree that, given higher ranked risks, other remedial projects could rank higher than a planned low-pressure SRS reconfiguration. Nonetheless, the remedial project set forth herein will be undertaken in addition to other identified remedial projects.

1) Peoples shall develop a remediation schedule or preventative and mitigative measures to prevent the pipeline systems from overpressure when the station relief valves are isolated; and

2) Peoples shall reconfigure the stations to protect the system from overpressure when maintenance is performed.

i. Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement

Agreement, Peoples shall develop and implement a process that involves a detailed pre-job briefing and checklist for performing regulator station inspections and bypass valve operations. The pre-job briefing shall require technicians to confirm the configuration of the regulator station and identify specific hazards that may be unique to the station that is being inspected.

j. Peoples agrees that going forward, the Pre-Job Briefing and the checklist will express include any bypass valve operations.

k. Peoples agrees that once this process is completely developed, it shall be incorporated into the Company's standard operating procedures and job procedures.

l. Within thirty days (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create a training program for new trained GM&R technicians.

m. Peoples agrees to provide a summary of the training program to include, at minimum, parameters being considered in the specific training and any other detail that can be offered.

n. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create drawings of each station that shows where downstream gauges must be placed during bypass operations.

o. Within one (1) year of the entry date of the Commission's Final Order approving the Settlement Agreement, Peoples will complete the task of having a drawing for regulator stations.

p. Peoples agrees to update its Design Manual.

q. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create an OQ task for the operation of a bypass valve as a means of regulating downstream pressure in a gas distribution system.

r. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall change its procedures and/or equipment to maintain the ability to record the actual pressure of an overpressure event in low pressure systems without the gauge or chart maximum pressure being reached.

s. Peoples agrees that it has a plan to install pressure monitoring devices on each of its low-pressure systems. This plan is set forth in its most recent LTIIIP as follows:

Peoples' Long Term Infrastructure Improvement Plan ("LTIIIP") approved by the Pennsylvania Public Utility Commission at Dock.et No. P-2020-3021942 on January 14, 2021, sets forth Peoples' plan in place with respect to regulator stations:

"In an effort to reduce the likelihood of future over-pressurization events, similar to the event that occurred in Merrimack, MA, in September 2018, the Companies reviewed their 640 regulated low-pressure systems, which are comprised of 4,500 miles of low-pressure pipeline and over 1,800 regulator stations and serve over 450,000 customers. As a result of that review, the Peoples Companies are proposing to

implement three project types intended to mitigate over-pressurization risks as part of this Combined Distribution LTIIIP. The Companies will upgrade existing regulator stations by (i) adding remote pressure detection equipment to existing regulator systems, (ii) adding another form of over-pressure protection as applicable, such as adding relief valves or making station piping modifications, and (iii) relocating underground control lines to above-ground locations whenever possible and feasible. The Company proposes to implement this program over an 8-year period, and the total estimated plant additions and costs are approximately \$40,790,000. See Appendix A, pp. 11-12. This program will increase the safety and reliability of service of the Peoples Companies systems by investing in upgrades specifically targeted to mitigate the risk of over-pressurization events similar to the events that occurred in Merrimack, MA." Peoples' LTIIIP pages 6-7.

Peoples plans to install 960 devices.

t. Within forty (40) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall file a report of compliance to confirm that the Company has completed or is on track to complete its remedial obligations set forth, *infra*.

u. Upon Commission approval by Final Order of the Settlement, in its entirety without modification, I&E acknowledges and confirms that Peoples is released from all past claims that were made or could have been made by the Commission for monetary and/or other relief based on allegations that the Company failed to comply with the allegations that are the subject of the instant I&E informal investigation.

v. I&E and Peoples jointly acknowledge that approval of this Settlement Agreement, is in the public interest and fully consistent with the Commission's Policy Statement regarding Factors and Standards for Evaluating Litigated and Settled Proceedings, 52 Pa. Code § 69.1201. The Parties submit that the Settlement Agreement is in the public interest because it effectively addresses I&E's allegations that are the subject of the I&E informal investigation, and avoids the time and expense of litigation, which entails hearing, travel for the Company's witnesses, and the preparation and filing of briefs, exceptions, reply exceptions, as well as possible appeals. Attached as Appendix B and Appendix C are Statements in Support submitted by I&E and Peoples, respectively, setting for the bases upon which they believe the Settlement Agreement is in the public interest.

Settlement Agreement at ¶ 38.

As mentioned, *supra*, on December 21, 2023, the Parties submitted the Supplemental Record in this matter. The Supplemental Record addressed the clarifying information directed by the Commission in the December 2023 Order as follows:

1. *December 6 Order*: "[Provide a] clear and public indication of the costs of replacing the private property damaged by this incident."

Response: "The costs of replacing the private property damage by the incident in Robinson on April 29, 2020 totaled \$305,206.10. The breakdown for those costs are set forth as follows:

Category	Cost Elem.	Cost Element Name	Total
Materials & Supplies Expense	5304100	Material Exp-Stock	\$4,666.22
Materials & Supplies Expense	5304200	Material Exp-Non Stock	\$1,250.61
Materials & Supplies Expense	5304370	Tool & Work Equip	\$717.54
Materials & Supplies Expense	5304390	Misc Supplies	\$802.58
Outside Services	5303030	Contractor Services	\$275,161.02
Outside Services	5303035	Contractor Svcs - Rest	\$16,378.13
Outside Services	5303890	Misc. Outside Svcs	\$6,230.00
Total			\$305,206.10

2. *December 6 Order*: “[Provide] an explanation regarding how the cost to remediate the damage to private property will be paid for (e.g. whether insurance ill cover the replacement of these private facilities, whether Peoples Natural Gas Company LLC’s shareholders will bear these costs, or whether cost recovery will be sought in rates).

Response: “Peoples has not attempted to recover and will not attempt to recover the cost of replacing private property arising from the April 29, 2020 incident in the amount of \$305,206.10 from the ratepayers in a base rate proceeding. As stated in the Joint Petition for Approval of Settlement, these costs were not covered by insurance.”

3. *December 6 Order*: “[Provide] comments on the Parties’ intentions regarding recovery of the civil penalty in rates.”

Response: “The Parties explicitly agree here and had previously agreed that the civil penalty of \$250,000 will not be recovered in Peoples’ rates.

Supplemental Record at 5-6 (emphasis in original).

Discussion

Pursuant to our Regulations at 52 Pa. Code § 5.231, it is the Commission’s policy to promote settlements. The Commission must, however, review proposed settlements to determine whether the terms are in the public interest. *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004).

In reviewing settlements that resolve informal investigations, the Commission will provide other potentially affected parties with the opportunity to file comments regarding a proposed settlement prior to issuing a decision. The Commission’s Regulations at 52 Pa. Code § 3.113(b) provide as follows:

§ 3.113. Resolution of informal investigations.

* * *

(b) Under 65 Pa.C.S. Chapter 7 (relating to Sunshine Act), the Commission’s official actions resolving informal investigations will be as follows:

* * *

(3) When the utility, or other person subject to the Commission’s jurisdiction, has committed to undertake action to address or remedy a violation or potential violation of the act or to resolve another perceived deficiency at the utility, in the form of a settlement with the Commission staff or other resolu-

tion of the matter, the Commission’s consideration of the settlement or approval of the utility’s action will occur at public meeting. Except for staff reports and other documents covered by a specific legal privilege, documents relied upon by the Commission in reaching its determination shall be made part of the public record. *Before the Commission makes a final decision to adopt the settlement or to approve the utility’s action, the Commission will provide other potentially affected persons with the opportunity to submit exceptions thereon or to take other action provided for under law.*

52 Pa. Code § 3.113(b) (emphasis added). See also, *Pa. PUC, Bureau of Investigation and Enforcement v. PPL Electric Utilities Corporation*, Docket No. M-2012-2264635 (Order entered September 13, 2012); *Pa. PUC, Bureau of Investigation and Enforcement v. Liberty Power Holdings, LLC*, Docket No. M-2019-2568471 (Order entered August 8, 2019).

In addition to providing other potentially affected parties with the opportunity to file comments regarding the proposed Settlement in the instant matter, such parties will also have the opportunity to comment on, and the Commission will have the benefit of reviewing, the Supplemental Record which contains important clarifying information which will assist the Commission in its determination as to whether the terms of the proposed Settlement are in the public interest.

Conclusion

Before issuing a decision on the merits of the proposed Settlement, and consistent with the requirement of 52 Pa. Code § 3.113(b)(3), and for the reason(s) stated above, we believe it is appropriate to provide interested parties an opportunity to file comments on the proposed Settlement and Supplemental Record. Therefore, we will: (1) publish this Opinion and Order and a copy of the proposed Settlement (including Appendices), Statements in Support, and Supplemental Record, attached hereto, in the *Pennsylvania Bulletin*; and (2) provide an opportunity for interested parties to file comments regarding the proposed Settlement within twenty-five days of the date of publication in the *Pennsylvania Bulletin*; *Therefore,*

It Is Ordered That:

1. The Secretary’s Bureau shall duly certify this Opinion and Order along with the attached Joint Petition for Approval of Settlement (including Appendices), the Statements in Support thereof, and the Supplemental Record

Act of 2015, Pub.L. 114-74, § 701, 129 Stat. 599, 28 U.S.C. § 2461 note (Nov. 2, 2015) (amending the Federal Civil Penalties Inflation Adjustment Act of 1990). The most recent adjustment made by the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (“PHMSA”) relevant to this incident occurred on July 31, 2019, and revises the maximum civil penalty to Two Hundred and Eighteen Thousand, Six Hundred and Forty-Seven Dollars (\$218,647.00) for each violation for each day the violation continues, with a maximum penalty not to exceed Two Million, One Hundred Eighty-Six Thousand, Four-Hundred and Sixty-Five Dollars (\$2,186,465.00) for a related series of violations. 84 Fed. Reg. 37071 (July 31, 2019).

8. Pursuant to Section 59.33(b) of the Commission’s regulations, 52 Pa. Code § 59.33(b), I&E’s Safety Division (“I&E-Safety”) has the authority to enforce Federal pipeline safety laws and regulations set forth in 49 U.S.C.A. §§ 60101–60503 and as implemented at 49 CFR Parts 191–193, 195 and 199, and to apply the federal civil penalty. The federal pipeline safety laws and regulations prescribe the minimum safety standards for all natural gas and hazardous liquid public utilities in the Commonwealth.

9. Peoples, in providing natural gas distribution service to the public for compensation, is subject to the power and authority of this Commission pursuant to Section 501(c) of the Code, 66 Pa.C.S. § 501(c), which requires a public utility to comply with Commission regulations and orders, including Federal pipeline safety laws and regulations.

II. Background

10. At approximately 9:00 a.m. on April 29, 2020, a crew of three (3) Peoples technicians were performing an annual regulator inspection of station LS 260 in Robinson, PA. The technicians began the inspection with a pre-job briefing and then set pressure gauges near the relief valves. Both relief valves activated at ten (10) ounces, as set. The technicians checked the filter for debris. Then, the technicians proceeded to lock up the regulator and inspect its functionality.

11. To test the regulator, the technicians took it out of service by closing a valve upstream of the regulator and a valve downstream of the regulator. The technicians adjusted pressure to the downstream system manually by operating the bypass valve at the regulator station.

12. While manually operating the bypass valve, the technicians noticed the downstream gauge, which was located by the relief valves, was not registering pressure. The technicians further noticed that the closed downstream valve that isolated the regulator also isolated the double-stacked relief.

13. The technicians then placed a second gauge on the downstream side of the bypass valve and the gauge immediately displayed the pressure gauge’s maximum reading of twenty (20) ounces. At this point, the technicians realized that the maximum allowable operating pressure (“MAOP”) of the system was exceeded. The technicians immediately opened the shut downstream valve, allowing gas to escape through the double-stacked relief and shut down the system using an emergency valve.

14. On April 29, 2020, at approximately 11:45 a.m., a Peoples employee notified a Pipeline Safety Inspector

Supervisor in I&E-Safety of an overpressure of the natural gas distribution system serving the community of Robinson.

15. Peoples sent the three (3) technicians for drug and alcohol testing, the results of which were negative.

16. At 3:25 p.m. on that same day, Peoples began restoring service to the affected customers and completed restoration of service by April 30, 2020.

17. Peoples submitted an incident report, Report No. 1276429, to the National Response Center (“NRC”) at 4:58 p.m. on April 30, 2020.²

18. As a result of this Incident, approximately 204 service lines were over-pressured. The overpressure caused three (3) furnaces to flare and catch on fire. The fires were extinguished prior to the arrival of the fire department. The Company also hired appliance specialists to test whether any appliances were affected by the overpressure and determine whether they were safe. The appliance testing resulted in the replacement of eleven (11) furnaces, seventy (70) water heaters, and one (1) range, as well as the replacement of 194 furnace valves and 135 water tank valves. There were no reported injuries or fatalities. No structures were destroyed, and no evacuations were reported to I&E. The overpressure also compromised the integrity of the distribution system, which serves approximately 221 properties in Robinson.

[BEGIN PROPRIETARY] *****

[END PROPRIETARY]

A. The Affected Distribution System

19. The system is supplied gas through a single district regulator station with an inlet MAOP of sixty (60) psig and an outlet MAOP of one (1) psig. Typical operating pressure of the inlet side of the station is around fifty-two (52) to fifty-six (56) psig. Typical operating pressure of the outlet side of the system is around eight (8) oz. The distribution system pipeline material is comprised of a mixture of polyethylene, coated steel, and bare steel. The system serves 221 properties. The station design is a single regulator with double-stacked relief, a single-relief isolation valve, a single bypass valve, an upstream valve and a downstream valve.

20. I&E-Safety initially directed Peoples to, among other things, conduct daily leak surveys on the affected system for one (1) week or to continue daily leak surveys until leaks were no longer discovered as well as accelerate the replacement of all bare steel piping and metallic service lines not under cathodic protection affected by the overpressure. The Company was advised to monitor any post-incident appliance failures and to provide the public in Robinson with an update of the event and the Company’s efforts to remediate. Peoples complied and continued conducting daily leak surveys for eight (8) weeks until all identified service lines that were leaking were replaced. Through communications with I&E-Safety and after the replacement work was completed, Peoples then performed three (3) additional main line leakage surveys all of which confirmed no further leaks.

21. On its distribution system, the Company replaced approximately 4,552 feet of steel pipe and 133 service lines. [BEGIN PROPRIETARY] *****
 ***** [END PROPRIETARY]

² Peoples attempted to submit the incident report earlier, however, the NRC did not accept the report until the day after the incident.

22. Lastly, Peoples issued a Company-wide safety alert to advise personnel to monitor downstream pressure when manually operating a bypass valve.

B. The I&E Safety Division Investigation

23. I&E-Safety's investigation consisted of a field investigation, the issuance of forty-two (42) individual data requests and review of the responses thereto and interviewing the three (3) technicians who performed the inspection of the regulator.

24. From the interviews, I&E Pipeline Safety Inspectors learned that the most senior technician on the regulator inspection had three (3) years of experience. The other two technicians had four (4) months and nine (9) months of experience individually.

25. The technicians received the relevant operator qualification ("OQ") training. However, of the three (3) technicians who performed the regulator inspection, only one (1) previously performed an inspection on a regulator station where the downstream valve could, if shut, isolate the double-stacked relief and regulators from the rest of the system.

26. During the interviews, the technicians conveyed that they knew the steps to perform regulator station inspections. While Peoples concedes that its technicians on site did not initially follow the Company's job procedure to address bypass operations while inspecting and testing a regulator station, the crew did take steps to correct the situation by adhering to the procedure once acknowledging the error.

27. Peoples estimated on the incident report that the pressure rose to at least 1.63 psig as denoted on the chart. The actual pressure introduced in the system was unknown, however, as the pressure measuring devices read the maximum pressure available on the devices; the recording gauge (maximum pressure reading is twenty-six (26) ounces) and the technician-installed pressure gauge were pegged or maxed out. The system does not include any supervisory control and data acquisition ("SCADA") or electronic pressure monitoring able to record the actual highest pressure or duration of overpressure.

28. Peoples estimated that thirty (30) to sixty (60) seconds of overpressure occurred prior to the relief valve being reopened. The relief valve subsequently blew for an additional ten (10) to fifteen (15) seconds. Because there was no recording gauge on the downstream piping, the precise duration of the overpressure is unknown.

C. The I&E Safety Division Investigation Findings

29. I&E-Safety concluded that the actual pressure in the system when the overpressure occurred cannot be determined, as the paper chart and pressure gauge that was installed in the system both reached the maximum reading.

30. I&E-Safety further concluded that the three technicians did not follow Company procedures set forth in Job Procedure 703, Bypassing a Regulating Station. Specifically, the technicians failed to install the pressure gauge in the correct position to monitor system pressure. The technicians installed a pressure gauge in the downstream tap location only after the overpressure occurred.

31. I&E-Safety found that the training materials provided to it by Peoples during its investigation did not cover bypass operations. From I&E-Safety's perspective, the course offerings and related training materials provided in response to its data request were not sufficiently detailed to ensure that Peoples' employees were fully

qualified on necessary procedures for bypass operations while inspecting and testing regulator stations. Subsequent to its investigation, I&E-Safety learned that Peoples does maintain course outlines and training materials for GM&R employees regarding bypass operations during inspection and testing of a regulator station.

32. Lastly, I&E-Safety determined that the design of the station in question likely contributed to the overpressure incident. Specifically, when maintenance needs to be performed on the station's regulator, certain isolation valves, when shut off, also isolate the relief valve and double-stacked relief.

III. Alleged Violations

33. Had this matter been fully litigated, I&E was prepared to proffer evidence and present legal argument that Peoples violated the following laws and regulations in connection with this Incident:

a. Station LS 260 was not designed to prevent accidental overpressure in that when the valves used to isolate the regulator were turned to the "off" position, the relief valves were also isolated, which prevented their ability to protect the system from overpressure.

This is a violation of 49 CFR § 192.195(b)(2) (relating to protection against accidental overpressure) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities). (one count)

b. Peoples failed to follow procedures as described in Job Procedure 703, Bypassing a Regulating Station, in that the technicians failed to install the pressure gauge in the correct position and failed to install two independent pressure gauges or monometers in the downstream line prior to the overpressure.

This is a violation of 49 CFR § 192.605(a) (relating to procedural manual for operations, maintenance, and emergencies) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities). (one count)

c. Peoples operated a segment of steel or plastic pipeline at a pressure that exceeds the MAOP in that the pressure of the Robinson distribution system exceeded 1 psig to a higher pressure of at least 1.6 psig, which caused flare-up and flames on interior appliances.

This is a violation of 49 CFR § 192.619(a) (relating to maximum allowable operating pressure—steel or plastic pipelines) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities). (one count)

d. Peoples failed to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities in that Peoples' training related to bypassing a regulator station does not mention operation or use of bypass valves.

This is a violation of 49 CFR § 192.805(h) (relating to qualification program) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities). (one count)

e. Peoples failed to maintain adequate, safe and reasonable service and facilities in that the overpressure damaged customer appliances and compromised the integrity of the Robinson distribution system.

This is a violation of 66 Pa.C.S. § 1501 (related to character of service and facilities). (one count)

IV. Terms of Settlement

34. Pursuant to the Commission’s policy of encouraging settlements that are reasonable and in the public interest as set forth at 52 Pa. Code § 5.231(a), the Parties held a series of discussions that culminated in this settlement. I&E and Peoples desire to: (i) terminate I&E’s informal investigation; and (ii) settle this matter completely without litigation. The Parties recognize that this is a disputed claim and given the inherent unpredictability of the outcome of a contested proceeding, the Parties further recognize the significant and more immediate benefits of amicably resolving the disputed issues through settlement as opposed to time-consuming and expensive litigation.

35. This matter is worthy of resolution without litigation as the remedial measures agreed to by the Company in this Settlement Agreement include valuable safety enhancements that go above and beyond what the Company could be required to implement via strict adherence to the provisions of the relevant state and federal regulations.

36. Had this matter been litigated, Peoples was prepared to proffer evidence to dispute the alleged violations that resulted in I&E’s investigation of this Incident. Further, the incident, while concerning, was of a short duration, was quickly rectified, did not cause any explosion and did not cause any fatalities or injuries to any persons. Customers were returned to service by the next day.

37. The terms and conditions of the Settlement Agreement, for which the Parties seek Commission approval, are set forth below.

38. I&E and Peoples, intending to be legally bound and for consideration given, desire to fully and finally conclude this investigation and agree that a Commission Order approving the Joint Petition without modification shall create the following rights and obligations:

a. Peoples shall pay a civil penalty in the amount of Two Hundred and Fifty Thousand Dollars (\$250,000) pursuant to 58 P.S. § 801.502 and 52 Pa. Code § 69.1201. Said payment shall be made within thirty (30) days of the entry date of the Commission’s Final Order approving the Joint Petition for Approval of Settlement in this matter and shall be made by certified check or money order payable to the “Commonwealth of Pennsylvania.” The docket number of this proceeding shall be indicated with the certified check or money order and the payment shall be sent to:

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

b. Peoples agrees that the civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f).

c. Within thirty (30) days of the entry date of the Commission’s Final Order approving any Settlement

Agreement in this matter, Peoples shall review all regulator stations in its distribution system

[BEGIN PROPRIETARY] *****

*****	***** *****
*****	*****
*****	*****
*****	*****
*****	*****

[END PROPRIETARY]

Peoples has “reviewed all of the low-pressure regulator stations” and agrees to similarly review all medium and high-pressure regulator stations to identify all medium-pressure and high-pressure SRS.

[BEGIN PROPRIETARY] *****

***** [END PROPRIETARY]

d. The Company agrees to provide lists for medium-pressure and high-pressure SRS identified out of the total number of medium and high-pressure regulator stations within sixty (60) days following entry of a Final Order approving the Settlement Agreement.

[BEGIN PROPRIETARY] *****

***** [END PROPRIETARY]

e. Peoples agrees to develop a process to rank the specific risk of each SRS. [BEGIN PROPRIETARY] *****

***** [END PROPRIETARY]

p. Peoples agrees to update its Design Manual. [BEGIN PROPRIETARY]

[END PROPRIETARY]

q. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create an OQ task for the operation of a bypass valve as a means of regulating downstream pressure in a gas distribution system.

r. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall change its procedures and/or equipment to maintain the ability to record the actual pressure of an overpressure event in low pressure systems without the gauge or chart maximum pressure being reached.

s. Peoples agrees that it has a plan in place to install pressure monitoring devices on each of its low-pressure systems. This plan is set forth in its most recent LTIIP as follows:

Peoples' Long Term Infrastructure Improvement Plan ("LTIIP") approved by the Pennsylvania Public Utility Commission at Docket No. P-2020-3021942 on January 14, 2021, sets forth Peoples' plan in place with respect to regulator stations:

"In an effort to reduce the likelihood of future over-pressurization events, similar to the event that occurred in Merrimack, MA, in September 2018, the Companies reviewed their 640 regulated low-pressure systems, which are comprised of 4,500 miles of low-pressure pipeline and over 1,800 regulator stations and serve over 450,000 customers. As a result of that review, the Peoples Companies are proposing to implement three project types intended to mitigate over-pressurization risks as a part of this Combined Distribution LTIIP. The Companies will upgrade existing regulator stations by (i) adding remote pressure detection equipment to existing regulator stations, (ii) adding another form of over-pressure protection as applicable, such as adding relief valves or making station piping modifications, and (iii) relocating underground control lines to above-ground locations whenever possible and feasible. The Company proposes to implement this program over an 8-year period, and the total estimated plant additions and costs are approximately \$40,790,000. See Appendix A, pp. 11 - 12. This program will increase the safety and reliability of service of the Peoples Companies systems by investing in upgrades specifically targeted to mitigate the risk of over-pressurization events similar to the events that occurred in Merrimack, MA." Peoples' LTIIP pages 6-7.

Peoples plans to install 960 devices. [BEGIN PROPRIETARY]

[END PROPRIETARY]

t. Within forty (40) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall file a report of compliance to confirm that the Company has completed or is on track to complete its remedial obligations set forth, infra.

u. Upon Commission approval by Final Order of the Settlement, in its entirety without modification, I&E acknowledges and confirms that Peoples is released from all past claims that were made or could have been made by the Commission for monetary and/or other relief based on allegations that the Company failed to comply with the allegations that are the subject of the instant I&E informal investigation.

v. I&E and Peoples jointly acknowledge that approval of this Settlement Agreement, is in the public interest and fully consistent with the Commission's Policy Statement regarding Factors and Standards for Evaluating Litigated and Settled Proceedings, 52 Pa. Code § 69.1201. The Parties submit that the Settlement Agreement is in the public interest because it effectively addresses I&E's allegations that are the subject of the I&E informal investigation, and avoids the time and expense of litigation, which entails hearings, travel for the Company's witnesses, and the preparation and filing of briefs, exceptions, reply exceptions, as well as possible appeals. Attached as Appendix B and Appendix C are Statements in Support submitted by I&E and Peoples, respectively, setting forth the bases upon which they believe the Settlement Agreement is in the public interest.

V. Conditions of Settlement

39. This document represents the Settlement Agreement in its entirety. No changes to obligations set forth herein may be made unless they are in writing and are expressly accepted by the Parties. This Settlement Agreement shall be construed and interpreted under Pennsylvania law.

40. The Parties acknowledge and agree that, in lieu of filing a Motion for Protective Order with the Commission in this matter, the Exhibits attached hereto and certain references in this Joint Petition to the Exhibits shall be marked "Confidential" so as not to be disclosed in the public record but available for the sole use of the Commission and its staff in reviewing and ruling on this Joint Petition.

41. This Joint Petition may be signed in counterparts and all signatures attached hereto will be considered as originals.

42. In order to effectuate this Joint Petition, the undersigned parties request that the Commission issue a Final Order approving the Joint Petition without modification.

43. The settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Joint Petition without modification. If the Commission rejects or modifies this Joint Petition, any party may elect to withdraw from the Settlement Agreement and

may proceed with litigation or take such other action as deemed appropriate and, in such event, this Settlement Agreement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon the other party within twenty (20) days after entry of an Order modifying the Joint Petition.

44. The consequence of any party withdrawing from this Joint Petition as set forth above is that all issues associated with the requested relief presented in the proceeding may be fully litigated by the filing of a Formal Complaint or such other action may be taken as deemed appropriate unless otherwise stipulated between the parties and all obligations of the parties to each other set forth herein are terminated and of no force and effect.

45. The Parties agree that the underlying allegations were not the subject of any hearing and that there has been no order, findings of fact or conclusions of law rendered in this proceeding. It is further understood that, by entering into this Settlement Agreement, Peoples has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in any other proceeding. Nor may this settlement be used by any other person or entity as a concession or admission of fact or law.

46. The Parties acknowledge that this Settlement Agreement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding.

47. This Settlement Agreement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. This Settlement Agreement is presented without prejudice to any position that any of the Parties may have advanced and without prejudice to the position any of the Parties may advance in the future on the merits of the issues in any other proceedings, except to the extent necessary to effectuate or enforce the terms and conditions of this Settlement Agreement. This Settlement Agreement does not preclude the Parties from taking other positions in any other proceeding but is conclusive in this proceeding and may not be reasserted in any other proceeding or forum except for the limited purpose of enforcing the Settlement Agreement by a Party.

48. I&E agrees to close all investigations and potential enforcement actions related to the Incident, and not initiate any new investigation and/or enforcement actions against Peoples based on the Incident. The Settlement Agreement and approval by the Commission shall be a full and complete bar to any future administrative or civil enforcement proceedings by I&E in connection with the Incident. Further, I&E will not cause any third party to pursue any further investigations or enforcement actions against Peoples.

49. Peoples does not admit to any violations of state or federal law with respect to the Incident.

50. In the event the Commission rejects the Settlement or approves the Settlement with modifications or conditions, Peoples may raise affirmative defenses in any formal proceeding brought by I&E in connection with the

Incident, including but not limited to, defenses based on state or federal statutes of limitation.

51. I&E and Peoples shall make good faith efforts to obtain approval of the Joint Petition by the Commission including, but not limited to, submitting Statements in Support of the Joint Petition. Both Parties' Statements in Support of the Joint Petition shall support the position that the agreed-to civil penalty to be paid by Peoples is adequate and consistent with the Commission's Policy Statement on settlement of investigations and the Rosi Standards for civil penalties and thus in the public interest.

52. I&E and Peoples jointly acknowledge that approval of this Settlement Agreement is in the public interest and is fully consistent with the Commission's Policy Statement for evaluating litigated and settled proceedings involving violations of the Code and Commission regulations, 52 Pa. Code § 69.1201. The Commission will serve the public interest by adopting this Joint Petition for Approval of Settlement.

53. The Joint Petition avoids the time and expense of litigation in this matter before the Commission, which likely would entail the filing of a Formal Complaint, the preparation for and attendance at hearings, and the preparation and filing of testimony, briefs, reply briefs, exceptions, and reply exceptions. The Parties further recognize that their positions and claims are disputed and, given the inherent unpredictability of the outcome of a contested proceeding, the Parties recognize the benefits of amicably resolving the disputed issues through settlement.

54. Since the Parties agree to the terms of the Joint Petition, adopting it will eliminate the possibility of any appeal from the Commission Secretarial Letter or Order, thus avoiding the additional time and expense that they might incur in such an appeal.

55. This settlement consists of the entire agreement between I&E and Peoples regarding the matters addressed herein. Moreover, this Settlement Agreement represents a complete settlement of I&E's informal investigation of the alleged violations of state and federal regulations regarding the Incident, as discussed, *supra*.

56. The Parties expressly acknowledge that this Settlement Agreement represents a compromise of positions and does not in any way constitute a finding or an admission of guilt. This Settlement shall be construed and interpreted under Pennsylvania Law.

57. The terms and conditions of this Settlement Agreement constitute a carefully crafted package representing reasonably negotiated compromises on the issues addressed herein. Thus, the Settlement Agreement is consistent with the Commission's rules and practices encouraging negotiated settlements set forth in 52 Pa. Code §§ 5.231 and 69.1201.

Wherefore, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement and Peoples Natural Gas Company LLC respectfully request that the Commission approve the terms of the Joint Petition for Approval of Settlement without modification and in their entirety as being in the public interest.

Date: July 31, 2023

Respectfully submitted and filed by:

Michael L. Swindler
Deputy Chief Prosecutor
PA Attorney ID No. 43319
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, PA 17120
mswindler@pa.gov

Date: July 31, 2023

Michael C. Turzai
Vice President and General Counsel
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212
michael.turzai@peoples-gas.com

**Exhibits
A through M
(PROPRIETARY)**

**Appendix A
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, :
Bureau of Investigation and :
Enforcement’s Investigation of Peoples : Docket No. M-2023-3024990
Natural Gas Company LLC’s April 29, :
2020 Overpressure Incident in Robinson, :
Indiana County, Pennsylvania :

PROPOSED ORDERING PARAGRAPHS

- 1. That the Joint Settlement Petition filed on July 31, 2023 between the Commission’s Bureau of Investigation and Enforcement and Peoples Natural Gas Company LLC is approved in its entirety without modification.
- 2. That, in accordance with Section 3301(c) of the Public Utility Code, 66 Pa.C.S. § 3301(c), within thirty (30) days of the date this Order becomes final, Peoples Natural Gas Company LLC shall pay a civil penalty of Two Hundred Fifty Thousand Dollars (\$250,000.00). Said payment shall be made by certified check or money order payable to “Commonwealth of Pennsylvania” and shall be sent to:

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
- 3. Peoples Natural Gas Company LLC also agrees to promptly take the numerous corrective actions as expressly set forth in the Settlement Agreement.
- 4. The Bureau of Investigation and Enforcement—Safety Division shall monitor this matter for compliance.
- 5. A copy of this Opinion and Order shall be served upon the Financial and Assessment Chief, Bureau of Administration.
- 6. That the above-captioned matter shall be marked closed upon receipt of the civil penalty.

**Appendix B
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSISON**

Pennsylvania Public Utility Commission, :
Bureau of Investigation and :
Enforcement’s Investigation of Peoples : Docket No. M-2023-3024990
Natural Gas Company LLC’s April 29, :
2020 Overpressure Incident in Robinson, :
Indiana County, Pennsylvania :

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT'S
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC
UTILITY COMMISSION:

Pursuant to 52 Pa. Code §§ 5.231, 5.232 and 69.1201, the Pennsylvania Public Utility Commission's ("Commission" or "PUC") Bureau of Investigation and Enforcement ("I&E"), a signatory party to the Joint Petition for Approval of Settlement ("Settlement" or "Settlement Agreement") filed in the above-docketed matter ("Informal Investigation"), submits this Statement in Support of the Settlement Agreement between I&E and Peoples Natural Gas Company LLC ("Peoples" or "Company").³ I&E avers that the terms and conditions of the Settlement Agreement are just and reasonable and in the public interest for the reasons set forth in the Settlement Agreement and as highlighted herein.

I. Background

The I&E Safety Division serves as a registered agent for the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), a federal agency housed in the U.S. Department of Transportation and, as such, is contracted to enforce Federal pipeline safety standards on jurisdictional intrastate pipelines. The I&E Safety Division employs engineer-inspectors who possess engineering degrees and are trained and qualified by PHMSA to perform pipeline safety inspections and verify compliance with the Federal pipeline safety standards, which the Commission has adopted for natural gas public utilities operating in the Commonwealth. 52 Pa. Code § 59.33(b). Accordingly, the I&E Safety Division maintains exclusive jurisdiction over pipeline safety on the intrastate pipeline facilities of natural gas public utilities in Pennsylvania. Here, I&E's informal investigation concerns an overpressure event that occurred on April 29, 2020 in Robinson, Indiana County, Pennsylvania ("Incident"). Fortunately, there were no injuries as a result of this Incident.

At approximately 9:00 a.m. on April 29, 2020, a crew of three (3) Peoples technicians were performing an annual regulator inspection of station LS 260 in Robinson, PA. The technicians began the inspection with a pre-job briefing and then set pressure gauges near the relief valves. Both relief valves activated at ten (10) ounces, as set. The technicians checked the filter for debris. Then, the technicians proceeded to lock up the regulator and inspect its functionality.

To test the regulator, the technicians took it out of service by closing a valve upstream of the regulator and a valve downstream of the regulator. The technicians adjusted pressure to the downstream system manually by operating the bypass valve at the regulator station.

While manually operating the bypass valve, the technicians noticed the downstream gauge, which was located by the relief valves, was not registering pressure. The technicians further noticed that the closed downstream valve that isolated the regulator also isolated the double-stacked relief.

The technicians then placed a second gauge on the downstream side of the bypass valve and the gauge immediately displayed the pressure gauge's maximum reading of twenty (20) ounces. At this point, the technicians realized that the maximum allowable operating

pressure ("MAOP") of the system was exceeded. The technicians immediately opened the shut downstream valve, allowing gas to escape through the double-stacked relief and shut down the system using an emergency valve.

On April 29, 2020, at approximately 11:45 a.m., a Peoples employee notified a Pipeline Safety Inspector Supervisor in I&E-Safety of an overpressure of the natural gas distribution system serving the community of Robinson.

At 3:25 p.m. on that same day, Peoples began restoring service to the affected customers and completed restoration of service by April 30, 2020. Peoples submitted an incident report, Report No. 1276429, to the National Response Center ("NRC") at 4:58 p.m. on April 30, 2020.⁴

As a result of this Incident, approximately 204 service lines were over-pressured. The overpressure caused three (3) furnaces to flare and catch on fire. The fires were extinguished prior to the arrival of the fire department. The Company also hired appliance specialists to test whether any appliances were affected by the overpressure and determine whether they were safe. The appliance testing resulted in the replacement of eleven (11) furnaces, seventy (70) water heaters, and one (1) range, as well as the replacement of 194 furnace valves and 135 water tank valves. The overpressure also compromised the integrity of the distribution system, which serves approximately 221 properties in Robinson. The Company realized a large expenditure in 2020 on outside contractors and vendors for services and products as a result of the Incident, none of which was covered by insurance. There were no reported injuries or fatalities. No structures were destroyed, and no evacuations were reported to I&E.

I&E-Safety alleged multiple violations of 49 CFR Part 192 and 66 Pa.C.S. § 1501 as a result of its investigation.

On July 31, 2023, the Parties filed a Joint Petition for Approval of Settlement resolving all issues between I&E and Peoples in this matter. This Statement in Support is submitted in conjunction with the Settlement.

II. The Public Interest

Pursuant to the Commission's policy of encouraging settlements that are reasonable and in the public interest, the Parties held a series of settlement discussions. These discussions initially involved I&E-Safety and the Company's technical personnel and once referred to I&E-Enforcement, counsel for both Parties joined the dialogue. Formal negotiations ensued culminating in this Settlement Agreement, which, once approved, will resolve all issues related to I&E's informal investigation involving allegations related to the Incident in question.

I&E-Safety personnel invested hundreds of hours conducting interviews with Company technicians; reviewing operator qualifications and combing through data responses to review the Company's Incident response, the associated internal procedures related to regulator inspections, and the application of those procedures in the performance of regulator station inspections.

³ I&E and Peoples are collectively referred to herein as the "Parties."

⁴ Peoples attempted to submit the incident report earlier, however, the NRC did not accept the report until the day after the incident.

I&E-Safety found that the training materials provided to it by Peoples during its investigation did not cover bypass operations but subsequently learned that the Company does maintain course outlines and training materials for GM&R employees regarding bypass operations during inspection and testing of a regulator station that simply had not been offered during the initial investigation. Also, I&E-Safety determined that the design of the regulator station in question likely contributed to the overpressure incident. Specifically, when maintenance needs to be performed on the station's regulator, certain isolation valves, when shut off, also isolate the relief valve and double-stacked relief. This sparked further investigation of all of the Companies regulator stations, the number of stations, the various designs of the stations, whether the Company maintained accurate drawings of the stations, and whether those schematics accurately reflected the operation and use of relief valves when bypassing a regulator station for maintenance purposes.

The enhanced safety-related measures to be taken by Peoples and as detailed in the terms of settlement exemplify the unparalleled effort put into this Settlement by the Parties. These measures include Peoples' obligation to review all relief valve regulator stations in its distribution system to determine if other stations exist where the relief valves will be isolated from the system if the regulators are tested; to identify its regulator stations as low-pressure, medium-pressure and high pressure, develop and utilize a risk model to rank risk assets and incorporate that information into the Company's distribution integrity management plan; develop and implement a plan based on that risk assessment to reconfigure regulator stations to ensure that the relief valve is always in service while the regulators are manually bypassed, and to improve its pre-job briefing procedures, checklist and training programs to make certain they expressly encompass bypass valve operations. In evaluating whether this Settlement is in the public interest, it is important to note that many of the remedial measures agreed to by the Company in this Settlement Agreement include valuable safety enhancements that go above and beyond what the Company could be required to implement should the matter be litigated and a decision rendered based solely on provisions of the relevant state and federal regulations. I&E views the Settlement as more than just a compromise of positions. Rather, this Settlement Agreement provides a long-term solution with safety enhancements that go well beyond finding a violation and imposing a fine. The Parties to this Settlement identified the problem, analyzed the issues, created a solution and plotted its implementation.

III. *Terms of Settlement*

I&E and Columbia, intending to be legally bound and for consideration given and received, desire to fully and finally conclude this investigation and agree that a Commission Order approving the Settlement without modification shall create the following rights and obligations:

Peoples shall pay a civil penalty in the amount of Two Hundred and Fifty Thousand Dollars (\$250,000) pursuant to 58 P.S. § 801.502 and 52 Pa. Code § 69.1201. Said payment shall be made within thirty (30) days of the entry date of the Commission's Final Order approving the Joint Petition for Approval of Settlement in this matter and shall be made by certified check or money order payable to the "Commonwealth of Pennsylvania." The

docket number of this proceeding shall be indicated with the certified check or money order and the payment shall be sent to:

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

Peoples agrees that the civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f).

Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall review all regulator stations in its distribution system to determine if other stations exist where the relief valves will be isolated from the system.

Peoples has "reviewed all of the low-pressure regulator stations" and agrees to similarly review all medium and high-pressure regulator stations to identify all medium-pressure and high-pressure subject regulator stations ("SRS").

The Company agrees to provide lists for medium-pressure and high-pressure SRS identified out of the total number of medium and high-pressure regulator stations within sixty (60) days following entry of a Final Order approving the Settlement Agreement.

Peoples agrees to develop a process to rank the specific risk of each SRS.

Peoples agrees to use the risk model for identifying regulator station improvement project prioritization.

Peoples agrees to develop a plan and timeline for "reconfiguration."

Peoples agrees to use the risk model for identifying regulator station improvement projects. The Parties agree that, given higher ranked risks, other remedial projects could rank higher than a planned low-pressure SRS reconfiguration. Nonetheless, the remedial project set forth herein will be undertaken in addition to other identified remedial projects.

1) Peoples shall develop a remediation schedule or preventative and mitigative measures to prevent the pipeline systems from overpressure when the station relief valves are isolated; and

2) Peoples shall reconfigure the stations to protect the system from overpressure when maintenance is performed.

Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement, Peoples shall develop and implement a process that involves a detailed pre-job briefing and checklist for performing regulator station inspections and bypass valve operations. The pre-job briefing shall require technicians to confirm the configuration of the regulator station and identify specific hazards that may be unique to the station that is being inspected.

Peoples agrees that going forward, the Pre-Job Briefing and the checklist will expressly include any bypass valve operations.

Peoples agrees that once this process is completely developed, it shall be incorporated into the Company's standard operating procedures and job procedures.

Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement

Agreement in this matter, Peoples shall create a training program for newly trained GM&R technicians.

Peoples agrees to provide a summary of the training program to include, at minimum, parameters being considered in the specific training and any other detail that can be offered.

Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create drawings of each station that shows where downstream gauges must be placed during bypass operations.

Within one (1) year of the entry date of the Commission's Final Order approving the Settlement Agreement, Peoples will complete the task of having a drawing for regulator stations.

Peoples agrees to update its Design Manual.

Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create an OQ task for the operation of a bypass valve as a means of regulating downstream pressure in a gas distribution system.

Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall change its procedures and/or equipment to maintain the ability to record the actual pressure of an overpressure event in low pressure systems without the gauge or chart maximum pressure being reached.

Peoples agrees that it has a plan in place to install pressure monitoring devices on each of its low-pressure systems. This plan is set forth in its most recent LTIIIP as follows:

Peoples' Long Term Infrastructure Improvement Plan ("LTIIIP") approved by the Pennsylvania Public Utility Commission at Docket No. P-2020-3021942 on January 14, 2021, sets forth Peoples' plan in place with respect to regulator stations:

"In an effort to reduce the likelihood of future over-pressurization events, similar to the event that occurred in Merrimack, MA, in September 2018, the Companies reviewed their 640 regulated low-pressure systems, which are comprised of 4,500 miles of low-pressure pipeline and over 1,800 regulator stations and serve over 450,000 customers. As a result of that review, the Peoples Companies are proposing to implement three project types intended to mitigate over-pressurization risks as a part of this Combined Distribution LTIIIP. The Companies will upgrade existing regulator stations by (i) adding remote pressure detection equipment to existing regulator stations, (ii) adding another form of over-pressure protection as applicable, such as adding relief valves or making station piping modifications, and (iii) relocating underground control lines to above-ground locations whenever possible and feasible. The Company proposes to implement this program over an 8-year period, and the total estimated plant additions and costs are approximately \$40,790,000. See Appendix A, pp. 11-12. This program will increase the safety and reliability of service of the Peoples Companies systems by investing in upgrades specifically targeted to mitigate the risk of over-pressurization events similar to the events that occurred in Merrimack, MA." Peoples' LTIIIP pages 6-7.

Peoples plans to install 960 devices.

Within forty (40) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall file a report of compliance to confirm that the Company has completed or is on track to complete its remedial obligations set forth, *infra*.

Upon Commission approval by Final Order of the Settlement, in its entirety without modification, I&E acknowledges and confirms that Peoples is released from all past claims that were made or could have been made by the Commission for monetary and/or other relief based on allegations that the Company failed to comply with the allegations that are the subject of the instant I&E informal investigation.

The benefits and obligations of the Settlement Agreement noted therein and in conjunction with this Statement in Support obviate the conclusion that this settlement is in the public interest. The Parties have meticulously negotiated details regarding improvements in company procedures, plans for the identification of all similarly-situated regulator stations for inspection and reconfiguration, improvements to the pre-job briefing process, employee training, operator qualification and updates to company manuals. In entering this Settlement, it is I&E's position that the Company has taken extraordinary measures to proactively respond to I&E's safety concerns and is poised to implement the necessary procedures for the betterment of the general public, its customers and employees.

I&E reiterates here that approval of the Settlement Agreement is in the public interest and is fully consistent with the Commission's Policy Statement for evaluating litigated and settled proceedings involving violations of the Code and Commission regulations. 52 Pa. Code § 69.1201. The Commission will serve the public interest by approving this Joint Petition for Approval of Settlement without modification. It is the Commission's long-standing policy to promote settlements. See 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. "The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a 'burden of proof' standard, as is utilized for contested matters." *Pa. Pub. Util. Comm'n, et al. v. City of Lancaster—Bureau of Water*, Docket Nos. R-2010-2179103, et al. (Order entered July 14, 2011). Instead, the benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004).

I&E submits that approval of the Settlement Agreement in the above-captioned matter is consistent with the Commission's Policy Statement regarding Factors and Standards for Evaluating Litigated and Settled Proceedings Involving Violations of the Public Utility Code and Commission Regulations ("Policy Statement"), 52 Pa. Code § 69.1201; see also *Joseph A. Rosi v. Bell-Atlantic-Pennsylvania, Inc.*, Docket No. C-00992409 (Order entered March 16, 2000). The Commission's Policy Statement sets forth ten (10) factors ("Rosi factors") that the Commission may consider in evaluating whether a civil penalty for violating a Commission order, regulation, or statute is appropriate, as well as whether a proposed

settlement for a violation is reasonable and in the public interest. 52 Pa. Code § 69.1201.

It is important to note that the Commission will not apply the *Rosi* factors as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, *in settled cases, the parties “will be afforded flexibility in reaching amicable resolutions to complaints and other matters as long as the settlement is in the public interest.”* Id. (emphasis added). By the filing of this Joint Petition for Approval of Settlement, I&E and Peoples have declared that they have in good faith negotiated an amicable resolution that benefits the public, the Parties and this Commission. I&E asks that the Commission acknowledge and accept this flexibility when considering the terms and conditions painstakingly negotiated and entered into in this Settlement.

The first *Rosi* factor considers whether the conduct at issue was of a serious nature, such as fraud or misrepresentation, or if the conduct was less egregious, such as an administrative or technical error. Conduct of a more serious nature may warrant a higher civil penalty while conduct that is less egregious warrants a lower amount. 52 Pa. Code § 69.1201(c)(1). I&E alleges that the procedure followed by technicians conducting an annual regulator station inspection of Station LS 260 in Robinson, Indiana County, Pennsylvania resulted in the overpressure of the natural gas distribution system serving the community. As a result of the overpressure, approximately 204 service lines were overpressured and three (3) furnaces flared and briefly caught fire. The Company hired appliance specialists to test whether any appliances were affected by the overpressure, resulting in the replacement of eleven (11) furnaces, seventy (70) water heaters, and one (1) range, as well as the replacement of 194 furnace valves and 135 water tank valves. There were no reported injuries or fatalities. No structures were destroyed, and no evacuations were reported to I&E. The Company realized a large expenditure in 2020 on outside contractors and vendors for services and products as a result of the Incident, none of which was covered by insurance.

Because safe and adequate service to the public is a major concern when gas safety incidents occur, I&E considers the conduct at issue to be of a serious nature, and this was taken into consideration in arriving at the agreed-to civil penalty and remedial measures set forth in the Settlement.

The second factor considers whether the resulting consequences of Peoples’ alleged conduct were of a serious nature. When consequences of a serious nature are involved, such as personal injury or property damage, the consequences may warrant a higher penalty. 52 Pa. Code § 69.1201(c)(2). Here, the Incident involved the overpressure of a distribution system and resulted in the replacement of appliances as stated, above. Although there were no injuries, I&E considers the consequences of the conduct at issue to be of a serious nature, which are reflected in the terms and conditions of settlement.

The third factor to be considered under the Policy Statement is whether the alleged conduct was intentional or negligent. 52 Pa. Code § 69.1201(c)(3). “This factor may only be considered in evaluating litigated cases.” Id. Whether Peoples’ alleged conduct was intentional or negligent does not apply since this matter is being resolved by settlement of the Parties.

The fourth factor to be considered is whether Peoples has made efforts to change its practices and procedures to

prevent similar conduct in the future. 52 Pa. Code § 69.1201(c)(4). As noted in the Joint Petition, since the Incident, Peoples has taken extraordinary strides in implementing new processes and improvements to existing procedures in order to enhance safety measures related to the inspection of regulator stations and treatment of relief valves. These formidable improvements are set forth in the Attachments (proprietary) to the Joint Petition.

The fifth factor to be considered relates to the number of customers affected by the Company’s actions and the duration of the violations. 52 Pa. Code § 69.1201(c)(5). Again, the facts indicate that this was an isolated overpressure incident. Approximately 204 service lines experienced the overpressure in a distribution system that serves approximately 221 properties. Peoples began restoring service to affected customers the day of the incident and completed restoration of service the next day. The Company replaced approximately 4,552 feet of steel pipe and 133 service lines. The infrastructure replacement was completed on June 24, 2020. As an isolated event to a finite customer group where the Company acted quickly to restore service and institute immediate infrastructure repairs, these actions do not warrant weighing in favor of a higher penalty.

The sixth factor to be considered relates to the compliance history of Peoples. 52 Pa. Code § 69.1201(c)(6). An isolated incident from an otherwise compliant company may result in a lower penalty whereas frequent, recurrent violations by a jurisdictional entity may warrant a higher penalty. Here, review of Peoples’ compliance history with the Commission reveals that Peoples has been the subject of approximately a half dozen proceedings over the past ten years⁵ where the Commission imposed civil penalties upon the Company. All but the most recent proceeding over that period have involved relatively minor violations and civil penalties that do not compare to the instant case. Most recently, in *Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Peoples Natural Gas Company LLC*, Docket No. M-2022-3028365 (Order entered August 4, 2022), a Settlement was approved and a \$195,000 civil penalty paid where a temporary meter station failed and created a large volume natural gas leak, the repair of which necessitated an outage of service to approximately 985 customers in Moon Township, Allegheny County, Pennsylvania. Peoples’ compliance history, especially as it relates to allegations of gas safety violations of the most recent Settlement, was considered in arriving at the agreed-upon civil penalty and remedial measures in this matter.

The seventh factor to be considered relates to whether the Company cooperated with the Commission’s investigation. 52 Pa. Code § 69.1201(c)(7). Peoples has cooperated with I&E’s investigation in order to address the violations alleged as a result of the Incident. Together, the Parties have agreed on safety enhancements without the need for lengthy litigation. The Parties further determined that it was in their respective best interest, as well as in the public interest, to settle this matter and to reach an amicable agreement as to an appropriate civil penalty amount that adequately balances all the relevant interests under the circumstances of this case and given the capital expenditures anticipated as a result of the non-monetary remedial measures to be implemented by the Company. A fair and equitable civil penalty has been

⁵ The Commission limited the review of the compliance history of a long-time certificated natural gas public utility to the past ten-years when the matter concerned alleged gas safety violations. *Pa. Pub. Util. Comm’n, Bureau of Investigation and Enforcement v. UGI Utilities, Inc.—Gas Division*, Docket No. C-2018-3005151 (Order entered October 29, 2020) at 27.

reached in this Settlement Agreement without the need to pursue formal enforcement action.

The eighth factor to be considered is the appropriate civil penalty necessary to address the Incident and to deter future violations. 52 Pa. Code § 69.1201(c)(8). I&E submits that the negotiated civil penalty amount of \$250,000, which is not tax deductible, is a fair, substantial and sufficient result to find that this Settlement Agreement is in the public interest.

The ninth factor to be considered relates to past Commission decisions in similar situations. 52 Pa. Code § 69.1201(c)(9). I&E submits that the instant Settlement Agreement should be viewed on its own merits and is fair and reasonable. However, in looking at the relevant factors that are comparable to other pipeline matters involving violations of the Federal pipeline safety regulations, the instant Settlement is consistent with past Commission actions in that a civil penalty will be paid and corrective actions will be performed to address the alleged violations.

The tenth factor considers “other relevant factors.” 52 Pa. Code § 69.1201(c)(10). In support of the \$250,000 civil penalty, I&E again notes the depth and detail to which the Parties have agreed to implement safety enhancements that address this Incident and disseminate the impact of those corrective measures throughout the Company’s service territory in comprehensive fashion so as to blanket its infrastructure with improvements that are consistent and impactful. Given the fair civil penalty to be paid by Peoples and the corrective measures agreed to by the Company, there is simply no benefit to delaying

the implementation of such safety enhancements and proceeding to litigation or seeking a more significant monetary penalty.

In conclusion, I&E fully supports the terms and conditions of the Settlement Agreement. The terms of the Settlement Agreement reflect a carefully balanced compromise of the interests of the Parties in this proceeding. Peoples has agreed to pay a fair civil penalty as part of this Settlement Agreement and, more importantly, will implement enhancements to its procedures that will benefit all customers in its service territory and the public in general. Accordingly, approval of this Settlement Agreement without modification is in the public interest.

Wherefore, I&E supports the Settlement Agreement as being in the public interest and respectfully requests that the Commission approve the terms of the Joint Petition in their entirety without modification.

Respectfully submitted,

Michael L. Swindler
Deputy Chief Prosecutor
PA Attorney ID No. 43319

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**Appendix C
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, :
Bureau of Investigation and Enforcement, :
Complainant :
v. : Docket No. M-2023-3024990
Peoples Natural Gas Company LLC :
Respondent :

**STATEMENT IN SUPPORT OF JOINT PETITION FOR
APPROVAL OF SETTLEMENT**

Honorable Commissioners:

Peoples Natural Gas Company LLC (“Peoples”) hereby files this statement in Support of the Joint Petition for Approval of Settlement (“Settlement” or “Joint Settlement”) entered into by Peoples and the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) (hereinafter, collectively “Joint Petitioners”) in the above-captioned proceeding. The Settlement, if approved, will fully resolve all issues related to I&E’s formal complaint involving an overpressure incident in Robinson, Indiana County, Pennsylvania on April 29, 2020 (“April 29, 2020 Incident” or “Incident”). Peoples respectfully requests that the Commission approve the Settlement, including the terms and conditions thereof, without modification.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. Peoples undertook an extensive investigation of the events related to the April 29, 2020 Incident and fully cooperated with and assisted I&E’s investigation of

the events surrounding the Incident. Peoples has been proactive with I&E related to identifying and modifying facilities, practices, and procedures that can be further improved to enhance the safety and reliability of services. The Settlement, if approved, will provide substantial public benefits. For these reasons and the reasons set forth below, the Settlement is fair, just and reasonable and, therefore, the Settlement should be approved without modification.

I. Introduction

A. Parties

I&E is the entity established by statute to prosecute complaints against public utilities pursuant to 66 Pa.C.S. § 308(b). The Commission has delegated its authority to initiate proceedings that are prosecutorial in nature to I&E and other bureaus with enforcement responsibilities. Implementation of Act 129 of 2008; Organization of Bureaus and Offices, Docket No. M-2008-2071852 (Aug. 11, 2011).

Peoples is a “public utility” and a “natural gas distribution company as those terms are defined in Sections 102 and 2202 of the Code, 66 Pa.C.S. §§ 102, 2202. Peoples provides natural gas transmission, distribution, and supplier of last resort services to its customers throughout its certificated service territory subject to the regulatory jurisdiction of the Commission.

B. Background

The background of this matter is adequately set forth in Section II of the Joint Settlement and is incorporated herein by reference.

II. Commission Policy Favors Settlement

Commission policy promotes settlements. See 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. C-2010-2071433, 2012 Pa. PUC LEXIS 1377 at *6 (August 31, 2012).

The Commission has promulgated a Policy Statement that sets forth ten factors that the Commission may consider in evaluating whether a civil penalty for violating a Commission order, regulation, or statute is appropriate, as well as whether a proposed settlement for a violation is reasonable and in the public interest. 52 Pa. Code § 69.1201. These factors are (i) Whether the conduct at issue was of a serious nature; (ii) Whether the resulting consequences of the conduct at issue were of a serious nature; (iii) Whether the conduct at issue was deemed intentional or negligent; (iv) Whether the regulated entity made efforts to modify internal policies and procedures to address the conduct at issue and prevent similar conduct in the future; (v) The number of customers affected and the duration of the violation; (vi) The compliance history of the regulated entity that committed the violation; (vii) Whether the regulated entity cooperated with the Commission’s investigation; (viii) The amount of the civil penalty or fine necessary to deter future violations; (ix) Past Commission decisions in similar situations; and (x) Other relevant factors. 52 Pa. Code § 69.1201(c). The Commission will not apply the standards as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, in settled cases the parties “will be afforded flexibility in reaching amicable resolutions to complaints and other matters so long as the settlement is in the public interest.” 52 Pa. Code § 69.1201(b).

The substantial public benefits of the Settlement, as well as the ten factors that the Commission considers in reviewing a settlement of an alleged violation, are addressed in the section that follows. For the reasons explained below, the Settlement is in the public interest and should be approved.

III. The Settlement is in the Public Interest

A. Summary

The Settlement, once approved, will resolve all issues related to the I&E complaint related to the April 29, 2020 Incident. The Complaint alleges that, in connection with the Incident, Peoples committed several violations of the Public Utility Code and federal pipeline safety standards. Based on these allegations, the Complaint requested that

the Commission order Peoples to pay a civil penalty, review all of its regulator stations, in particular, to ascertain which regulator stations (“Subject Regulator Stations”) allow for the reliefs to be isolated while testing the regulators, accumulate and/or develop drawings for each regulator station highlighting where downstream gauges must be placed, develop initial measures to prevent an incident similar to the April 29, 2020 Incident, develop a plan to reconfigure any Subject Regulator Stations and set forth a schedule to do so and to make sure that any design for a new regulator station does not allow for relief valves to be isolated while testing. I&E further sought an Order for Peoples to improve, develop and implement a detailed pre-job briefing and checklist for its GM&R employees testing regulator stations and an apprenticeship program for said GM&R hires. Peoples has agreed, in substantive part, to undertake the measures requested by I&E with specific plans and timetables and at considerable expense.

Throughout the investigative and settlement processes in this proceeding, Peoples has been cooperative and proactive with I&E to enhance the safety and reliability of its services. After the incident, Peoples conducted daily leak surveys for eight (8) weeks until all identified service lines that were leaking were replaced. Peoples performed an additional three (3) line leak surveys each of which confirmed no further leaks.

Peoples communicated to customers through an alert page on its website, a post on its Facebook page and a letter to all residents. Peoples replaced approximately 4,552 feet of steel pipe and 133 service lines out of 221 properties in the Robinson system at significant cost which was fully completed by June 24, 2020. Peoples replaced eleven (11) furnaces, seventy (70) water heaters and one (1) range as well as numerous furnace valves and water tank valves. Peoples expended a considerable sum on outside contractors and vendors for the services of the contractors and the replacement of appliances in Robinson.

Peoples team recognizes the seriousness of the error committed here and the risk posed. However, Peoples’ GM&R team reacted quickly to the error by opening a valve to the reliefs. The incident was of a short duration, quickly rectified, did not cause an explosion and did not cause any fatalities or injuries to any persons. No structures were destroyed and no evacuations were reported. Customers were returned to service the next day. The three technicians underwent drug and alcohol testing and each test was negative.

Please know, however, that Peoples, in fact, did have a job procedure, Job Procedure 703, in place that directed the team to, among other items, “install two independent pressure gauges. . . in the downstream line in a place where they can be monitored at or near the bypass valve.” Further, the “bypass valve shall be constantly attended and the pressure monitored by a dedicated person during the period it is open.” Also, Peoples did have a training course and materials addressing not just regulator station testing but bypass operations. Nonetheless, Peoples has and will continue to enhance its training course and materials and implement an even more thorough pre-job briefing and checklist.

In addition to agreeing to undertake the measures requested by I&E at considerable time and expense, Peoples has made a substantial economic concession to I&E in the form of civil penalty.

Finally, the terms and conditions of the Settlement favorably align with the ten factors that may be consid-

ered under the Commission's Policy Statement. Accordingly, the Settlement should be approved.

B. *Description of the Settlement*

Importantly, as discussed in the Joint Settlement, the Parties agree that is their intent that the Joint Settlement not be admitted as evidence in any potential civil proceeding involving this matter. It is further understood that, by entering into the Joint Settlement, Peoples has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in all proceedings including, but not limited to, any civil proceedings, that may arise as a result of the circumstances described in the Joint Settlement.

The terms of the Settlement fully resolve all of the issues raised in and relief requested by I&E's Complaint, including the payment of a civil penalty. As explained below, Peoples avers that approval of the Settlement is in the public interest. Further, acceptance of the Settlement will avoid the necessity of further administrative and potential appellate proceedings at what would have been a substantial cost to the parties. If approved, the Settlement will provide substantial and important benefits to the customers and communities served by Peoples, including permanent improvements to some of Peoples' regulator stations and enhanced training for its GM&R employees on each type of regulator station and bypass operations respective to each.

C. *Factors under Commission's Policy Statement*

Under the Policy Statement, the Commission may consider ten specific factors when evaluating settlements of alleged violations of the Public Utility Code and the Commission's Regulators. 52 Pa. Code § 69.1201(c).

The first factor addresses whether the conduct at issue was of a serious nature. Peoples recognizes the seriousness of the April 29, 2020 Incident and the risk that the incident portended. Peoples' team opened a bypass valve to let the gas feed the system while bypassing the regulator in order to conduct an examination of the regulator. The downstream valve was shut off blocking any access to the double stacked relief. A gauge was placed on the relief piping. However, no gauge was placed to measure gas pressure into the system. When the reading on the gauge set on the relief valve continued to fall, the team recognized its error. The team immediately opened the shut downstream, allowing gas to escape through the double stacked relief and shut down the system using an emergency valve. The technicians estimated the duration to be less than sixty (60) seconds although the exact time has not been determined. The incident here was not evidence of a pattern and practice but an admittedly concerning event. However, the incident was of a short duration, was quickly rectified, did not cause any fatalities or injuries, did not cause anyone to evacuate her or his home, and no structures were destroyed.

The second factor considers the seriousness of the consequences of the incident at issue. As stated, this was a serious incident. However, there were no fatalities or injuries, no explosions, no damage to structures. No one had to evacuate. The incident was of a short duration.

The third factor to be considered in this case, namely, whether Peoples' alleged conduct was intentional or negligent. The extent this factor is to be considered, there has been no finding that Peoples' conduct was in any way intentional. Further, Peoples' team, recognizing their error, acted promptly and prudently to prevent any catastrophic event. The technicians underwent drug and

alcohol testing, each of which came back negative. This was an aberrant incident after Peoples' GM&R employees have over the years conducted thousand and thousands of tests on regulator stations.

The fourth factor to be considered is whether Peoples made efforts to modify internal policies and procedures to address the alleged conduct at issue and to prevent similar conduct in the future. Peoples has already changed its design manual. Peoples conducted a review of all of its regulator stations, low, medium and high-pressure regulator stations. Given the review, Peoples knows for each category of regulator station which stations have reliefs which can be isolated, thus identifying the full complement of Subject Regulator Stations. Peoples has agreed to incorporate those Subject Regulator Stations into its distribution integrity management plan. Peoples has developed and implemented a risk model. Peoples will adhere to a two-step plan to improve its regulator stations, the first step to be implemented for each and every regulator station and the second step, over time, for its low-pressure Subject Regulator Stations. Peoples will work with I&E to establish plan for medium and high pressure Subject Regulator Stations.

Peoples has already updated its training course and materials for bypass operations but is undertaking further improvements to the course and materials. Peoples will create an OQ task for the operation of a bypass valve for all regulator stations including the Subject Regulator Stations. Peoples has taken steps to improve its pre-job briefing and checklist for the testing of regulator stations.

The fifth factor to be considered deals with the number of customers affected and the duration of the violation. There were no fatalities or injuries. There were no evacuations. No structure was affected. Peoples communicated with its customers by engaging at least six (6) contractors to go door to door at homes, on its website and on its Facebook posted. Later, a letter was sent to each customer as follow-up, alerting them that a plumbing contractor was still available. Overall, Peoples replaced eleven (11) furnaces, seventy (70) water heaters and one (1) range along with furnace valves and water tank valves. Peoples also replaced 133 service lines.

The sixth factor considered is the compliance history of Peoples. Peoples has a positive proactive relationship with I&E to provide for safety and reliability. The Settlement terms, particularly with respect to Peoples' detailed plan to address its Subject Regulator Stations and bypass operations, evidences Peoples' good faith efforts to enhance the safety and reliability of its gas system, consistent with the purposes of the Code and the Commission's regulations.

The seventh factor considered is whether the regulated entity cooperated with the Commission's investigation. After the incident, Peoples conducted daily leak surveys for eight (8) weeks until all identified service lines that were leaking were replaced. Peoples performed an additional three (3) line leak surveys each of which confirmed no further leaks. On its distribution system in Robinson, PA, Peoples replaced 4,552 feet of steel pipe and 133 service lines at a cost of \$1,262, 406 which was completed on June 24, 2020.

The eighth factor is whether the amount of the civil penalty or fine will deter future violations. Peoples submits that a civil penalty in the amount of \$250,000 constitutes a significant penalty and deterrent. Peoples avers that the civil penalty set forth in the Settlement appropriately recognizes the seriousness of this matter.

The compromise penalty recognizes the efforts undertaken by Peoples immediately at the time of the incident including the communication with its customers in Robinson, its engagement of contractors to check on homes and appliances, its replacement of service lines and steel pipe, its work already undertaken by Peoples to identify and reconfigure its Subject Regulator Stations and commitment going forward and its improvement of and commitment to improved training for its GM&R employees with respect to regulator station testing and related bypass operations.

The ninth factor examines past Commission decisions in similar situations. When all relevant factors are taken into account, in particular the depth of Peoples' commitment to valuable safety improvements, namely: inventorying its upgrading its drawings for each regulator station, reviewing and replacing Subject Regulator Stations and improving its training course and materials for GM&R technicians and improving and upgrading its pre-job briefing including a detailed checklist that specifically addresses all facets of the regulator station and safe bypass procedures, the Settlement is fair and more than consistent with past Commission actions.

Relative to the tenth factor, Peoples avers that a compromise best meets public policy as both Peoples and I&E want to prevent a leakage from any temporary meter set or regulator station going forward and recognizes that Peoples will improve its design and construction process going forward. Peoples has demonstrated a commitment consistent with the Commission's public safety goals and objectives and insured concern for its customers and the general public. Based on the foregoing, the Settlement

should be considered fair, equitable and reasonable under the Commission's Policy Statement.

IV. Conclusion

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a settlement that resolves all issues in the proceeding in a fair, equitable, and reasonable manner. The Settlement resolves all issues related to the I&E Complaint related to the April 29, 2020 Incident. Finally, the terms and conditions of the Settlement should be viewed as satisfying the ten factors set forth in the Commission's Policy Statement, 52 Pa. Code § 69.1201(c). A fair, equitable and reasonable compromise has been achieved in this case. Peoples fully supports the Settlement and respectfully requests that the Honorable Commission approve the Settlement in its entirety, without modification.

Respectfully,

Michael C. Turzai
Vice President and General Counsel
Peoples Natural Gas Company LLC

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, :
Bureau of Investigation and :
Enforcement's Investigation of Peoples : Docket No. M-2023-3024990
Natural Gas Company LLC's April 29, :
2020 Overpressure Incident in Robinson, :
Indiana County, Pennsylvania :

CERTIFICATE OF SERVICE

I hereby certify that I have served a true copy of the foregoing Joint Petition for Approval of Settlement (Non-Proprietary and Proprietary Versions) dated July 31, 2023, upon the parties listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

Service by Electronic Mail

Michael C. Turzai
Vice President and General Counsel
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Michael L. Swindler
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**Attachment B
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

December 21, 2023

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement	:	
	:	
v.	:	Docket No. M-2023-3024990
	:	
Peoples Natural Gas Company LLC	:	

**SUPPLEMENTAL RECORD TO
JOINT PETITION FOR APPROVAL OF SETTLEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC
UTILITY COMMISSION:

Pursuant to the Opinion and Order of the Pennsylvania Public Utility Commission entered December 6, 2023 in the above-captioned matter, the Bureau of Investigation and Enforcement (“I&E”) and Peoples Natural Gas Company LLC (“Peoples” or “Company”) (hereinafter referred to collectively as the “Parties” or “Joint Petitioners”) hereby submit this Supplemental Record to Joint Petition for Approval of Settlement (“Supplement”) to respond the Commission’s belief that additional information is needed for the Commission to make an informed decision as to whether the Joint Petition for Approval of Settlement (“Settlement Agreement”) filed with the Commission is in the public interest.

I. Introduction

1. The Parties to this Settlement Agreement, are the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement, by its prosecuting attorneys, 400 North Street, Harrisburg, PA 17120, and Peoples Natural Gas Company LLC, a natural gas distribution company with a primary mailing address of 375 North Shore Drive, Pittsburgh, PA 15212.

2. The Pennsylvania Public Utility Commission is a duly constituted agency of the Commonwealth of Pennsylvania empowered to regulate public utilities within this Commonwealth, as well as other entities subject to its jurisdiction, pursuant to the Public Utility Code (“Code”), 66 Pa.C.S. §§ 101, et seq.

3. I&E is the bureau within the Commission established to prosecute complaints against public utilities. See Implementation of Act 129 of 2008; Organization of Bureaus and Offices, Docket No. M-2008-2071852 (Order entered August 11, 2011) (delegating authority to initiate proceedings that are prosecutory in nature to I&E); See also 66 Pa.C.S. § 308.2(a)(11).

4. Peoples Natural Gas Company LLC is a “public utility” as that term is defined at 66 Pa.C.S. § 102,⁶ as it is engaged in providing public utility service as a natural gas distribution company (“NGDC”) to the public for compensation.

5. Section 501(a) of the Code, 66 Pa.C.S. § 501(a), authorizes and obligates the Commission to execute and enforce the provisions of the Code.

⁶ At 66 Pa.C.S. § 102, “Public utility” is defined under that term at subsection (1)(i) as:

(2) Any person or corporations now or hereafter owning or operating in this Commonwealth equipment or facilities for:

(i) Producing, generating, transmitting, distributing or furnishing natural or artificial gas, electricity, or steam for the production of light, heat, or power to or for the public for compensation.

6. Pursuant to Section 59.33(b) of the Commission’s regulations, 52 Pa. Code § 59.33(b), I&E’s Safety Division (“I&E-Safety”) has the authority to enforce Federal pipeline safety laws and regulations set forth in 49 U.S.C.A. §§ 60101—60503 and as implemented at 49 CFR Parts 191—193, 195 and 199, and to apply the federal civil penalty. The federal pipeline safety laws and regulations proscribe the minimum safety standards for all natural gas and hazardous liquid public utilities in the Commonwealth.

7. Peoples, in providing natural gas distribution service to the public for compensation, is subject to the power and authority of this Commission pursuant to Section 501(c) of the Code, 66 Pa.C.S. § 501(c), which requires a public utility to comply with Commission regulations and orders, including Federal pipeline safety laws and regulations.

8. The Parties filed with the Commission a Joint Petition for Approval of Settlement in both Proprietary and Non-Proprietary versions with their respective Statements in Support and multiple Appendices on July 31, 2023.

9. On December 6, 2023, the Commission entered an Opinion and Order at the above docket (“December 6 Order”).

10. While noting that it is the Commission’s policy to promote settlements in order to determine whether the terms of the Settlement are in the public interest, the Commission determined here that additional specific information was needed.

11. The December 6 Order stated in pertinent part:

Upon review of the Settlement and Statements in Support of the same, the Commission believes that the Settlement must be augmented with supplemental information so that the Commission can make an informed decision regarding whether the Settlement is in the public interest.

First, the Settlement should be supplemented by the Parties to clearly and publicly indicate the costs of replacing the private property damaged by this incident. This information is only accessible to the Parties and should be included in the Settlement, and we see no reason why these costs should be confidential. Second, the Parties should explain how the cost to remediate the damage to private property will be paid for. For example, whether insurance will cover the replacement of these private facilities, whether Peoples’ shareholders will bear those costs, or whether cost recovery will be sought in rates. Finally, the Parties should comment on their intentions regarding recovery of the civil penalty in rates.

Category	Cost Elem.	Cost Element Name	Total
Materials & Supplies Expense	5304100	Material Exp-Stock	\$4,666.22
Materials & Supplies Expense	5304200	Material Exp-Non Stock	\$1,250.61
Materials & Supplies Expense	5304370	Tool & Work Equip	\$717.54
Materials & Supplies Expense	5304390	Misc Supplies	\$802.58
Outside Services	5303030	Contractor Services	\$275,161.02
Outside Services	5303035	Contractor Svcs - Rest	\$16,378.13
Outside Services	5303890	Misc. Outside Svcs	\$6,230.00
Total			\$305,206.10

December 6 Order at 12.⁷

12. The December 6 Order concluded, in pertinent part that “within twenty (20) days, the Parties shall supplement the record in the Settlement by clearly and publicly indicating the costs of replacing the private property damaged by this incident, explaining how the cost to remediate the damage to the private property will be paid for (e.g., whether insurance will cover the replacement of these private facilities, whether Peoples’ shareholders will bear those costs, or whether cost recovery will be sought in rates), and informing the Commission of their intentions regarding recovery of the civil penalty in rates. Upon receipt of the supplemental information, the Commission will publish the clarified settlement for comment, and consider and review the Settlement and supplemental information.”

13. In compliance with the December 6 Order, the Parties provide the supplemental information as follows:

1. *December 6 Order*: “[Provide a] clear and public indication of the costs of replacing the private property damaged by this incident.”

Response: “The costs of replacing the private property damaged by the incident in Robinson on April 29, 2020 totaled \$305,206.10. The breakdown for those costs are set forth as follows:

2. *December 6 Order*: “[Provide] an explanation regarding how the cost to remediate the damage to private property will be paid for (e.g. whether insurance will

cover the replacement of these private facilities, whether Peoples Natural Gas Company LLC’s shareholders will bear these costs, or whether cost recovery will be sought in rates).

Response: “Peoples has not attempted to recover and will not attempt to recover the cost of replacing private property arising from the April 29, 2020 incident in the amount of \$305,206.10 from the ratepayers in a base rate proceeding. As stated in the Joint Petition for Approval of Settlement, these costs were not covered by insurance.”

3. *December 6 Order*: “[Provide] comments on the Parties’ intentions regarding recovery of the civil penalty in rates.”

Response: “The Parties explicitly agree here and had previously agreed that the civil penalty of \$250,000 will not be recovered in Peoples’ rates.”

14. The supplemental information provided herein in response to the December 6 Order is not designated as Proprietary.

Wherefore, the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement and Peoples Natural Gas Company LLC respectfully request that the Commission accept the within Supplemental Record as responsive to the December 6 Order and approve the Joint Petition for Approval of Settlement as supplemented without modification and in its entirety as being in the public interest.

Date: December 21, 2023

Date: 12/20/2023

Respectfully submitted and filed by:

Michael L. Swindler
Deputy Chief Prosecutor
PA Attorney ID No. 43319
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, PA 17120
mswindler@pa.gov

Michael C. Turzai
Vice President and General Counsel
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212
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⁷ Although the December 6 Order pages are not numbered, this text does appear on the twelfth page.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,
Bureau of Investigation and Enforcement

v.

Peoples Natural Gas Company LLC

:
:
:
:
:
:

Docket No. M-2023-3024990

CERTIFICATE OF SERVICE

I hereby certify that I have served a true copy of the foregoing Supplemental Record to Joint Petition for Approval of Settlement, dated December 21, 2023, upon the parties listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

Service by Electronic Mail

Michael C. Turzai
Vice President and General Counsel
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212
michael.turzai@peoples-gas.com

Michael L. Swindler
Deputy Chief Prosecutor
PA Attorney ID No. 43319

Pennsylvania Public Utility Commission
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Commonwealth Keystone Building
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STATEMENT OF CHAIRPERSON STEPHEN M. DeFRANK

Before joining my staff as legal counsel, Stephanie Wimer was employed in the Commission’s Bureau of Investigation and Enforcement and worked on this investigation. Please note that she has not advised me in this matter.

[Pa.B. Doc. No. 24-219. Filed for public inspection February 16, 2024, 9:00 a.m.]

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

Petition of Williams Companies, Inc. for Declaratory Order; Doc. No. P-2023-3041485

On June 26, 2023, Williams Companies, Inc. (Williams) filed a petition for declaratory order seeking confirmation from the Pennsylvania Public Utility Commission (Commission) that its planned two 11 megawatt solar photovoltaic energy projects not directly connected to a distribution system of an electric distribution company or to a transmission system operated by a regional transmission organization qualified to generate Solar Alternative Energy Credits under the Alternative Energy Portfolio Standards Act (73 P.S. §§ 1648.1—1648.9).

In accordance with 52 Pa. Code §§ 5.61—5.66 (relating to answers), answers and petitions to intervene must be filed and served at this docket on or before 20 days after this notice is published in the *Pennsylvania Bulletin*, and replies must be filed and served at this docket on or before 40 days after this notice is published in the *Pennsylvania Bulletin*.

Filings must be made with the Secretary of the Pennsylvania Public Utility Commission, 400 North Street, 2nd Floor, Harrisburg, PA 17120, with a copy served on counsel for Williams. Electronic filing and service is available by obtaining a free eFiling account with the Secretary of the Commission through the Commission’s eFiling system at <https://www.puc.pa.gov/efiling/Default.aspx>. The documents filed in support of Williams’ petition are available for inspection and copying at the Commission’s Office of the Secretary between 8 a.m. and 4:30 p.m., Monday through Friday, and at Williams’ business address. Additionally, the documents may be viewed on and downloaded from the Commission’s web site at <https://www.puc.pa.gov/docket/P-2023-3041485>.

Petitioner: Williams Companies, Inc., 2800 Post Oak Boulevard, Houston, TX 77056

Through and By Counsel for Petitioner: Michael A. Gruin, Esq., Stevens & Lee, 17 North Second Street, 16th Floor, Harrisburg, PA 17101, (717) 255-7365, michael.gruin@stevenslee.com

ROSEMARY CHIAVETTA,
Secretary

[Pa.B. Doc. No. 24-220. Filed for public inspection February 16, 2024, 9:00 a.m.]

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Service of Notice of Motor Carrier Applications

The following temporary authority and/or permanent authority applications for the right to render service as a common carrier or contract carrier in this Commonwealth have been filed with the Pennsylvania Public Utility Commission (Commission). Formal protests, petitions to intervene and answers must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before March 4, 2024. Filings must be made electronically through eFiling to the Secretary of the Pennsylvania Public Utility Commission, 400 North Street, Harrisburg, PA 17120, with a copy served on the applicant by March 4, 2024. Parties participating in matters pending before the Commission are requested to eFile their submissions by opening an eFiling account and accepting EService. Individuals can sign up for a free eFiling account with the Secretary of the Commission through the Commission's eFiling system at <https://www.puc.pa.gov/efiling/Default.aspx>. A protest shall indicate whether it applies to the temporary authority application, the permanent authority application, or both. Protests may only be filed if there is evidence that the applicant lacks fitness. Protests based on endangering or impairing operations of an existing carrier will not be honored. The documents filed in support of the application are only available for inspection through the Commission's web site at www.puc.pa.gov by searching under the docket number as follows or by searching the applicant's web site.

Applications of the following for approval to begin operating as common carriers for transportation of persons as described under each application.

A-2023-3044612. Evolve Transportation Services, LLC (1556 Bristol Pike, Bensalem, Bucks County, PA 19020) for the right to begin to transport, as a common carrier, by motor vehicle, persons in paratransit service, between points in Lancaster County and the City and County of Philadelphia.

A-2023-3045013. E & P Luxury Transportation, Inc. (1030 Lisa Lane, Easton, Northampton County, PA 18045) to transport, as a common carrier, by motor vehicle, persons in group and party service, in vehicles seating 11 to 15 passengers, including the driver, between points in Pennsylvania, excluding areas under the jurisdiction of the Philadelphia Parking Authority.

A-2024-3045260. Point A to B Transportation, LLC (234 Coal Run Road, Clarksburg, Indiana County, PA 15725) to transport, as a common carrier, by motor vehicle, persons in paratransit service, from points in Armstrong, Indiana and Westmoreland Counties to points in Pennsylvania, and return.

A-2024-3045364. VIP Taxi Services, LLC (407 West South Street, Mahanoy City, Schuylkill County, PA 17948) for the right to begin to transport, as a common carrier, by motor vehicle, persons in call or demand service, between points in Luzerne County and Schuylkill County.

A-2024-3045381. Steven Showalter, t/a Showalter Ride Service (190 Farm Lane, McAlisterville, Juniata County, PA 17049) for the right to begin to transport, as a

common carrier, by motor vehicle, persons in paratransit service, limited to persons whose personal convictions prevent them from owning or operating motor vehicles, from points in Juniata County to points within a 150-mile air radius of the boundaries of Juniata County, and return.

A-2024-3045888. Time Away Transportation Services, LLC (19 Sunny Lane, Beach Lake, Wayne County, PA 18405) in group and party service, in vehicles seating between 11 and 15 passengers, including the driver, between points in the Counties of Lackawanna, Pike and Wayne.

A-2024-3045889. Time Away Transportation Services, LLC (19 Sunny Lane, Beach Lake, Wayne County, PA 18405) in airport transfer service, between points in the Counties of Lackawanna, Pike and Wayne.

A-2024-3045913. Valley Taxi, Inc. (2162 Cotton Hollow Road, Athens, Bradford County, PA 18810) to transport, as a common carrier, by motor vehicle, persons in paratransit service, from points in Bradford County, to points in Pennsylvania, and return.

Application of the following for approval of the beginning of the exercise of the right and privilege of operating motor vehicles as common carriers for the transportation of persons by transfer of rights as described under the application.

A-2024-3045581. PTG Bus, LLC (1825 Liverpool Street, Pittsburgh, PA 15233) to transport, as a common carrier, by motor vehicle, persons, in group and party service, in vehicles seating 11 to 15 passengers, including the driver, from points in the Counties of Armstrong, Beaver, Butler, Fayette, Indiana, Lawrence, Washington and Westmoreland, to points in Pennsylvania, and return; excluding service that is under the jurisdiction of the Philadelphia Parking Authority; which is to be a transfer of all rights authorized under the certificate issued at A-2011-2230099, to Pittsburgh Transportation Group Charter Services, Inc., subject to the same limitations and conditions. *Attorney:* Ray F. Middleman, 11 Stanwix Street, Suite 1400, Pittsburgh, PA 15222.

Application of the following for approval of the beginning of the exercise of the right and privilege of operating motor vehicles as common carriers for the transportation of household goods as described under the application.

A-2024-3045749. Pineapple Delivery Services, LLC, t/a Pineapple Movers (1901 South 9th Street, Philadelphia, PA 19148) household goods in use, between points in Pennsylvania.

Application of the following for approval to begin operating as contract carriers for transportation of persons as described under the application.

A-2024-3045872. Vetpride Services, Inc. (2710 Wycliff Road, Suite 105, Raleigh, NC 27607) for the Pittsburgh Veterans Affairs Medical Center (VAMC), to VAMC leased employee parking locations, between points in Allegheny County.

Applications of the following for the approval of the right and privilege to discontinue/abandon operating as common carriers by motor vehicle and for cancellation of the certificate of public convenience as described under each application.

A-2024-3045824. Robert B. Cellitti Moving and Storage, Inc. (249-269 Walnut Street, Sunbury, Northumberland County, PA 17801) discontinuance of service and cancellation of its certificate, to transport, as a common carrier, by motor vehicle, household goods in use, as more thoroughly described in the original ordering paragraphs at A-00105650, F.1, F.1 Am-A, F.1 Am-B, F.1 Am-C.

A-2024-305896. Pike County Taxi, Inc. (110 Cromwell Road, Milford, Pike County, PA 18337) discontinuance of service and cancellation of its certificate, to transport, as a common carrier, by motor vehicle, at A-2008-2062390, persons in call or demand, in the Counties of Pike and Wayne.

A-2024-3045898. Limoman416, LLC (416 Coreopsis Drive, Lancaster, Lancaster County, PA 17602) for the discontinuance and cancellation of its right to transport persons in limousine service, from points in Lancaster County, to points in Pennsylvania, and return; excluding areas under the jurisdiction of the Philadelphia Parking Authority, as originally captioned at Docket A-2019-3011747.

ROSEMARY CHIAVETTA,
Secretary

[Pa.B. Doc. No. 24-221. Filed for public inspection February 16, 2024, 9:00 a.m.]

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Telecommunications Services

A-2023-3043668. Campus Communications Group, Inc. Application of Campus Communications Group, Inc. for approval to offer, render, furnish or supply telecommunications services to the public as a competitive local exchange carrier in the service territories of: Brightspeed of Pennsylvania, LLC; Commonwealth Telephone Company, d/b/a Frontier Communications Commonwealth Telephone Company; Verizon Pennsylvania, LLC; Verizon North, LLC; and Windstream Pennsylvania, LLC.

Formal protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before March 4, 2024. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission, 400 North Street, 2nd Floor, Harrisburg, PA 17120, with a copy served on the applicant. The documents filed in support of the application are available for inspection and copying at the Office of the Secretary between 8 a.m. and 4:30 p.m., Monday through Friday, on the Pennsylvania Public Utility Commission's web site at www.puc.pa.gov and at the applicant's business address.

Applicant: Campus Communications Group, Inc.

Through and By Counsel: Jason Danowsky, Foster Danowsky, 904 West Avenue, Suite 107, Austin, TX 78701
ROSEMARY CHIAVETTA,
Secretary

[Pa.B. Doc. No. 24-222. Filed for public inspection February 16, 2024, 9:00 a.m.]

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Valuation of Acquired Municipal Water and Wastewater Systems—Act 12 of 2016 Implementation

Public Meeting held
February 1, 2024

Commissioners Present: Stephen M. DeFrank, Chairperson; Kimberly Barrow, Vice Chairperson, verbal statement; Ralph V. Yanora; Kathryn L. Zerfuss, statement follows; John F. Coleman, Jr.

*Valuation of Acquired Municipal Water & Wastewater Systems—Act 12 of 2016 Implementation;
M-2016-2543193*

Tentative Supplemental Implementation Order

By the Commission:

Consistent with the Motion of Chairman Stephen M. DeFrank adopted on February 1, 2024, the Pennsylvania Public Utility Commission (Commission) enters this Tentative Supplemental Implementation Order regarding four revisions to the Commission's existing procedures for applications filed under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1329. We seek comments within 30 days of publication in the *Pennsylvania Bulletin* and reply comments within 45 days of publication in the *Pennsylvania Bulletin*. We direct the Law Bureau, with the assistance of the Bureau of Technical Utility Services, to review the comments, and all the information provided therein, and to present a Final Supplemental Implementation Order to the Commission for consideration.

Discussion

On April 14, 2016, Governor Tom Wolf signed Act 12 of 2016 (Act 12) amending Chapter 13 of the Pennsylvania Public Utility Code by incorporating a new section: 66 Pa.C.S. § 1329. Section 1329 established a procedure for an acquiring public utility or entity (acquiring utility) and a municipal corporation or authority (selling utility) to use fair market valuation, instead of depreciated original cost, when the acquiring utility purchases a water and wastewater system located in the Commonwealth. Following passage of Act 12, the Commission issued a series of Implementation Orders to assist our administration of Section 1329.¹ To date, the Commission has received 27 applications under Section 1329.

Recently, Act 12 has elicited significant interest from the public and policy makers alike. Numerous pieces of legislation have been introduced in the General Assembly proposing to amend Section 1329.² Further, hearings have been recently held by the House Consumer Protection, Technology and Utilities Committee along with the Senate Democratic Policy Committee to discuss this topic.³ The Commission submitted official testimony and participated in both.

Given the Commission's experience gained since issuance of our last Supplemental Implementation Order in 2019, we find it appropriate to amend our procedures and

¹ Final Implementation Orders entered on October 27, 2016, and February 28, 2019, at the instant docket.

² Bills include but may not be limited to HB 626, HB 627, HB 628, HB 629, HB 1205, HB 1308, HB 1862, HB 1863, HB 1864, HB 1865, SB 432, and SB 866.

³ House Consumer Protection, Technology and Utilities Hearing held on December 12, 2023. Senate Democratic Policy Committee Hearing held on January 22, 2024.

guidelines to better inform the interested public of Section 1329 applications, to standardize the weights utilized by the utility valuation experts, and to provide the Commission with measures to interpret the reasonableness of acquisition prices. Specifically, we enter this Tentative Supplemental Implementation Order that includes four revisions to the Commission's existing Section 1329 procedures. We believe the time is right for the Commission to consider revisions that are within the Commission's purview. Therefore, we introduce the following proposals.

Public Hearings

When an acquiring utility and selling utility agree to use the procedure established by Section 1329, they should be required to schedule and conduct at least two in-person public hearings prior to executing the asset purchase agreement. These public hearings should address the proposed acquisition, describe the potential rate impacts, provide the opportunity for public comment and be held at venues within the municipal boundaries of the selling utility, or at the nearest reasonable venues with Commission notification.⁴ Such public hearings may include a public meeting held by the municipal government in which the transaction is on the agenda as well as other meetings or open houses hosted by either the acquiring utility or selling utility. The acquiring utility or selling utility should be required to notify the selling utility's customers of the public hearing. Examples of effective notice include local newspapers, community newsletters, faith community bulletins, public service announcements, social media posts shared with community groups and municipalities, local radio and television stations, posting in areas of high foot traffic, communications to local community groups, and posting shared with local community centers. Direct outreach to concerned residents may also be considered as notice, whether through a phone call, text, letter, or email. The Commission's Section 1329 Application Filing Checklist should be revised to include public hearings and should include an attestation that the public hearings were held.

We believe this modification will assist in better informing the public of the transaction between the acquiring utility and the selling utility. Hosting such hearings will give the public the opportunity to question both transacting parties, and better prepare the public to participate in any eventual application at the Commission. Bolstering such public input opportunity before the filing of the proceeding is further supported given the six-month statutory time frame the Commission currently has to adjudicate perfected Section 1329 applications.

Rate Impact Notice

The acquiring utility and the selling utility should be required to verify, or declare under affidavit, the following three items within the initial application.

- Both parties acknowledge the selling utility is aware of the potential rate impacts the transaction may have on the selling utility's customers. This would include detailing the overall dollar and percentage impact implicated from stand-alone rates from the transaction price.⁵
- The selling utility has publicly communicated such implications on rates through notices issued to its existing customers.

⁴ In-person hearings may also permit hybrid access via telephone or video streaming.

⁵ A stand-alone rate is one that does not include any Act 11 of 2012 water/wastewater cross subsidization.

- Both parties understand the Commission may shift rate allocations in a manner different from any commitments made in the underlying application.

As part of the Commission's Section 1329 Application Filing Checklist, this verification or affidavit would be a prerequisite to having a perfected application.

We acknowledge the current Commission requirements for notice, which do include requirements to inform all potentially affected customers, including the customers of the selling utility.⁶ Nonetheless, we believe it is prudent to fortify the public notice requirements with this additional information. This information should prove particularly informative for the selling utility and its customers, as it will make it more certain both have a clear and informed understanding of the stand-alone rate implications from the transaction.

Default Weights for Appraisals

Act 12 directs appraisers, or utility valuation experts (UVEs), to establish a fair market value of the selling utility by utilizing the cost, market, and income approaches for valuation. The results of these three are then weighed in portions determined at the discretion of the UVE. While the vast majority of UVE appraisals are weighed evenly, review of previous applications does show a minority that weigh appraisals unevenly.

We submit that the UVEs should weigh each valuation result evenly: one-third for cost, one-third for market, and one-third for income. Establishing such default weights will eliminate the ability of any UVE to artificially inflate or deflate the results of any appraisals that come in high or low, respectively. Furthermore, this should help to level the competitive bidding landscape of acquiring utilities by standardizing the process. We believe the Commission is empowered to establish such default weights by the Uniform Standards of Professional Appraisal Practice.⁷

Finally, we believe applicants should be availed an opportunity to seek Commission authority to deviate from these default weights with good cause shown. Such good cause for deviation would need to be included in the acquiring utility's Section 1329 application.

Reasonableness Review Ratio

We believe it is sound for the Commission to annually publish a "Reasonableness Review Ratio," or RRR. This ratio would not be binding, but rather, a guidepost that the Commission can use when it analyzes and eventually makes a final determination on the overall prudence of various Section 1329 applications.

The crux of the RRR is to determine the ratio of the fair market value to depreciated original cost (DOC) of a barometer group of similarly situated investor-owned water utility companies (IOUs). The barometer group of IOUs would be the same group of water utility companies the Commission utilizes in its Report on the Quarterly Earnings of Jurisdictional Utilities (Quarterly Earnings Report).⁸

To determine the fair market value, the Commission would utilize the enterprise value (EV) of the IOUs as a relevant proxy. The enterprise value is a comprehensive

⁶ See February 28, 2019 Implementation Order.

⁷ 2024 Uniform Standards of Professional Appraisal Practice (USPAP) Standards 1-4, Effective January 1, 2024.

⁸ Latest Quarterly Earnings Report issued January 18, 2024 at Docket No. M-2023-3044811.

valuation of the IOUs and is readily available to the public for each of these IOUs given their publicly traded status.⁹

To determine the DOC of these IOUs, the Commission would utilize the ‘net property, plant, and equipment’ metric (Net PP&E) included on each of the companies’ balance sheets. Net PP&E is an appropriate proxy for DOC since it represents the total value of the physical assets of the company less depreciation.

The RRR would then be the ratio of these two numbers, with EV being in the numerator and Net PP&E being in the denominator: Reasonableness Review Ratio = Enterprise Value/Net Property, Plant, & Equipment.

The RRR would be published by the Commission annually. The published RRR would be comprised of the average of the RRR barometer group information set scraped four times a year. The EV and Net PP&E information would be comprised of values for each indicator at the end of all four quarters.¹⁰

The data set would begin in quarter one of 2017, given that this would be the first full calendar year dating back to the passage of Act 12 in April of 2016. The average would be rolling, so every year the RRR is published you would add four new quarters and remove the four oldest quarters. This would essentially eliminate the oldest year from the subset while adding the newest year. Therefore, the rolling average subset would entail a full seven years. This would instill a certain rigidity to the RRR, while allowing it to move gradually in relation to market circumstances.

The results for the EV, Net PP&E, and RRR are all exhibited in Appendix A to this Tentative Supplemental Implementation Order. If utilizing this information at present, we would see an RRR of 1.68.¹¹

In summary, the RRR would help to foster a more informed judgement by the Commission on the merit of the overall Section 1329 application. This is the case since the relationship between EV and DOC in the IOU industry, i.e. the RRR, can help guide the Commission in its determination on the reasonableness of the transaction price within a Section 1329 application. Given that the Section 1329 application will include the DOC of the selling utility’s assets and the proposed transaction price, the Commission can use this information to see how the ratio of these figures compares with the annually published RRR.

We recognize the novel nature of this proposal and welcome interested parties to submit alternative approaches that could assist the Commission in its efforts to review and determine the reasonableness of Section 1329 application transaction prices.

⁹ Enterprise Value is calculated via the following: Market Capitalization + Debt – Cash.

¹⁰ The net PP&E quarterly information will lag one quarter due to the timing of Securities and Exchange Commission reporting.

¹¹ Note, the current data set proposed herein does not include Q4 2023 data for Net PP&E since it has not been published yet. Consequently, the fourth quarter 2023 information for EV, and by result the fourth quarter 2023 RRR has also been omitted. As this Tentative Supplemental Implementation Order proposes, publishing of the RRR in April of any year would instill access to the Net PP&E and EV figures for the previous calendar year.

Timing to Effectuate Proposed Changes

The public hearing, rate impact notice, and default appraisal weight revisions to the Commission’s Section 1329 Application Filing Checklist contemplated herein would go into effect 30 days after issuance of any final order. Any applications filed pursuant to Section 1329 after that date would need to be submitted on the revised application materials in order to be considered.

An initial RRR would be published 30 days after the issuance of any final order in this proceeding. Thereafter, the RRR would be published annually by the Commission in the month of April, or as soon as practical after the first quarter of the year recognizing the lag in Net PP&E reporting. The Commission would acknowledge that some transactions may be in the midst of negotiations, and as such, provide due consideration to the timing of the initial RRR release and any initial Section 1329 applications under this proposal. This would particularly be emphasized in the instance where an asset purchase agreement may be completed in close proximity to the issuance of the initial RRR.

Conclusion

We believe these four updates to the Commission’s presently established Section 1329 implementation and administrative regimes will improve the general public’s awareness of applications, establish more consistent and expected weighing of valuation methods, and assist the Commission in its ultimate review and analysis of Section 1329 dockets. *Therefore,*

It Is Ordered That:

1. A copy of this Tentative Supplemental Implementation Order, including Appendix A, shall be published in the *Pennsylvania Bulletin*.

2. A copy of this Tentative Supplemental Implementation Order, including Appendix A, shall be served on all jurisdictional water and wastewater companies, the National Association of Water Companies—Pennsylvania Chapter, the Pennsylvania State Association of Township Supervisors, the Pennsylvania State Association of Boroughs, the Pennsylvania Municipal Authorities Association, the Pennsylvania Rural Water Association, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate.

3. Comments shall be due within thirty (30) days following publication in the *Pennsylvania Bulletin*, and reply comments shall be due within forty-five (45) days following publication in the *Pennsylvania Bulletin*.

4. The Law Bureau, with assistance from the Bureau of Technical Utility Services, shall review the comments, and all the information provided therein, and shall present a Final Supplemental Implementation Order to the Commission for consideration.

ROSEMARY CHIAVETTA,
Secretary

ORDER ADOPTED: February 1, 2024

ORDER ENTERED: February 7, 2024

Appendix A

Investor Owned Utility Ticker Key

- American States Water Company (ticker: AWR)
- American Water Works Co., Inc. (ticker: AWK)
- California Water Service Group (ticker: CWT)
- Essential Utilities, Inc. (ticker: WTRG)
- Middlesex Water Company (ticker: MSEX)
- SJW Group (ticker: SJW)

Reasonableness Review Ratio

	AWK	AWR	CWT	WTRG	MSEX	SJW	RRR Result	1.68
9/30/2023	1.44	1.97	1.19	1.34	1.59	1.29		
6/30/2023	1.60	2.15	1.29	1.49	1.86	1.44		
3/31/2023	1.72	2.20	1.39	1.62	1.84	1.54		
12/31/2022	1.70	2.29	1.44	1.71	1.88	1.57		
9/30/2022	1.55	2.02	1.32	1.57	1.88	1.32		
6/30/2022	1.70	2.11	1.38	1.70	2.12	1.38		
3/31/2022	1.91	2.30	1.46	1.82	2.52	1.49		
12/31/2021	2.14	2.64	1.74	1.88	2.79	1.52		
9/30/2021	2.02	2.29	1.52	1.75	2.47	1.45		
6/30/2021	1.91	2.17	1.46	1.74	2.05	1.43		
3/31/2021	1.88	2.10	1.48	1.74	2.03	1.47		
12/31/2020	1.92	2.23	1.44	1.78	1.93	1.51		
9/30/2020	1.88	2.17	1.25	1.63	1.77	1.42		
6/30/2020	1.74	2.29	1.32	1.71	1.92	1.46		
3/31/2020	1.67	2.39	1.39	1.25	1.79	1.39		
12/31/2019	1.71	2.52	1.44	1.80	1.98	1.00		
9/30/2019	1.73	2.67	1.48	1.72	1.93	1.52		
6/30/2019	1.65	2.30	1.44	1.89	1.81	1.37		
3/31/2019	1.54	2.23	1.52	1.50	1.78	1.41		
12/31/2018	1.42	2.16	1.41	1.43	1.73	1.58		
9/30/2018	1.42	2.05	1.31	1.53	1.64	1.35		
6/30/2018	1.39	1.97	1.24	1.52	1.49	1.45		
3/31/2018	1.35	1.87	1.20	1.50	1.37	1.24		
12/31/2017	1.46	2.02	1.43	1.67	1.47	1.43		
9/30/2017	1.39	1.80	1.29	1.50	1.47	1.32		
6/30/2017	1.37	1.83	1.27	1.52	1.50	1.23		
3/31/2017	1.38	1.76	1.25	1.50	1.44	1.25		

Enterprise Value (all numbers in thousands)

	AWK	AWR	CWT	WTRG	MSEX	SJW
9/30/2023	35,567,818	3,737,055	3,858,182	15,967,536	1,568,284	3,531,076
6/30/2023	38,857,932	4,001,638	4,112,505	17,280,588	1,802,507	3,838,399
3/31/2023	40,880,319	4,015,253	4,323,438	18,365,246	1,743,409	4,036,106
12/31/2022	39,554,205	4,116,802	4,363,803	19,072,223	1,739,980	4,105,693
9/30/2022	35,295,634	3,551,174	3,956,881	17,095,720	1,702,001	3,370,121
6/30/2022	37,772,198	3,646,680	4,061,940	18,089,622	1,870,809	3,476,742
3/31/2022	41,031,580	3,913,844	4,207,071	18,951,815	2,173,385	3,688,030

NOTICES

Enterprise Value (all numbers in thousands)

	AWK	AWR	CWT	WTRG	MSEX	SJW
12/31/2021	45,391,070	4,427,530	4,904,568	19,325,527	2,429,517	3,763,648
9/30/2021	41,693,794	3,765,227	4,243,815	17,489,661	2,109,615	3,481,548
6/30/2021	38,739,751	3,512,200	3,998,954	16,969,687	1,725,191	3,376,068
3/31/2021	37,679,654	3,341,180	3,977,473	16,713,115	1,666,246	3,410,111
12/31/2020	38,037,880	3,469,600	3,788,272	17,059,520	1,546,448	3,465,833
9/30/2020	36,355,326	3,300,990	3,233,389	15,201,708	1,362,694	3,199,372
6/30/2020	33,155,343	3,426,059	3,359,310	15,609,313	1,440,915	3,213,609
3/31/2020	31,124,906	3,513,473	3,393,809	11,189,966	1,311,974	3,056,454
12/31/2019	31,355,861	3,671,215	3,418,911	11,429,960	1,407,053	2,170,493
9/30/2019	31,554,011	3,787,073	3,471,860	10,690,084	1,318,737	2,087,304
6/30/2019	29,522,554	3,205,990	3,317,490	11,584,697	1,194,721	1,851,208
3/31/2019	27,294,084	3,033,265	3,441,939	9,054,422	1,128,519	1,866,040
12/31/2018	24,711,687	2,853,600	3,118,579	8,480,913	1,070,864	2,073,862
9/30/2018	24,167,899	2,638,674	2,873,189	8,811,976	981,843	1,742,129
6/30/2018	23,344,810	2,484,072	2,634,468	8,442,477	864,849	1,826,988
3/31/2018	22,284,321	2,329,224	2,500,460	8,201,649	771,736	1,533,329
12/31/2017	23,688,565	2,484,712	2,899,961	9,024,830	818,955	1,746,286
9/30/2017	21,813,823	2,167,935	2,548,885	7,922,048	799,924	1,582,374
6/30/2017	21,116,810	2,154,028	2,443,042	7,855,896	800,554	1,434,932
3/31/2017	20,919,023	2,032,972	2,351,139	7,600,345	753,650	1,429,760

Sourced from Yahoo! Finance Plus.Net PP&E (all numbers in thousands)*

	AWK	AWR	CWT	WTRG	MSEX	SJW
9/30/2023	24,774,000	1,896,750	3,248,324	11,884,401	988,836	2,729,004
6/30/2023	24,271,000	1,862,425	3,177,730	11,630,000	970,606	2,667,212
3/31/2023	23,715,000	1,827,859	3,103,437	11,335,245	945,655	2,618,204
12/31/2022	23,305,000	1,800,208	3,031,091	11,172,680	924,351	2,613,950
9/30/2022	22,726,000	1,761,437	2,987,612	10,918,773	903,849	2,556,921
6/30/2022	22,193,000	1,728,631	2,934,676	10,637,078	883,089	2,517,561
3/31/2022	21,489,000	1,698,885	2,887,415	10,440,989	862,372	2,480,953
12/31/2021	21,176,000	1,677,289	2,816,907	10,300,796	869,868	2,476,849
9/30/2021	20,680,000	1,642,905	2,796,369	10,012,155	854,588	2,406,475
6/30/2021	20,308,000	1,618,680	2,746,606	9,764,517	840,286	2,361,038
3/31/2021	20,003,000	1,588,952	2,684,936	9,627,848	820,214	2,319,901
12/31/2020	19,805,000	1,558,507	2,622,991	9,573,211	801,807	2,299,745
9/30/2020	19,364,000	1,521,952	2,596,314	9,322,482	771,431	2,246,220
6/30/2020	19,043,000	1,498,604	2,537,816	9,114,457	751,734	2,206,033
3/31/2020	18,689,000	1,472,697	2,446,971	8,954,900	732,308	2,192,170
12/31/2019	18,335,000	1,459,166	2,381,516	6,358,657	711,674	2,173,062
9/30/2019	18,260,000	1,418,962	2,343,254	6,209,835	683,883	1,376,807
6/30/2019	17,910,000	1,394,033	2,302,205	6,128,012	660,567	1,353,804
3/31/2019	17,739,000	1,358,410	2,259,559	6,033,428	635,123	1,327,038
12/31/2018	17,409,000	1,321,666	2,207,980	5,930,326	618,487	1,313,022
9/30/2018	17,063,000	1,289,301	2,185,742	5,740,801	599,104	1,287,513

Net PP&E (all numbers in thousands)

	AWK	AWR	CWT	WTRG	MSEX	SJW
6/30/2018	16,777,000	1,262,862	2,130,264	5,541,973	580,480	1,262,417
3/31/2018	16,477,000	1,242,574	2,083,038	5,460,219	564,324	1,239,369
12/31/2017	16,246,000	1,229,062	2,025,753	5,399,860	557,240	1,224,851
9/30/2017	15,681,000	1,204,962	1,981,924	5,276,474	545,461	1,201,421
6/30/2017	15,391,000	1,176,616	1,928,612	5,159,151	533,281	1,169,015
3/31/2017	15,128,000	1,158,320	1,888,005	5,057,826	524,532	1,140,249

**Sourced from Yahoo! Finance Plus*

**STATEMENT OF COMMISSIONER
KATHRYN L. ZERFUSS**

I take this opportunity to emphasize that the Commission is taking the concerns raised by all parties related to water acquisitions under Section 1329 of the Public Utility Code very seriously. We are evaluating all of our options to address these concerns, but I note that the confines of the statute limit our authority to make changes. That said, I think that the revisions proposed today to our existing process are a positive step forward and I want to express my support—especially for any enhanced, meaningful public engagement.

Even with these proposed revisions, I want to highlight my position that this Commission must carefully evaluate each of these cases and determine whether the acquiring public utility has established its burden of proof under applicable balancing test. This has been outlined in recent caselaw. Significantly, in *Cicero v. Pa. PUC*, 2023 WL 5302323 (Pa. Cmwlth. 2023) (*Cicero*), the Commonwealth Court upheld prior precedent that the substantial affirmative public benefits of a proposed acquisition must outweigh the acknowledged harms resulting from the acquisition. It is incumbent on this Commission to apply the current caselaw.

Date: February 1, 2024

KATHRYN L. ZERFUSS,
Commissioner

[Pa.B. Doc. No. 24-223. Filed for public inspection February 16, 2024, 9:00 a.m.]

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

Water Service

A-2024-3046084 and A-2024-3046092. Pennsylvania-American Water Company and Appalachian Utilities, Inc. Joint application of Pennsylvania-American Water Company and Appalachian Utilities, Inc., under

66 Pa.C.S. § 1102 (relating to enumeration of acts requiring certificate), for approval of: (1) the transfer to American Water Works Company, Inc., by merger, of all property of Appalachian Utilities, Inc. used and useful in the public service; (2) the transfer to Pennsylvania-American Water Company, by merger, of all property of Appalachian Utilities, Inc. used or useful in the public service; (3) the right of Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in the Borough of Avis and Townships of Pine Creek and Dunnstable, Clinton County; and (4) the abandonment by Appalachian Utilities, Inc. of all water service.

Formal protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before Monday, March 4, 2024. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission, 400 North Street, 2nd Floor, Harrisburg, PA 17120, or on the Pennsylvania Public Utility Commission's (Commission) web site at www.puc.pa.gov with a copy served on the applicant. The documents filed in support of the application are available for inspection and copying at the Office of the Secretary between 8 a.m. and 4:30 p.m., Monday through Friday, on the Commission's web site at www.puc.pa.gov and at the applicant's business address. If a filing contains confidential or proprietary material, the filing is required to be submitted by overnight delivery.

Applicants: Pennsylvania-American Water Company; Appalachian Utilities, Inc.

Through and By Counsel: Erin K. Fure, Esquire, Pennsylvania-American Water Company, 852 Wesley Drive, Mechanicsburg, PA 17055, (717) 550-1556, erin.fure@amwater.com; Thomas J. Sniscak, Esquire, Todd S. Stewart, Esquire, Hawke McKeon & Sniscak, LLP, 100 North 10th Street, Harrisburg, PA 17101, (717) 919-4022, tjsniscak@hmslegal.com, tsstewart@hmslegal.com

ROSEMARY CHIAVETTA,
Secretary

[Pa.B. Doc. No. 24-224. Filed for public inspection February 16, 2024, 9:00 a.m.]

