



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

August 25, 2017

Via E-Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Co. LLC -
Equitable Division
Docket No. C-2016-2437295
(Settlement Agreement)

Dear Secretary Chiavetta:

Enclosed for electronic filing is the Settlement Agreement of the Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement, in the above-referenced matter.

Copies have been served on the parties of record in accordance with the Certificate of Service. If you have any questions, please do not hesitate to contact me. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Heidi L. Wushinske". The signature is written in a cursive, flowing style.

Heidi L. Wushinske
Senior Prosecutor
Bureau of Investigation and Enforcement
Attorney ID No. 93792

Enclosure

cc: As per certificate of service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation & Enforcement	:	
	:	
v.	:	Docket No. C-2016-2437295
	:	
Peoples Natural Gas Company LLC	:	

JOINT PETITION FOR SETTLEMENT

The Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement (“I&E”) and Peoples Natural Gas Company LLC (“Peoples,” the “Company,” or the “Respondent”), by their respective counsel, respectfully submit to the Pennsylvania Public Utility Commission (the “Commission” or the “PUC”) this Joint Petition for Settlement, including the attached Exhibits and Statements in Support from I&E (Appendix A) and the Company (Appendix B) (together the “Joint Petition”). The Company and I&E are collectively referred to herein as the “Joint Petitioners.”

As a result of negotiations between I&E and Peoples, the Joint Petitioners have agreed to resolve their differences as encouraged by the Commission’s policy to promote settlements (See 52 Pa. Code § 5.231). The terms and conditions of this Joint Petition represent a comprehensive settlement (the “Settlement”) of all issues presently pending in the above-docketed proceeding as well as I&E’s separate ongoing informal investigation at BP8#2514832 Courtney Hill (“Courtney Hill Matter”).¹ The Joint Petitioners represent that this comprehensive Settlement is in the public interest and, therefore, request that the Commission approve, without modification,

¹ The BP8#2514832 Courtney Hill matter involves an informal investigative of circumstances similar to the I&E allegations in this formal complaint, but I&E has not served a Non-Compliance Letter or filed a formal complaint in this proceeding. I&E is satisfied that the terms of Settlement reached here adequately address those circumstances and will consider the Courtney Hill matter closed if this Settlement is approved by the Commission. Hereinafter, any terms related to resolution and closure of I&E’s Complaint at Docket No. C-2016-2437295, shall also include resolution and closure of the Courtney Hill matter.

the proposed Settlement as set forth in the Joint Petition. In support of their request, the Joint Petitioners state as follows:

I. INTRODUCTION

1. The parties to this Settlement are I&E, by its prosecuting attorneys, P.O. Box 3265 Harrisburg, PA 17105-3265, and Peoples, with a principal place of business at 375 North Shore Drive, Pittsburgh, PA 15212-5861.

2. Peoples is a “public utility” as that term is defined at 66 Pa.C.S. § 102,² as it is engaged in providing public utility service as, *inter alia*, a natural gas distribution company to the public for compensation.

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

4. Section 701 of the Public Utility Code, 66 Pa.C.S. § 701, authorizes the Commission, *inter alia*, to hear and determine complaints against public utilities for violations of any law or regulation that the Commission has jurisdiction to administer or enforce.

5. Section 3301 of the Public Utility Code, 66 Pa.C.S. § 3301, authorizes the Commission to impose civil penalties on any public utility or any other person or corporation subject to the Commission’s jurisdiction for violation(s) of the Public Utility Code and/or Commission regulations.

6. Respondent, in providing gas distribution service for compensation, is subject to the power and authority of this Commission pursuant to Section 501(c) of the Public Utility Code, 66 Pa.C.S. § 501(c), which requires a public utility to comply with Commission orders.

² At 66 Pa.C.S. § 102, “Public utility” is defined under that term at subsection (1)(i) as:

- (1) Any person or corporation 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.

7. Pursuant to the Commission's regulations at 52 Pa. Code § 59.33(b), the Commission's Pipeline Safety Division, which is part of I&E, also has the authority to enforce the federal gas pipeline safety regulations set forth in 49 U.S.C.A. §§ 60601, *et seq.* and implemented in 49 C.F.R. Parts 191-193, 195 and 199, 49 C.F.R. §§ 191-193, 195 and 199.

8. Pursuant to the provisions of the applicable Commonwealth and federal statutes and regulations, the Commission has jurisdiction over the subject matter of this complaint and the actions of Respondent related thereto.

II. BACKGROUND

9. On April 8, 2016, I&E filed a formal complaint ("Complaint") with the Commission against Respondent at Docket No. C-2016-2437295. The Complaint raised certain allegations regarding operations with respect to leak classification, monitoring, repair, surveys and reporting.

10. The Complaint requested the following relief:

- A. That Peoples be ordered to pay a civil penalty in the amount of \$450,000.00 pursuant to 66 Pa.C.S. § 3301(c);
- B. That Peoples not be permitted to recover any portion of the civil penalty through rates regulated by the Commission;
- C. That Peoples be ordered to provide a training program for all Peoples' personnel that conduct leak investigations and classifications on the details of the aforementioned circumstances. This program should at a minimum provide an understanding that Class 1 leak reports are required when gas readings with a gas scope are found inside a building; what steps Peoples personnel must do when gas readings are found in the ambient air inside a

building; what steps Peoples' personnel must consider for continuous action until the hazardous condition is eliminated; and what steps Peoples personnel must take to reclassify a leak from a Class 1 to a Class 2 including correct documentation.

- D. That Peoples be ordered to provide this training to all Peoples operation personnel including contractors that investigate and classify leaks.
- E. That Peoples be ordered to provide a process for Peoples' management to be able to monitor the actions of every Class 1 leak.
- F. That, under 49 CFR § 192.603(c), the Commission Order amendment of SOP Section 160 "Leak Management" SOP:02/Leak Classification and Action to reflect a shorter re-evaluation period for Class 2 leaks when surface conditions dictate, to provide for a reasonable level of safety.

11. On May 25, 2016,³ Peoples filed an Answer to the Complaint, in which it admitted in part and denied in part the material allegations in the Complaint.

III. ALLEGED VIOLATIONS

12. If this matter had been litigated rather than resolved through an exchange of information and Settlement discussions, I&E would have alleged that Peoples violated certain provisions of the Public Utility Code, the Commission's regulations and the Code of Federal Regulations in that:

A. 102 E. GRANT STREET, LATROBE, PA (PARAGRAPHS 17-35)

Peoples failed to follow its Standard Operating Procedures (SOP), Emergency Plans, and Emergency Plan Guidelines, in that its personnel documented gas readings inside this building

³ By Secretarial Letter dated April 15, 2016, Peoples was granted an extension of time until May 25, 2016 to respond to I&E's Complaint.

from February 8, 2014 until the readings were cleared Wednesday, March 5, 2014. Peoples Natural Gas did not have “continuous action until conditions are no longer hazardous or until permanent repairs are made” as required by its SOP. Moreover, the residents were not evacuated until February 25, 2014 and the building remained in service during the entire period in question.

If proven, this would be a violation of 49 CFR § 192.13(c); 49 CFR § 192.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

Peoples’ crew changed the leak report classification (2050998) from a Class 1 to a Class 2 without checking inside to see if the Class 1 condition had changed. On February 9, 2014, a service person checked inside and found gas still in sump. The service person called for a crew and a new leak report was written. (2050998) The crew set a vent and downgraded this leak report to a Class 2 from a Class 1 and marked conditions changed. There is no record of any repairs made on this leak report.

If proven, this would be a violation of 49 CFR § 192.13(c); 49 CFR § 192.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

Peoples discovered this Class 1 leak on February 8, 2014 and completed the repair March 5, 2014. This was 18 working days without a safety-related condition report as outlined in the Emergency Plan.

If proven, this would be a violation of 49 CFR § 191.23(a)(6); 49 CFR § 191.25(a) and (b); and 52 Pa. Code § 59.33(a).

Peoples documented gas readings in the ambient air on Sunday, February 9, 2014 17:15 (0.12% gas) and on Tuesday, February 11, 2014 06:57 (0.03% gas). There were no other records to indicate what the ambient air readings were until Sunday, February 23, 2014. The residents remained in the building throughout this time until February 25, 2014.

If proven, this would be a violation of 49 CFR § 192.13(c); 49 CFR § 196.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

Peoples did not have continuous action until conditions are no longer hazardous or until permanent repairs are made. This event action stopped Tuesday, February 11, 2014 and did not start again until February 26, 2014 with the replacement of the pipeline. Repair was not completed until Friday, March 7, 2014 when the new pipe was tied in. The residents were not evacuated until February 25, 2014 and the building remained in service the entire time.

If proven, this would be a violation of 49 CFR § 192.703(a) and (b); 49 CFR § 192.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

B. 646 – 647 MAIN STREET, JOHNSTOWN, PA (PARAGRAPHS 36-47)

Peoples failed to follow their Standard Operating Procedures (SOP), in that its personnel did not open a Class 1 leak report at this address despite gas readings inside the residence. There was no open Class 1 leak report for 646 Main Street from February 21, 2014 to March 18, 2014.

If proven, this would be a violation of 49 CFR § 192.603(b); 49 CFR § 192.13(c); and 52 Pa. Code § 59.33(a).

Peoples personnel did not have “continuous action until the conditions were no longer hazardous” as required by its SOP. From February 21, 2014 to March 18, 2014, Peoples routinely checked the readings inside 646 Main Street at the electric meter inside and found from 0.005% gas to 0.045% gas. Peoples would periodically jet the area outside the building and leave the site at the end of each day. There was no action to replace the pipeline and remove the gas readings from the building until March 18, 2014.

If proven, this would be a violation of 49 CFR § 192.13(c); 49 CFR § 192.703(b) and (c); and 52 Pa. Code § 59.33(a).

C. 3427 THORNWOOD DRIVE, BETHEL PARK, PA (PARAGRAPHS 48-52)

Under Peoples' Standard Operating Procedures Section 160 "Leak Management" SOP:02/ Leak Classification and Action, a Class 2 leak must be repaired within 450 days of discovery and re-inspected within 180 days. The current SOP does not take into account local conditions related to frozen ground when conducting re-inspections of Class 2 leaks. The leaks at these locations were classified as Class 2 leaks in February 2015, but when re-evaluated by Pipeline Safety Personnel in April 2015, gas was found at or very near the buildings, requiring immediate response. Surface conditions effect the migration of gas in the ground, therefore a shorter timeframe for re-evaluation of a leak should be required in the SOP when surface conditions dictate.

If proven, this would be a violation of 49 CFR § 192.723(b); and 52 Pa. Code § 59.33(a).

D. STATE ROUTE 88 AT THE DILLINER POST OFFICE (PARAGRAPHS 53-57)

Under Peoples' Standard Operating Procedures Section 160 "Leak Management" SOP:02/ Leak Classification and Action, a Class 2 leak must be repaired within 450 days of discovery and re-inspected within 180 days. The current SOP does not take into account local conditions related to frozen ground when conducting re-inspections of Class 2 leaks. The leaks at these locations were classified as Class 2 leaks in February 2015, but when re-evaluated by Pipeline Safety Personnel in April 2015, gas was found at or very near the buildings, requiring immediate response. Surface conditions effect the migration of gas in the ground, therefore a shorter timeframe for re-evaluation of a leak should be required in the SOP when surface conditions dictate.

If proven, this would be a violation of 49 CFR § 192.723(b); and 52 Pa. Code § 59.33(a).

E. 2104 ARDMORE BOULEVARD, FOREST HILLS, PA (PARAGRAPHS 58-61)

On April 8, 2015 a Class 1 leak was found at this address. The sewer manhole was vented at Ardmore Blvd. and Berkley Ave. On April 15, 2015, gas readings of 63% LEL were found in the ground at the Northeast corner one foot from the building. Peoples' SOP does not provide for re-inspection of Class 1 leaks to account for new migration patterns. The gas level reading against the building constitutes a "hazardous condition." Such a leak constitutes a Class 1 leak requiring continuous action until conditions are no longer hazardous or until permanent repairs are made. However, no repairs were made at this time.

If proven, this would be a violation of 49 CFR § 192.703(b) and (c); 49 CFR § 192.605(a) and (b)(1); 49 CFR § 192.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

F. 214 N. CRAIG ST., PITTSBURGH, PA (PARAGRAPHS 62-65)

Peoples personnel failed to properly repair or replace the unsafe pipeline following the documented Class 1 leak at this address. One day after Peoples attempted a repair of the leak at this location, Commission Pipeline Safety personnel found 70% gas in the ground only 10 feet from the building, and gas readings in the repair excavation over the main.

If proven, this would be a violation of 49 CFR § 192.703(b) and (c); 49 CFR § 192.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

G. NATIONAL RESPONSE CENTER 1110010 – 5TH AVENUE AND AMBERSON, PITTSBURGH, PA (PARAGRAPHS 66-72)

The leak at this location should have been identified as a Class 1 leak and required continuous action to repair the leak. Peoples personnel first discovered the leak on February 18, 2014 and classified it as a Class 2 leak. On February 4, 2015, gas had migrated into the building at 5100 5th Ave. The leak was re-classified as a Class 1 leak, and Peoples personnel vented the electrical conduits at this location. The leak wasn't repaired until March 11, 2015, after

Commission Pipeline Safety personnel discovered gas readings in the telephone manholes, sewer manholes, and electric conduits between Amberson and Wilkens Ave.

If proven, this would be a violation of 49 CFR § 192.703(b) and (c); and 52 Pa. Code § 59.33(a).

H. NATIONAL RESPONSE CENTER 1114658 BUTLER ST. – FLEMING BRIDGE TO THE HIGHLAND PARK BRIDGE (PARAGRAPHS 73-81)

The leak at this location should have been identified as a Class 1 leak and required continuous action to repair the leak. This leak was never classified as a Class 1 leak, yet vents were set at the sewer manhole to keep gas migration from building up [sic] the sewer. Multiple calls to the Pittsburgh Fire Department were made regarding this leak. The leak was first discovered on April 19, 2015 and the final repair was made May 28, 2015.

If proven, this would be a violation of 49 CFR § 192.703(b) and (c); and 52 Pa. Code § 59.33(a).

The Pittsburgh Fire Department responded to this leak for odor calls on at least 12 separate occasions that are documented over a 9 day period. A report was sent from the National Response Center 1114658 Butler St. from the Fleming Bridge to the Highland Park Bridge on April 25, 2015. The leak was first found by Peoples personnel on April 14, 2014 and documented as a Class 2 leak. Peoples personnel worked on this vented Class 2 leak for 31 days from January 27, 2015 to April 30, 2015 before repairing the first leak on a 20-inch diameter section of wrought iron pipe. Peoples personnel worked on this vented Class 2 leak for 9 days from May 1, 2015 to May 28, 2015 before repairing the second leak on the 20-inch diameter section of wrought iron pipe. Peoples personnel completed the final leak repair on May 28, 2015. There was no evidence presented that the Peoples personnel and the Pittsburgh Fire Department personnel were in communications related to this gas leak.

If proven, this would be a violation of 49 CFR § 191.23(a)(6); and 49 CFR § 191.25(a) and (b); and 52 Pa. Code § 59.33(a).

I. 1836 ALCOA DRIVE, 1838 ALCOA DRIVE, 1100 DREY STREET, ARNOLD, PA (PARAGRAPHS 82-90)

Peoples failed to follow their Standard Operating Procedures (SOP), in that its personnel did not file a safety related conditions report. Gas readings were present in these structures for twenty (20) working days without a safety related condition report being filed according to Peoples' SOP.

If proven, this would be a violation of 49 CFR § 191.23(a)(6); 49 CFR § 191.25(a) and (b).

Peoples failed to follow its plans procedures and programs established under 49 CFR Chapter 192, in that it failed to follow its SOP for operations, maintenance and emergencies by allowing gas readings to persist in residential dwellings, as well as potential ignition sources, for twenty (20) working days. Any time gas readings, no matter how small, are present in a building in free air, drains, or walls, it constitutes an emergency requiring prompt action.

If proven, this would be a violation of 49 CFR § 192.13(c); 49 CFR § 192.615(a)(3)(i) and (a)(7); and 52 Pa. Code § 59.33(a).

IV. ALLEGED DEFENSES

13. If this matter had been litigated rather than resolved through an exchange of information and Settlement discussions, Peoples would have contended that it did not violate the provisions of the Public Utility Code, the Commission's regulations or the Code of Federal Regulations, as alleged in the Formal Complaint.

14. If this matter had been litigated rather than resolved through an exchange of information and Settlement discussions, and as more fully set forth specifically in its Answer,

Peoples would have contended the following in response to each of the counts alleged in the Formal Complaint:

A. 102 E. GRANT STREET, LATROBE, PA (PARAGRAPHS 17-35)

Peoples followed its SOP and Emergency Plan in responding to and handling the leak call at this location. Peoples maintained continuous action at the site until the conditions were no longer hazardous and appropriately recorded the work performed at the site. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety Inspection personnel. Peoples recorded fifty (50) orders in its system as it worked this leak call to conclusion. No harm to person or property resulted from the leak repaired at this site. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

B. 646 – 647 MAIN STREET, JOHNSTOWN, PA (PARAGRAPHS 36-47)

Peoples properly responded to the February 20, 2014 leak call and properly recorded its actions at this site until the leak was repaired. Peoples was diligent in its attention to this leak and appropriately recorded its actions. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety Inspection personnel. No harm to person or property resulted from the leak repaired near this site. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

C. 3427 THORNWOOD DRIVE, BETHEL PARK, PA (PARAGRAPHS 48-52)

Peoples appropriately re-checked a Class 2 leak at this location within the 180-day period set forth in its SOP. Peoples appropriately responded to and repaired the Class 1 leak immediately found at this location during an I&E Pipeline Safety audit. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety personnel. No

harm to person or property resulted from the leak repaired at this location. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

D. STATE ROUTE 88 AT THE DILLINER POST OFFICE (PARAGRAPHS 53-57)

Peoples appropriately re-checked a Class 2 leak at this location within the 180-day period set forth in its SOP. Peoples appropriately responded to and repaired the Class 1 leak immediately found at this location during an I&E Pipeline Safety audit. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety personnel. No harm to person or property resulted from the leak repaired at this location. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred. Peoples appropriately followed its SOP.

E. 2104 ARDMORE BOULEVARD, FOREST HILLS, PA (PARAGRAPHS 58-61)

Peoples appropriately re-checked a Class 2 leak at this location within the 180-day period set forth in its SOP. Peoples appropriately responded to and repaired the Class 1 leak immediately found at this location during an I&E Pipeline Safety audit. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety personnel. No harm to person or property resulted from the leak repaired at this location. Peoples instituted and implemented a new Procedure in its SOP in response to a Non-Compliance Letter received from I&E's Pipeline Safety Division in July 2015. The new Procedure provides for re-inspection of the type of leak found at this location. A copy of the revised SOP Section 160.02 is attached hereto as Exhibit "A." No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

F. 214 N. CRAIG ST., PITTSBURGH, PA (PARAGRAPHS 62-65)

Peoples properly responded to and repaired the leaks found at this location. Peoples changed its SOP to provide for re-checks of Class 1 leak repairs. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety personnel. No harm to person or property resulted from the leak repaired at this site. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

G. NATIONAL RESPONSE CENTER 1110010 – 5TH AVENUE AND AMBERSON, PITTSBURGH, PA (PARAGRAPHS 66-72)

Peoples appropriately investigated this leak and made repairs. Peoples worked diligently to isolate the leak at this location and made immediate repairs once it was pinpointed. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety personnel. No harm to person or property resulted from the leak repaired at this site. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

H. NATIONAL RESPONSE CENTER 1114658 BUTLER ST. – FLEMING BRIDGE TO THE HIGHLAND PARK BRIDGE (PARAGRAPHS 73-81)

Peoples properly classified and re-checked this Class 2 leak. Peoples worked diligently to locate the leak and made appropriate repairs as it located this Class 2 leak. Peoples did so in conjunction with consistent and open communication with I&E Pipeline Safety personnel. No harm to person or property resulted from the leak repaired at this site. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

I. 1836 ALCOA DRIVE, 1838 ALCOA DRIVE, 1100 DREY STREET, ARNOLD, PA (PARAGRAPHS 82-90)

Peoples followed its SOP and appropriately recorded its work that was performed in investigating and repairing the leak found near this location. Peoples did so in conjunction with

consistent and open communication with I&E Pipeline Safety personnel. No harm to person or property resulted from the leak repaired at this location. No violations of the Public Utility Code, the Commission's Regulations or the Code of Federal Regulations occurred.

V. PEOPLES' CORRECTIVE ACTIONS AND COOPERATION WITH I&E INVESTIGATION

15. Peoples recognized and acknowledged the seriousness of I&E's concerns even before the filing of the Formal Complaint, and had previously taken steps to enhance its procedures, add new operating criteria, and make other responsive changes. Peoples communicated consistently and openly with I&E Pipeline Safety personnel throughout the investigation of each of the enumerated incidents as they were occurring and after the Formal Complaint was filed.

16. Peoples has already either met or exceeded the Relief Requested in the Formal Complaint by taking extensive corrective actions to address the allegations. For example, Peoples has made revisions to Job Procedure 507 to add evacuation criteria when gas is detected in a building and has modified its SOP to increase Peoples' management involvement on Class 1 Leaks. See Exhibit "B." Peoples has revised the "Immediate On-Site Action" section of its Emergency Response Plan to add evacuation criteria when gas is detected inside a building. Peoples has developed and implemented new expanded guidelines in Procedure No. 405 that require venting of a Class 1 leak as a last resort. Peoples also has modified Section 160.02 of its SOP to include action criteria for leaks consistent with the Gas Piping Technology Commission ("GPTC") guide. See Exhibit "A" and revised Procedure No. 405, which is attached hereto as Exhibit "C."

Peoples has implemented enhanced and standardized corrosion and leak detection procedures and has established leak backlog reduction goals that have yielded the lowest

combined backlog level as recorded at year-end 2015. Peoples also has added a process to reference multiple leak reports for the same leak to one report.

Peoples has made significant commitments to replace aging infrastructure. This includes a 192% increase in infrastructure improvement investment (per the Company's LTIP) for the removal of all higher risk pipelines. Peoples also has implemented guidelines that identify when and how short leaking sections of main are to be considered for replacements versus repair and that promote removal or replacement over repair. See Job Procedure No. 404, attached hereto as Exhibit "D."

Peoples actively volunteered to be a Founding Partner in the EPA Methane Challenge, thereby committing to "Best Management Practices" for methane mitigation through: 1) increased rate of replacement for services and mains, and 2) implementation of damage prevention measures to mitigate release of methane associated with line hits by third parties. Peoples engaged Carnegie Mellon University ("CMU") to review Peoples' risk models and pipe replacement prioritization and perform before-and-after methane emission surveys on the sections of pipe to be replaced. In addition, CMU is working with Peoples to add a methane emission factor in Peoples' risk model. Peoples will continue to participate in this strong collaborative effort with CMU and EPA.

Peoples has added 15 incremental full-time employees and has completed training associated with the aforementioned actions.

All of these actions and more are detailed below and are in addition to Peoples' agreement to make a civil settlement payment to fully resolve this matter. Furthermore, throughout the entire investigatory process, I&E and Peoples remained active in meetings and in the informal exchange of information and have continued to explore potential improvements to Peoples'

procedures and the possibility of resolving this matter, which ultimately culminated in this Settlement.

VI. TERMS AND CONDITIONS OF SETTLEMENT

17. Pursuant to the Commission's policy of encouraging settlements that are reasonable and in the public interest,⁴ the Joint Petitioners engaged in numerous settlement discussions. These discussions resulted in this Settlement. The terms and conditions of the Settlement, for which the Joint Petitioners seek Commission approval, are set forth below.

A. SPECIFIC SETTLEMENT PROVISIONS

18. I&E and Peoples, intending to be legally bound and for consideration given, desire to fully and finally conclude this Complaint and agree to stipulate as to the following terms solely for the purposes of this Settlement Agreement:

- A. Respondent does not admit the factual allegations or the legal conclusions set forth in Complainant's pleadings;
- B. I&E recognizes the actions taken by Peoples prior to the filing of the Formal Complaint, including:
 - Revising Paragraph C of Job Procedure 507 to add evacuation criteria when gas is detected inside a building. See Exhibit "B."
 - Adding a process to reference multiple leak reports for the same leak to one leak report.
 - Significant commitments to replace aging infrastructure. This includes a 192% increase in infrastructure improvement investment (per LTIP) for the removal of higher risk pipelines.
 - Implementing enhanced and standardized corrosion and leak detection procedures.

⁴ See 52 Pa. Code § 5.231(a).

- Engaging CMU to review Peoples' risk models and pipe replacement prioritization.
- Engaging CMU to perform before and after methane emission surveys on sections of pipe to be replaced.
- Working with CMU to add a methane emission factor into Peoples' risk model.
- Working with the Environmental Defense Fund ("EDF") to survey large areas of Pittsburgh to gather data on methane emissions and the effectiveness of Peoples' leak detection initiatives.
- Establishing leak backlog reduction goals that yielded the lowest ever combined backlog level as recorded at year-end 2015.
- Being a Founding Partner in the EPA Methane Challenge. As such, Peoples has committed to "Best Management Practices" for methane mitigation through: 1) increased rate of replacement for services and mains; and 2) damage prevention measures to mitigate methane release with third party line hits.

C. I&E recognizes the actions taken by Peoples subsequent to the filing of the Formal Complaint, including:

- Developing new expanded guidelines that require venting of a Class 1 leak as a last resort. See Exhibit "C."
- Developing guidelines that identify when and how short leaking sections of main are to be considered for replacement versus repair and that promote removal or replacement over repair. See Exhibit "D."
- Adding Paragraph 111.B to SOP 160.02 to increase Peoples' management involvement on Class 1 leaks. See Exhibit "A."
- Revising "Immediate On-Site Action" section of the Peoples Emergency Response Plan to add evacuation criteria when gas is detected inside a building. See Exhibit "B."
- Adding 15 incremental full-time employee hires, in order to complete the agreed-to actions detailed in this Settlement.

D. I&E recognizes the actions that Peoples will undertake going forward, including:

- Monitoring/inspecting vented Class 1 leaks daily during frost/frozen conditions. See Exhibit "C."

- Modifying SOPs to include action criteria for leaks consistent with the Gas Piping Technology Committee ("GPTC") guide. See Exhibit "A."
 - Implementing new expanded guidelines that require venting of a Class 1 leak as a last resort. See Exhibit "C."
 - Implementing written guidelines that identify when and how short leaking sections of main are to be considered for replacement versus repair and that promote removal or replacement over repair. See Exhibit "D."
 - Completing training associated with these changes.
 - Working to modify Peoples' annual capital budget categories to allow for more unplanned pipe replacement projects thereby promoting pipe replacement versus repair.
 - Peoples will maintain its volunteer status as the only natural gas utility participating in the EPA's Methane Challenge. Peoples also will continue its leadership role within the EDF/Google Earth partnership to explore the potential of new technologies, to measure key environmental data (and make that data more widely available to the public), and to create detailed maps that show the location of natural gas leaks from utility facilities located under city streets. Finally, Peoples will continue to promote and cultivate its strong relationship with Carnegie Mellon University's Energy Institute in an effort to prioritize pipeline replacement utilizing new risk factor evaluation processes that are jointly developed.
- E. In consideration of the actions taken by Peoples both prior to and subsequent to the filing of the Formal Complaint, I&E agrees that the actions taken by Peoples are significant and demonstrate a commitment to a culture of safety on Peoples' part.
- F. I&E agrees that Peoples has been very cooperative and has worked diligently to address the issues in this docketed complaint matter and the related Courtney Hill matter at BP8#2514832.
- G. Peoples will pay a total amount of fifty thousand (\$50,000) to resolve all alleged violations of applicable regulations, to be paid as a civil settlement amount to the Commonwealth of Pennsylvania, pursuant to 66 Pa.C.S. § 3301 and no other

amount shall be paid by Peoples or sought by I&E related to the above-docketed matter or the Courtney Hill incident at BP8#2514832.

- H. Peoples does not admit to any wrongdoing or violation of law.
- I. In consideration of Peoples' payment of a civil settlement amount, I&E agrees that the "investigation at Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Peoples Natural Gas, Docket No. C-2016-2437295 (the "Matter") relating to Peoples' conduct as described in this Settlement Agreement and in the Complaint and informal BP8#2514832 Courtney Hill matter, referenced herein, shall be terminated and marked closed upon approval by the Commission of the Settlement Agreement in its entirety. Upon payment of the civil settlement and written notice, filed with the Commission's Secretary's Bureau, that Peoples has completed the actions contained in Paragraph 18(D) above, I&E agrees that the Complaint shall be terminated and marked closed. Nothing contained in the Settlement Agreement shall affect the Commission's authority to receive and resolve any future formal or informal complaints filed by any affected party regarding Peoples' business that are unrelated to the actions addressed in the Settlement Agreement.
- J. I&E and Peoples jointly acknowledge that approval of the Settlement Agreement is in the public interest and fully consistent with the Commission's Policy Statement for Litigated and Settled Proceedings Involving Violations of the Code and Commission Regulations, 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 Complaint proceeding, and

BP8#2514832 Courtney Hill and avoids the time and expense of litigation, which entails hearings, travel for Peoples' witnesses, and the preparation and filing of briefs, exceptions, reply exceptions, as well as possible appeals.

19. Peoples shall complete the above actions not yet undertaken, within thirty (30) days after the date of entry of a final and non-appealable Commission Order approving the Settlement in its entirety without modification or amendment.

20. The Company shall pay a civil settlement in the amount of fifty thousand dollars (\$50,000.00), pursuant to 66 Pa.C.S. § 3301 to resolve the violations alleged in the Complaint. Said payment shall be made within thirty (30) days after the Order approving the Settlement in its entirety without modification or amendment is no longer appealable and such payment shall not be claimed or included for recovery in future ratemaking proceedings.

B. GENERAL SETTLEMENT PROVISIONS

21. This Settlement shall be deemed to constitute full and complete satisfaction by Peoples of all obligations relating to the issues raised in, within the scope of, or related to the Complaint. The Joint Petitioners acknowledge and agree that this Settlement shall have the same force and effect as if this proceeding were fully litigated.

22. This Settlement reflects compromises between the Joint Petitioners and: (i) is proposed solely for the purpose of settling the present proceeding; (ii) is made without any admission by any party hereto as to any matter of fact or law, other than as may be expressly stated in this Joint Petition; (iii) is made without any admission by any party hereto as to any liability of any party hereto; and (iv) is without prejudice to any position advanced by either Joint Petitioner in these proceedings or that might be adopted by any Joint Petitioner during subsequent litigation. Notwithstanding the foregoing, however, if this Settlement is approved

and implemented, the Joint Petitioners shall not in any subsequent proceeding take any action or advocate any position which is contrary to the Joint Petition or the Settlement.

23. The Parties acknowledge that their actions pursuant to this Joint Petition are undertaken to resolve a disputed claim and are on an entirely voluntary basis and, except as may be expressly stated herein, this Joint Petition and Settlement are made without admission against or prejudice to any factual or legal position which either Joint Petitioner may cite, refer to, or rely on this Joint Petition as precedent, an admission, or by way of estoppel in any proceeding or future negotiation between them, other than a proceeding to enforce this Joint Petition or any final order from the Commission approving the Joint Petition.

24. This Joint Petition and the Settlement are conditioned upon the Commission's approval, without modification, of all of the terms outlined herein. If the Commission modifies or fails to approve any of the Settlement terms, then either Joint Petitioner may elect to withdraw from the Settlement and proceed to compete the litigation of these proceedings, in which event: (i) the Joint Petitioners reserve their respective rights to, among other things, request rulings on all preliminary motions that may have been filed previously, participate in a prehearing conference, conduct discovery, file testimony, confront opposing witnesses and generally participate in evidentiary hearings, submit briefs and reply briefs supporting their respective positions, etc.; (ii) the Joint Petitioners claim the privilege reserved in 52 Pa. Code § 5.231 that no part of the unaccepted Settlement shall be admissible in evidence at any time against any Joint Petitioner; and (iii) no adverse inference shall be drawn against either Joint Petitioner as a result of any matter set forth herein.

25. As of the date the Commission approves this Joint Petition and Settlement in a final order not subject to appeal or further challenge ("Effective Date"), I&E hereby holds

harmless, releases, and forever forbears from further prosecuting any formal complaint relating to Peoples' conduct that is the subject of this Complaint and as described in this Joint Petition up to the Effective Date. Under no circumstances shall I&E request or the Commission impose any further civil or other settlement for any conduct or actions that are the subject of the Formal Complaint and this Joint Petition.

26. The Joint Petitioners shall not, in any subsequent proceeding before the Commission or any other forum, take any action, file any pleadings, or otherwise advocate any position inconsistent with or otherwise challenge or seek to overturn the terms and conditions of this Joint Petition and Settlement.

27. The terms and conditions of this Joint Petition shall be implemented at all times by Peoples and I&E in good faith and fair dealing. Each Joint Petitioner shall execute such other documents as may be reasonably requested by the other Joint Petitioner to implement the intent and purpose of this Joint Petition and Settlement.

28. The Joint Petitioners may enforce this Joint Petition through any appropriate action before the Commission or through any other available remedy in law, equity, or otherwise.

29. This Joint Petition constitutes the entire agreement between Peoples and I&E hereto with respect to the matters contained herein and all prior agreements with respect to the matters covered herein are superseded, and each Joint Petitioner confirms that it is not relying upon any representations or warranties of the other Joint Petitioner, except as specifically set forth herein or incorporated by reference hereto.

30. This Joint Petition shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania, irrespective of the application of any conflict of law provisions.

31. The Settlement, including all terms, representations and conditions therein, are the result of negotiations and compromises between the Joint Petitioners and therefore shall not be admissible in any civil proceeding in accordance with Pennsylvania Rule of Evidence 408 and Federal Rule of Evidence 408.

32. The Joint Petitioners agree that this Settlement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together constitute one and the same agreement that is binding upon the Joint Petitioners as if they executed a single petition.

33. It is expressly understood and agreed to between the Joint Petitioners that this Joint Petition and Settlement constitutes a negotiated resolution solely of the above-referenced proceedings.

34. The Joint Petitioners shall utilize their best efforts to support this Joint Petition and Settlement and to secure its approval, without modification, by the Commission.

VII. THE SETTLEMENT IS IN THE PUBLIC INTEREST

35. The Commission's policy is to encourage settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and, at the same time, conserve valuable administrative resources. The Commission has also referenced that settlement results are often preferable to those reached at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util.*

Comm'n v. York Water Co., Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

36. Substantial litigation and associated costs will be avoided by this Settlement. This Settlement resolves a number of important issues fairly, by balancing the interests of the Company, I&E, and the public. If approved, the Settlement will eliminate the possibility of further Commission litigation and appeals, along with their attendant costs.

37. As explained in Peoples' and I&E's Statements in Support, this Settlement is fully consistent with the Commission's policy concerning negotiated settlements and its guidelines for reviewing decisions and settlements in enforcement actions. The Joint Petitioners arrived at this Settlement after a number of meetings, discussions, and negotiations. The Settlement terms and conditions constitute a carefully crafted package, representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements. See 52 Pa. Code §§ 5.231, 69.391, and 69.1201.

38. The reasons set forth in the Statements in Support filed by the Joint Petitioners at the above-referenced docket support the conclusion that this Settlement is in the public interest and should be approved.

VIII. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Commission:

39. Approve the Settlement as set forth herein in its entirety without modification;
40. Find the Joint Petition for Settlement is in the public interest; and
41. Terminate this proceeding and mark these matters closed.

IX. PROPOSED ORDERING PARAGRAPHS

42. That the Joint Petition between the Commission's Bureau of Investigation and Enforcement and Peoples Natural Gas Company, LLC is approved in its entirety without modification.

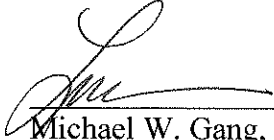
43. That, in accordance with Section 3301 of the Public Utility Code, 66 Pa.C.S. § 3301, within thirty (30) days after the date of an Order approving the Settlement in its entirety without modification or amendment is no longer appealable. Peoples shall pay \$50,000. Said payment shall be made by check or money order payable to "Commonwealth of Pennsylvania" and shall be sent to:

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

44. That upon receipt of the above payment and a letter from Peoples, filed with the Commission's Secretary's Bureau, certifying that the actions set forth in Paragraph 18(D) above have been completed, the Secretary shall mark the Complaint at Docket No. C-2016-2437295 closed.

IN WITNESS WHEREOF, the Joint Petitioners hereto have duly executed this Joint Petition for Settlement, as evidenced by the signature of their attorneys, each of whom has authority to execute this Joint Petition.

FOR PEOPLES NATURAL GAS COMPANY LLC

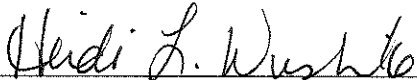


Michael W. Gang, Esquire (ID # 25670)
Lillian S. Harris, Esquire (ID #50888)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101

8/25/2017
Date

John Luke, Esquire (ID #75645)
William H. Roberts II, Esquire (ID # 54724)
Peoples Natural Gas Company LLC
37 North Shore Drive
Pittsburgh, PA 15212-5861

**FOR THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF INVESTIGATION AND ENFORCEMENT**



Heidi L. Wushinske, Esquire (ID #93792)
Michael L. Swindler, Esquire (ID #43319)
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
PO Box 3265
Harrisburg, PA 17105-3265

8/25/2017
Date

Exhibit “A”



Standard Operating Procedure

Section: 160 / Leak Management
SOP: 02 / Leak Classification and Action Criteria

Effective Date: 04/01/2000
Revision Date: 01/03/2017
Previous Review Date: 11/16/2016

I. SCOPE

This procedure provides classification and action criteria for leak indications on distribution (including Company and customer-owned service lines), transmission, storage, and regulated gathering pipelines.

II. REPORTABLE LEAK INDICATIONS

Leak Management SOP 160.01 Leak Reporting provides specific criteria for determining reportable leak indications. This procedure should be reviewed prior to classifying leak indications.

NOTE: Peoples recognizes the explosive range of natural gas to be 5% – 15% gas-in-air mixture.

III. LEAK CLASSIFICATION AND ACTION CRITERIA

All reportable leak indications on pipelines, including Company and customer-owned service lines, reported by Company personnel or an outside source should be classified and acted upon according to the following criteria:

“Grade 1 Leak” - A leak representing an existing or probable hazard to persons or property. Such leaks require prompt and continuous action until conditions are no longer hazardous or until permanent repairs are made.

All Grade 1 Leaks shall be reported immediately to the Operation Center for prompt action.

Refer to **Table 1** on the next page for action criteria and examples of Grade 1 leaks. This table was published by the **Gas Piping Technology Committee (GPTC)**.

The GPTC is an ANSI accredited standards committee designated to maintain and develop guidance for Gas Transmission, Distribution and Gathering piping systems. Committee members include persons with expertise from the natural gas transmission,

distribution and manufacturing fields as well as from federal and state regulatory agencies.

TABLE 1 — LEAK CLASSIFICATION AND ACTION CRITERIA - GRADE 1

Grade	Definition	Action Criteria	Examples
1	<p>A leak that represents an existing or probable hazard to persons or property, and requires immediate repair or continuous action until conditions are no longer hazardous. See §192.703(c).</p>	<p>Requires prompt action* to protect life and property, and continuous action until the conditions are no longer hazardous.</p> <p>*The prompt action in some instances may require one or more of the following:</p> <ul style="list-style-type: none"> a. Implementation of emergency plan (per §192.615). b. Evacuating Premises. c. Blocking off an area. d. Rerouting traffic. e. Eliminating sources of ignition. f. Venting the area. g. Stopping the flow of gas by closing valves or other means. h. Notifying police and fire departments. 	<ul style="list-style-type: none"> 1. Any leak which, in the judgment of operating personnel at the scene, is regarded as an immediate hazard. 2. Escaping gas that has ignited. 3. Any indication of gas which has migrated into or under a building, or into a tunnel. 4. Any reading at the outside wall of a building, or where gas would likely migrate to an outside wall of a building. 5. Any reading of 60% LEL, or greater, in a confined space. 6. Any reading of 60% LEL, or greater in small substructures (other than gas associated substructures) from which gas would likely migrate to the outside wall of a building. 7. Any leak that can be seen, heard, or felt, and which is in a location that may endanger the general public or property.

While addressing a Grade 1 Leak, a vent can be installed as a last resort to make the condition non-hazardous until permanent repairs can be completed. Refer to **Peoples Job Procedure 405** for guidance when considering the use of a vent as a leak mitigation method.

Due to the potential of migrating gas leakage, a vented Grade 1 leak shall be re-evaluated on a **daily basis** during periods when the frost patrol surveys are activated.

During operations when frost patrol surveys are not in progress, a vented Grade 1 leak will be re-evaluated at least once per week (or more frequently if needed at discretion of the local Supervisor).

All Grade 1 Leak repairs shall be rechecked. Seven (7) days after a Grade 1 leak has been repaired, an order shall be generated for a recheck to be completed within 30 days. Documentation shall be completed in the system.

The results of all rechecks shall be documented and completed within the system.

"Grade 2 Leak" - A leak recognized as being nonhazardous at the time of detection, however, justifies scheduled repair based on probable future hazard.

Refer to **Table 2** on the next page for action criteria and examples of Grade 2 leaks. This table was published by the **Gas Piping Technology Committee (GPTC)**.

TABLE 2 — LEAK CLASSIFICATION AND ACTION CRITERIA - GRADE 2

Grade	Definition	Action Criteria	Examples of Leaks Requiring Additional Re-evaluations
2	<p>A leak that is recognized as being non-hazardous at the time of detection, but justifies scheduled repair based on probable future hazard.</p>	<p>Leaks should be repaired or cleared within one calendar year, but no later than 15 months from the date the leak was reported. In determining the repair priority, criteria such as the following should be considered:</p> <ol style="list-style-type: none"> a. Amount and migration of gas. b. Proximity of gas to buildings and subsurface structures. c. Extent of pavement. d. Soil type, and soil conditions, such as frost cap, moisture and natural venting. <p>Grade 2 leaks may vary greatly in degree of potential hazard. Some Grade 2 leaks, when evaluated by the above criteria, may justify scheduled repair within the next 5 working days. During the working day on which the leak is discovered, these situations should be brought to the attention of the individual responsible for scheduling leak repair.</p> <p>On the other hand, many Grade 2 leaks, because of their location and magnitude, can be scheduled for repair on a normal routine basis with a scheduled re-evaluation every 180 days.</p> <p>Some Grade 2 leaks (as described in the column titled "Examples of Leaks Requiring Additional Re-Evaluations" shall be re-evaluated at least once every 3 months until cleared.</p>	<ol style="list-style-type: none"> 1. Any leak which, under frozen or other adverse soil conditions, would likely migrate to the outside wall of a building. 2. Any reading of 40% LEL, or greater, under a sidewalk in a wall-to-wall paved area that does not qualify as a Grade 1 leak. 3. Any reading of 100% LEL, or greater, under a street in a wall-to-wall paved area that has significant gas migration and does not qualify as a Grade 1 leak. 4. Any reading less than 60% LEL in small substructures (other than gas associated substructures) from which gas would likely migrate creating a probable future hazard. 5. Any reading less than 60% LEL in a confined space. 6. Any reading on a pipeline operating at 30% SMYS, or greater, in a Class 3 or 4 location that does not qualify as a Grade 1 leak. 7. Any reading of 80% LEL, or greater, in gas associated substructures. 8. Any leak which, in the judgment of operating personnel at the scene, is of sufficient magnitude to justify scheduled repair.

All Grade 2 Leaks shall be re-evaluated every 180 days until repaired or cleared.

Due to the potential of migrating gas leakage, some Grade 2 leaks shall be re-evaluated every 90 days until the leak is repaired or cleared. Examples of Grade 2 leaks requiring additional re-evaluations can be found on Table 2 of this section.

All Grade 2 Leaks shall be repaired or cleared within one calendar year from discovery not to exceed 15 months unless otherwise authorized by Operations Executive Sign off.

"Grade 3 Leak" - A leak that is nonhazardous at the time of detection and can be reasonably expected to remain nonhazardous. Any leak on the Company's facilities, which is not classified as Class 1 or Class 2, shall be designated as Class 3.

Refer to **Table 3** below for action criteria and examples of Grade 3 leaks. This table was published by the **Gas Piping Technology Committee (GPTC)**.

TABLE 3 — LEAK CLASSIFICATION AND ACTION CRITERIA - GRADE 3			
Grade	Definition	Action Criteria	Examples of Leaks Requiring Re-evaluations
3	A leak that is non-hazardous at the time of detection and can be reasonably expected to remain non-hazardous.	<p>If a Grade 3 fits the description found under the column titled "Examples of Leaks Requiring Additional Re-evaluations", the leak shall be re-evaluated within 3 months of date reported to substantiate the grading.</p> <p>Thereafter, these leaks should be re-evaluated during the next scheduled survey, or within 15 months of the date reported, whichever occurs first, until the leak is regraded or no longer results in a reading.</p>	<ol style="list-style-type: none"> 1. Any reading of less than 80% LEL in small gas associated substructure. 2. Any reading under a street in areas without wall-to-wall paving where it is unlikely the gas could migrate to the outside wall of a building.

Some Grade 3 leaks shall be re-evaluated within 3 months of the date reported to substantiate the grade. Examples of Grade 3 leaks requiring a re-evaluation can be found on **Table 3** of this section.

Grade 3 Leaks shall be re-evaluated during the next scheduled survey, or within 15 months of the date reported, whichever comes first, until the leak is regraded or no longer results in a reading.

“Nuisance leaks” – A nuisance leak is a non-hazardous release of gas that can be eliminated by lubrication, adjustment or tightening (**no repair or replacement is involved**). Examples include, but are not limited to: tightening bolts on a flange or valve, adding additional valve packing lubricant, tightening a threaded connection, etc. Nuisance leaks are not reportable leaks. A reported leak may be reclassified as a nuisance leak after the initial reporting of the leak, if the repair method fits the nuisance leak criteria.

IV. MANDATORY MANAGEMENT INVOLVEMENT

Peoples management personnel shall provide support and consultation to involved personnel during emergency events. Management may be required to be present on-site when a resolution to the emergency is not immediately feasible. Examples of these emergency events are as follows, but not limited to:

- Grade 1 Leaks Inside a Structure - For inside leaks that cannot readily be corrected (maintains a sustained gas indication), the Supervisor shall travel to the site, actively engage with the crew, review the actions taken to that point and develop a plan for additional actions. In these cases, follow-up communications to the Manager and Operations Center is required.
- Grade 1 Leaks That Are Reclassified By Venting – For leaks that cannot be readily repaired and require venting to be reclassified, the Supervisor shall travel to the site, actively engage with the crew, review the actions taken to that point and develop a plan for additional actions. In these cases, follow-up communications to the Manager and Operations Center is required.
- Evacuations - For leaks or other events that involve an evacuation (either initiated or supported by Peoples), the Supervisor shall travel to the site, actively engage with the crew, review the actions taken to that point and develop a plan for additional actions. In these cases, follow-up communications to the Manager and Operations Center is required.
- Stray Gas - For all situations known or suspected to involve stray gas, the Supervisor shall travel to the site, actively engage with the crew, review the actions taken to that point and develop a plan for additional actions. In these cases, follow-up communications to the Manager and Operations Center are required.
- Outages – Supervisor site presence will be required based on circumstances.
- Excavation Damages - Supervisor site presence will be required based on circumstances.
- Other Events Involving Government Agencies (such as Pennsylvania Public Utility Commission (PA PUC), West Virginia Public Safety Commission (WV PSC), Pennsylvania Emergency Management Agency (PEMA), 911 Emergency Management Agencies, etc. - Supervisor site presence will be required based on circumstances.

V. RE-EVALUATING LEAK INDICATIONS

When a leak requires re-evaluation as described in Section III, it should be classified using the same criteria as when the leak indication was first discovered. A leak classification may only be changed with Management approval after additional on-site evaluation and/or mitigation of the leak has occurred allowing the leak classification to be changed. A brief explanation of the reclassification must be documented on the leak form.

VI. LEAK MANAGEMENT SYSTEM

All reportable leak indications should be entered into the appropriate tracking system.

VII. RECORDS

- A. Reportable leak indications should be recorded on the appropriate form.
- B. Records of each leak repair, including the date, location, and description of each repair made, shall be retained for as long as the pipe remains in service, and an attempt should be made to have records for the two most recent years readily available.
- C. Records of leak indications (leak forms and leak plotters), which do not include repair information, should be retained for ten (10) years, and an attempt should be made to have records for the two (2) most recent years readily available.

NOTE: Due to a change in procedure, leak records dated prior to March 2009 for former-Equitable Gas Company facilities are not required to be retained for 10 years.

Exceptions

N/A

Environmental

Safety

360-07 Portable Fire Extinguishers
360-12 Hearing Conservation
360-19 Personal Protective Equipment
360-20 Prevention of Accidental Ignition of Natural Gas
360-25 Excavation Safety
360-26 Work Zone Traffic Control

Work Procedures

Chart / Graphs / Drawings / Lists

Forms

Regulations

DOT 49 CFR 192.615
DOT 49 CFR 192.703
DOT 49 CFR 192.711
DOT 49 CFR 191.23

Exhibit “B”



JOB PROCEDURES

INSIDE LEAK AND ODOR COMPLAINTS

PROCEDURE NO. 507

PAGE 1 OF 5

EFFECTIVE DATE: February 25, 2016

INSIDE LEAK AND ODOR COMPLAINTS

Description

This procedure provides requirements for responding to leak and odor complaints inside of buildings.

Maximum protection shall be provided for customers and the general public against personal injury or property damage through prompt investigation of all complaints involving gas leaks and gas odors. All complaints involving gas leaks and odors are regarded as top priority and shall be handled accordingly. Primary attention shall be directed to the protection of public safety.

This procedure, Leak and Odor Complaints - Inside, should be followed in its entirety regardless of other conditions discovered on the premise which may appear to be the cause of the complaint.

Any employee who receives knowledge of a complaint of odor or gas leakage is responsible for immediate action to reduce the possibility of personal injury or property damage which may result from the odor or gas leakage.

This Job Procedure was formally referred to as Peoples SOP 80.03.

Reference Documents

Peoples Policy and Accident Prevention Manual
Peoples Job Procedure 506 (Outside Leak and Odor Complaints)
Peoples Job Procedure 532 (Gas Service Turn-Off)
Peoples SOP 360.02 (Prevention of Accidental Ignition of Natural Gas)

Personal Protective Equipment

Personal Protective Equipment is provided to all Peoples employees and shall be used per the guidelines found in the **Peoples Policy and Accident Prevention Manual** and **Peoples Job Aids**.

Safe Job Procedure

- A. Prior to entering the building, perform system checks on gas detection equipment and "zero" the gas detection equipment in fresh air. If building access



JOB PROCEDURES

INSIDE LEAK AND ODOR COMPLAINTS

PROCEDURE NO. 507

PAGE 2 OF 5

EFFECTIVE DATE: February 25, 2016

cannot be gained, follow Peoples Job Procedure 506 (Outside Leak and Odor Complaints).

- B. Advise the occupants of safety precautions to observe relating to leaks, odors, accidental ignition, and inquire regarding the location of the leak and odor, and the location of each gas appliance.
- C. The leak investigation should begin upon entering the building and should include testing in the free air. Gas levels equal to or greater than 2% LEL or 0.1% gas by volume in free air or well-defined confined spaces (such as floor and sink drains) would establish an actionable threshold to consider evacuation and require consideration to the following actions:
 - 1. Clear the room, building, or area of all occupants. Do not re-enter the room, building, or area until the space has been determined to be safe using a combustible gas indicator.
 - 2. Use every practical means to eliminate sources of ignition. Take precaution to prevent smoking, striking matches, operating electrical switches or devices, etc. Refer to Peoples SOP 360.02 for guidance when preventing the accidental ignition of natural gas.
 - 3. Shut off the supply of gas to the appliance, areas involved or building.
 - 4. Notify Dispatch or the Operations Center to contact other applicable utilities to ensure that electric and phone are shut off to affected buildings. Dispatch or the Operations Center will notify emergency 911 for assistance if they are not yet on site.
 - 5. After it has been determined safe using a combustible gas indicator, ventilate the affected portion of the building by opening windows and doors.
- D. After the actions in C have been performed or considered and the building is safe for entry, continually check the atmosphere in the building for gas and proceed with the inside leak investigation.
- E. Conduct a leak survey of all meter fittings and house line piping using one of the following techniques:



JOB PROCEDURES

INSIDE LEAK AND ODOR COMPLAINTS

PROCEDURE NO. 507

PAGE 3 OF 5

EFFECTIVE DATE: February 25, 2016

1. Meter Dial Test – This method is limited to diaphragm meters with test hands two (2) foot or less. Allow five (5) minutes for fractional foot test hands, ten (10) minutes for two (2) foot hands.
 2. Survey With Gas Detection Instrument - This method can only be utilized when ALL house line piping is accessible and visible.
 3. Pressure Drop Test - This can be performed with air or natural gas at the operating pressure. If natural gas or air is used, ensure that the meter stop does not leak through.
- F. If a minor leak is discovered inside, repair the leak if it can be done in a reasonable amount of time.

If the leak cannot be repaired at the time of discovery, the leak should be isolated by a house line valve and a red tag form should be attached to the appliance or meter set. Red tag tape should also be wrapped around the closed house line valve to bring additional attention to the unsafe red tag conditions that exist. A yellow tag ("Live Gas to this Point" tag) should be attached to the closed valve.

If the leak cannot be isolated by a house line valve, advise the customer or installer, if present, to have the leak repaired. The gas should be shut off at the meter stop and locked. A red tag shall be attached to the meter set stating the reason for the action taken. Follow Peoples Job Procedure 532 to Turn-Off/Disconnect Meters.

- G. If gas service is shut off due to minor repairs and reinstated, it is recommended that the houseline be retested with the same method as was originally used to discover the leak and follow Peoples Job Procedure 508 (Meter Turn-Ons).
- H. If the investigation reveals that the gas indication found inside the building is not related to the customer piping or facility, the investigation should continue in accordance with Peoples Job Procedure 506 (Outside Leak and Odor Complaints), and Leak Management SOP 160.02 (Leak Classification and Action Criteria), until the leak indication is identified and reported.
- I. If leakage is not detected or if the condition is corrected, all gas appliances should be checked for safe operation. This should include a carbon monoxide test.



JOB PROCEDURES

INSIDE LEAK AND ODOR COMPLAINTS

PROCEDURE NO. 507

PAGE 4 OF 5

EFFECTIVE DATE: February 25, 2016

- J. Any appliance or gas line which is judged to present a hazard to life or property if operated in its present condition should be shut off and isolated. If the appliance or gas line cannot be isolated, the gas should be shut off at the meter stop and locked. In either situation, a red tag shall be attached stating the reason for the shutoff. Follow Peoples Job Procedure 532 to Turn-Off/Disconnect Meters.
- K. Upon completion of the inside leak survey, at a minimum, a leak survey should be conducted at the following outside locations:
1. At street openings.
 2. Over the Company and customer-owned service lines, including any buried house line piping to neighboring buildings, if applicable.
 3. At the meter and foundation wall and neighboring buildings, if applicable.
- L. If combustible gas is discovered and the source is unknown, apply a pressure test for ten (10) minutes to the service line as follows:
- Low Pressure - 3 psig
 - Medium Pressure - Operating Pressure
- NOTE 1: If the meter set is remote from the dwelling, test the buried houseline using one of the following methods: 1. meter dial test, 2. gas detection equipment, 3. pressure drop test.
- NOTE 2: If the service line is equipped with an excess flow valve (EFV) and no curb stop is present, conduct a leak survey.
- M. If combustible gas is discovered at the curb box and/or between the curb box and the mainline, conduct a leak survey at all street openings in the area and over all service lines to the foundation wall of all adjacent properties. Refer to Leak Management SOP 160.02 Leak Classification and Action Criteria for leak classification and action criteria.
- N. If combustible gas, other than pipeline gas, is discovered, advise the customer and the appropriate supervisor immediately.
- O. Advise the customer of the outcome of the investigation.



JOB PROCEDURES

INSIDE LEAK AND ODOR COMPLAINTS

PROCEDURE NO. 507

PAGE 5 OF 5

EFFECTIVE DATE: February 25, 2016

- P. Verify the meter number; verify the meter reading as well as the remote meter reading device where applicable.
- Q. Notify Dispatch if the gas was left off or if any further action is required and complete required documentation.
- R. Leak and odor investigations shall be recorded on the appropriate form or computer database.
- S. Record meter number and meter reading on the appropriate form or computer database.
- T. Records of leak and odor investigations shall be retained for ten (10) years.

Exhibit “C”



JOB PROCEDURES

LEAK VENTING GUIDELINES

PROCEDURE NO. 405

PAGE 1 OF 2

EFFECTIVE DATE January 3, 2017

VENTING OF LEAKS

Description

It is the intention of Peoples to minimize the use of the venting to reclassify leaks and to minimize venting as an extended mitigation method. These are **guidelines** developed to promote this objective. It is recognized that leaks are unique and a common guideline cannot and is not suitable or practical for every situation. Nothing in this guideline is intended to supersede the judgement of the management person on the site.

Reference Documents

Peoples SOP 360 (Safety SOP's)
Peoples SOP 160.01 (Leak Reporting)
Peoples SOP 160.02 (Leak Classification and Action Criteria)

PPE

Personal Protective Equipment is provided to all Peoples employees and shall be used per the guidelines found in the **Peoples Safety SOP's**.

Safe Job Guidelines

- Venting of a leak shall only be considered as a last resort.
- The decision to set a vent **must be approved** by the appropriate supervisor/manager.
- Vents in service must be monitored/inspected weekly to verify their effectiveness.



JOB PROCEDURES

LEAK VENTING GUIDELINES

PROCEDURE NO. 405

PAGE 2 OF 2

EFFECTIVE DATE January 3, 2017

- When the PUC-mandated Frost Patrol program is in progress, all vents in service must be monitored/inspected **daily** due to the potential of migrating gas during periods of frost/frozen ground. (See SOP 160.02)
- In general, venting shall only be considered under the following circumstances:
 - Migration of the leak can only be controlled by venting.
 - The setting of a vent on a Class 1 leak can only be considered after completing a significant/exhaustive effort to repair the leak.
- The repair of leaks associated with vents must be promptly scheduled, subject to the appropriate permits, within 30 days of date the vent was set.

Exhibit “D”



JOB PROCEDURES

REMOVE/ REPLACE/REPAIR GUIDELINES

PROCEDURE NO. 404

PAGE 1 OF 2

EFFECTIVE DATE January 3, 2017

GUIDELINES FOR PIPELINE LEAK REPAIR/REMOVE/REPLACE

Description

These guidelines are intended to identify when and how short leaking sections of main line are to be considered for replacement versus repair. The guidelines are also meant to promote removal or replacement over repair.

Reference Documents

Peoples Policy and Accident Prevention Manual

PPE

Personal Protective Equipment is provided to all Peoples employees and shall be used per the guidelines found in the **Peoples Safety SOP's**.

Safe Job Guidelines

It is recognized each potential leak repair case is somewhat unique and the following factors (listed but not limited to) must be considered in determining which method is appropriate:

- Time of year
- Customers impacted
- Location
- Complexity
- Traffic
- Parallel pipe condition and proximity
- Gas flow – capacity
- Restoration scope



JOB PROCEDURES

REMOVE/ REPLACE/REPAIR GUIDELINES

PROCEDURE NO. 404

PAGE 2 OF 2

EFFECTIVE DATE January 3, 2017

Guidelines to Consider:

- Consider removal/abandon:
If a parallel pipeline is nearby consider removal/abandonment of the problem pipeline. Seek input from planning concerning the feasibility of removal, the required additional tie-ins, and switching the impacted services. Consider elimination of as much bare steel and higher risk pipe as possible/feasible.
- Consider replacement:
 - a. Consider replacement under these circumstances:
 - i. Multiple leak indications in a well-defined section.
 - ii. Extensive stripping required during leak investigation.
 - iii. Grade 1 leak situations.
 - iv. Vented leak situations.
 - v. Potential duplicative restoration costs.
 - b. When considering the limits of replacement consider extending through a single property and or adjacent properties, extending to a plastic or coated steel section, extending to an intersection, extending to leverage restoration costs.
- Repair the leak:
If after considering the above options and guidelines Repair is determined to be the most feasible option given the circumstances, repair the leak.

Appendix “A”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, :
Bureau of Investigation and Enforcement, :
Complainant :
v. : Docket No. C-2016-2437295
Peoples Natural Gas Company LLC, :
Respondent :

**STATEMENT IN SUPPORT OF SETTLEMENT AGREEMENT OF
PENNSYLVANIA PUBLIC UTILITY COMMISSION BUREAU OF
INVESTIGATION AND ENFORCEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“PUC” or “Commission”) hereby files this Statement in Support of the Joint Petition for Settlement (“Settlement” or “Joint Petition”) entered into by I&E and Peoples Natural Gas Company LLC (“Peoples,” the “Company,” or the “Respondent”) (hereinafter collectively referred to as “Parties”) in the above docket. The Settlement, if approved, fully resolves all issues related to the I&E Complaint proceeding involving allegations that the Company committed various violations of the

Commission's regulations and the federal Pipeline Safety Regulations, as codified in the Code of Federal Regulations (Pipeline Safety Regulations, 49 C.F.R. Parts 190-199).¹

I&E respectfully submits that the Settlement is in the public interest and requests that the Commission approve the Settlement, including the terms and conditions thereof, without modification.

II. BACKGROUND

This matter involves Peoples, a jurisdictional provider of natural gas service to the public for compensation consistent with the definition of public utility in Section 102 of the Public Utility Code, 66 Pa. C.S. § 102.

On April 8, 2016, I&E filed a Formal Complaint ("Complaint") against Peoples, alleging that Peoples violated multiple sections of the federal Pipeline Safety Regulations and the Commission's regulations. The Complaint encompassed multiple incidents regarding leak classification, leak monitoring, leak repair, leak surveys, and leak reporting.

Regarding relief, I&E requested in the Complaint that the Commission: (a) impose a civil penalty of \$450,000 against the Company pursuant to Section 3301 of the Code, 66 Pa.C.S. § 3301; (b) prevent the Company from recovering any of the civil penalty through rates; (c) order the Company to provide a training program for all personnel who conduct leak investigations and classifications; (d) order the Company to provide training to all Company operation personnel, including contractors, who investigate and classify leaks; (e) order the Company to provide a process for Peoples management to be able to

¹ The Settlement, if approved, also fully resolves the issues involved in I&E's informal investigation at BP8#2514832 into an incident that occurred at 286 Courtney Hill Road on January 27, 2015 ("Courtney Hill Matter"). I&E is satisfied that the corrective actions undertaken and to be undertaken by Peoples adequately address the safety concerns at issue in the Courtney Hill Matter.

monitor the actions of every Class 1 leak; and (f) order the Company amend its Standard Operating Procedures (“SOP”) Section 160, “Leak Management” SOP:02/Leak Classification and Action, to reflect a shorter re-evaluation period for Class 2 leaks when surface conditions dictate.

On May 25, 2016,² Peoples filed an Answer to the Complaint, in which it admitted in part and denied in part the material allegations in the Complaint.

III. 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 culminated in this Settlement, which, once approved, will resolve all issues related to I&E’s Complaint proceeding, as well as the issues involved in the Courtney Hill Matter.

Peoples has already undertaken numerous corrective actions to address the issues in I&E’s Complaint and the Courtney Hill Matter. These actions are fully set forth in Paragraph 18 of the Joint Petition for Settlement and include revising Peoples’ job procedures to add evacuation criteria when gas is detected inside a building, adding a process to reference multiple leak reports for the same leak to one leak report, increasing Peoples’ commitment to replace aging infrastructure, implementing enhanced and standardized corrosion and leak detection procedures, working with Carnegie Mellon University on various safety issues, and becoming a founding partner in the

² By Secretarial Letter dated April 15, 2016, Peoples was granted an extension of time until May 25, 2016 to respond to I&E’s Complaint.

Environmental Protection Agency's ("EPA") Methane Challenge. In addition, Peoples has developed new guidelines that require venting of a Class 1 leak as a last resort and identify when and how short leaking sections of main are to be considered for replacement versus repair, revised its SOP to increase management involvement on Class 1 leaks, and revised its Emergency Response Plan to add evacuation criteria when gas is detected inside a building.

I&E intended to prove at hearing the factual allegations set forth in its Complaint, which the Company has disputed. The Settlement results from the compromises of the Parties. Further, I&E recognizes that, given the inherent unpredictability of the outcome of a contested proceeding, the benefits to amicably resolving the disputed issues through settlement outweigh the risks and expenditures of continued litigation. I&E submits that the Settlement constitutes a reasonable compromise of the issues presented and is in the public interest. As such, I&E respectfully requests that the Commission approve the Settlement without modification.

IV. TERMS OF SETTLEMENT

Under the terms of the Settlement, I&E and the Company have agreed that Peoples will perform the following corrective actions, which are intended to enhance safety:

- A. Monitor/inspect vented Class 1 leaks daily during frost/frozen conditions;
- B. Modify SOPs to include action criteria for leaks consistent with the Gas Piping Technology Committee ("GPTC") guide;
- C. Implement new expanded guidelines that require venting of a Class 1 leak as a last resort;

- D. Implement written guidelines that identify when and how short leaking sections of main are to be considered for replacement versus repair and that promote removal or replacement over repair;
- E. Complete training associated with these changes;
- F. Work to modify Peoples' annual capital budget categories to allow for more unplanned pipe replacement projects thereby promoting pipe replacement versus repair;
- G. Maintain Peoples' volunteer status as the only natural gas utility participating in the EPA's Methane Challenge. Peoples also will continue its leadership role within the Environmental Defense Fund/Google Earth partnership to explore the potential of new technologies, to measure key environmental data (and make that data more widely available to the public), and to create detailed maps that show the location of natural gas leaks from utility facilities located under city streets. Finally, Peoples will continue to promote and cultivate its strong relationship with Carnegie Mellon University's Energy Institute in an effort to prioritize pipeline replacement utilizing new risk factor evaluation processes that are jointly developed.

Peoples shall begin the above actions (contained in Paragraph 18 of the Settlement) within sixty (60) days after the date of entry of a final and non-appealable Commission Order approving the Settlement in its entirety without modification or amendment.

Peoples will also pay a civil penalty in the amount of fifty thousand dollars (\$50,000), pursuant to 66 Pa.C.S. § 3301, to resolve the alleged violations included in the Complaint. Peoples will make this payment within thirty (30) days after the date of entry of a final and non-appealable Commission Order approving the Settlement in its entirety without modification or amendment and the payment shall not be claimed or included for recovery in future ratemaking proceedings. Additionally, Peoples has committed or will commit to making significant capital investments and incurring substantial operations and

maintenance expenses. I&E reserved the right to challenge the reasonableness of these expenses included in any future base rate case.

V. ANALYSIS OF THE ROSI STANDARDS:

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 first determine that 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-referenced matter is consistent with the Commission's Policy Statement for Litigated and Settled Proceedings Involving Violations of the 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 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.

The first factor considers whether the conduct at issue was of a serious nature, such as willful 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 penalty. 52 Pa. Code § 69.1201(c)(1). I&E submits that the violations averred in the Complaint are serious in nature in that I&E alleged that Peoples had a systemic issue with its operations regarding leak classification, leak monitoring, leak repair, leak surveys, and leak reporting. I&E also alleged that Peoples repeatedly failed to follow its own procedural manual for operations, maintenance, and emergencies by allowing hazardous conditions to continue well beyond the acceptable timeframe for repair. Clearly, significant public safety concerns are present when Class 1 leaks are not properly monitored or promptly repaired. I&E submits that the Company's alleged conduct is of a serious nature and was considered in arriving at the civil penalty in the Settlement Agreement. Moreover, Peoples recognized the seriousness of this matter and took significant steps to change its procedures, which justifies the proposed Settlement, including a reduced penalty amount.

The second factor considered is whether the resulting consequences of the Company's 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). In this case, there were no injuries or property damage. However, the leaks at issue in I&E's Complaint resulted in multiple evacuations. The seriousness of this incident and Peoples' corrective actions have been taken into consideration in arriving at the civil penalty.

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 the Company's 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 the Company has made efforts to change its practices and procedures to prevent similar conduct in the future. 52 Pa. Code § 69.1201(c)(4). Following the incident, Peoples took steps to modify its procedures regarding leak classification, monitoring, and repair. These steps included adding evacuation criteria when gas is detected in a building, increasing management involvement in Class 1 leaks, and implementing enhanced and standardized corrosion and leak detection procedures. In addition, Peoples has agreed to undertake additional corrective actions that will address the issues identified in the Complaint. These corrective actions, described in detail in Paragraph 18 of the Settlement Agreement, include, among others: monitoring/inspecting vented Class 1 leaks daily during frost/frozen conditions; modifying Peoples SOP to include action criteria for leaks consistent with the GPTC guide, and implementing written guidelines that identify when and how short leaking sections of main are to be considered for replacement versus repair. These actions should help prevent similar incidents in the future demonstrate that a reduced penalty amount is in the public interest.

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). I&E's Complaint encompasses multiple incidents that demonstrated systemic issues, rather than a single incident. These incidents resulted in several evacuations, one of

which resulted in a customer being evacuated from his residence for ten days. This factor was considered in arriving at the proposed civil penalty amount.

The sixth factor to be considered involves the compliance history of the Company. 52 Pa. Code § 69.1201(c)(6). “An isolated incident from an otherwise compliant utility may result in a lower penalty, whereas frequent, recurrent violations by a utility may result in a higher penalty.” *Id.* As a general proposition, neither the Public Utility Code nor the Commission’s regulations require public utilities to require constantly flawless service. The Public Utility Code requires public utilities to provide reasonable and adequate, not perfect, service. 66 Pa.C.S. § 1501. I&E’s research reveals no other Peoples gas safety incidents resulting in a formal complaint within the past ten years.³ Moreover, as the Commission noted in its Order approving settlement in *Pa. Pub. Util. Comm’n, I&E v. PECO*, Docket No. C-2015-2479970 (Opinion and Order entered Oct. 27, 2016), given the size of the Company, “its compliance history does not pose a barrier to approval of the instant Settlement.” Like PECO, Peoples is also a large gas utility and has an even more favorable compliance history. This factor supports a reduced civil penalty.

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 and its Pipeline Safety Division throughout the investigatory, complaint, and settlement processes. Before I&E filed its Formal Complaint, Peoples

³ I&E’s research revealed one incident that was resolved without a formal complaint. *See Pennsylvania Public Utility Commission, Law Bureau Prosecutory Staff v. Peoples Natural Gas Company LLC, f/k/a The Peoples Natural Gas Company, d/b/a Dominion Peoples*, M-2011-2157955. (Ordering Peoples to pay a \$15,000 civil penalty for an incident stemming from a line hit and resulting fire).

undertook numerous actions to change the way it identified, monitored, and repaired leaks, among other actions. Subsequent to I&E's Complaint, Peoples implemented additional measures to add evacuation procedures when gas is detected inside a building and improve the way it handles Class 1 leaks. In addition, Peoples has agreed to undertake the additional actions set forth in Paragraph 18 of the Settlement Agreement. Finally, Peoples was responsive to I&E's requests for information and met with I&E numerous times to explore settlement of this matter. This factor supports the reduction of the civil penalty.

The eighth factor to be considered is the appropriate settlement amount necessary to deter future violations. 52 Pa. Code § 69.1201(c)(8). I&E submits that a civil penalty amount of \$50,000, which may not be claimed or included for recovery in future ratemaking proceedings, together with the costs of the terms of the settlement set forth above, is sufficient to deter future violations.

The ninth factor to be considered relates to past Commission decisions in similar matters. 52 Pa. Code § 69.1201(c)(9). I&E submits that this matter is unique in that I&E's Complaint did not stem from a single incident, but rather from a series of incidents that revealed systemic issues with People's operations regarding leak classification, monitoring, repair, surveys, and reporting. However, past Commission decisions responsive to gas safety related matters have reached conclusions not contradictory to the instant matter. For example, in *Pa. Pub. Util. Comm'n, I&E v. PECO*, Docket No. C-2015-2514773 (Opinion and Order entered April 20, 2017), the Commission ordered PECO Energy Company to pay a \$15,000 civil penalty for its conduct, which involved a

line hit and resulting fire caused by failing to mark its line and alleged failed communication with a third-party excavator. The higher civil penalty proposed in the instant Settlement reflects the numerous evacuations and multiple incidents encompassed in I&E's Complaint. Therefore, the civil penalty agreed upon in this Settlement is consistent with past Commission actions and presents a fair and reasonable outcome.

The tenth factor considers "other relevant factors." 52 Pa. Code § 69.1201(c)(10). I&E submits that an additional relevant factor – whether the case was settled or litigated – is of pivotal importance to this Settlement Agreement. A settlement avoids the necessity for the governmental agency to prove elements of each allegation. In return, the opposing party in a settlement agrees to a lesser fine or penalty, or other remedial action. Both parties negotiate from their initial litigation positions. The fines and penalties, and other remedial actions resulting from a fully litigated proceeding are difficult to predict and can differ from those that result from a settlement. Reasonable settlement terms can represent economic and programmatic compromise but allow the parties to move forward and to focus on implementing the agreed upon corrective actions.

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. The Parties believe that approval of this Settlement Agreement is in the public interest. Acceptance of this Settlement Agreement avoids the necessity of further administrative and potential appellate proceedings at what would have been a substantial cost to the Parties.

WHEREFORE, I&E supports the Settlement Agreement and respectfully requests that the Commission approve the Settlement in its entirety, without modification.

Respectfully submitted,



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Dated: August 25, 2017

Appendix “B”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation & Enforcement	:	
	:	
v.	:	Docket No. C-2016-2437295
	:	
Peoples Natural Gas Company LLC	:	

**PEOPLES NATURAL GAS COMPANY LLC'S
STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

Peoples Natural Gas Company LLC (“Peoples” or “the Company”) submits this Statement in Support of the Joint Settlement Petition (“Settlement”) between Peoples and the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”). The Settlement fully resolves all issues related to the leak incidents detailed in I&E’s formal complaint as well as I&E’s separate ongoing informal investigation at BP8#2514832 Courtney Hill (“Courtney Hill Matter”)¹. Peoples respectfully requests that, for the reasons set forth in the Settlement and herein, the Commission approve the Settlement, including the terms and conditions thereof, without modification.

I. INTRODUCTION

The factual background of this matter is set forth in Paragraphs 12-14 of the Settlement which are incorporated herein by reference. In the sections that follow, Peoples will explain why it believes that the agreement reached with I&E in this matter is reasonable and how the Settlement and the corrective actions that Peoples undertook immediately after the incidents,

¹ The BP8#2514832 Courtney Hill matter involves an informal investigative of circumstances similar to the I&E allegations in this formal complaint, but I&E has not served a Non-Compliance Letter or filed a formal complaint in this proceeding. I&E is satisfied that the terms of Settlement reached here adequately address those circumstances and will consider the Courtney Hill matter closed if this Settlement is approved by the Commission. Hereinafter, any terms related to resolution and closure of I&E’s Complaint at Docket No. C-2016-2437295, shall also include resolution and closure of the Courtney Hill matter.

both before and after the filing of I&E's formal complaint, and the additional commitments made in this Settlement, are consistent with the factors the Commission has indicated it will consider in its policy statement for evaluating litigated and settled proceedings at 52 Pa. Code §69.1201.

Peoples maintains that it investigated thoroughly all of the leak circumstances detailed in I&E's formal complaint and worked closely with I&E personnel to resolve the leaks and make changes to procedures and plans in conformance with I&E's suggestions and requests. I&E has acknowledged that Peoples was cooperative throughout the course of each of the incidents, as more particularly described by I&E in the Settlement. Peoples also has worked openly and cooperatively with I&E prosecutory staff to reach an amicable conclusion to this matter that both I&E and Peoples find acceptable and reasonable. As a part of this Settlement, but well in advance of the formal complaint being filed, Peoples had implemented certain remedial measures, including training and modified practices and procedures. After the filing of the formal complaint, Peoples implemented additional remedial measures in the form of modified procedures and training and Peoples also added incremental employee resources to effectively undertake enhanced leak detection activity and advance its "replace versus repair" commitment for Class 1 leaks.

The safe and reliable delivery of natural gas to customers and the communities served by Peoples is of paramount importance. Further cognizant of the Commission's expectations for natural gas distribution companies to meet gas safety standards, Peoples has taken seriously the filing of this formal complaint by I&E. Accordingly, Peoples has agreed in the Settlement to ramp up its managerial involvement in addressing Class 1 leak circumstances in the following ways. Prior to the filing of the formal complaint, Peoples affirmatively became a partner in the EPA Methane Challenge in order to employ "Best Management Practices" for methane

mitigation and reduction of gas leaks and partnered with Carnegie Mellon University (“CMU”) on enhanced pipeline risk modeling and “before-and-after” pipeline replacement methane emission surveys.

Peoples has also been working closely with the Commission’s gas safety personnel to maintain safe operations in the field. Peoples is committed to the goal of regulatory compliance and gas safety, to the distinct benefit of its customers, the communities it serves, and Peoples itself. In addition to numerous meetings with I&E prosecutory staff and gas safety personnel, Peoples’ Chief Executive Officer and the executive management team met with Director Kanaskie and the I&E team to communicate Peoples’ renewed commitment to a culture of safety. Peoples is working hard to continually improve its safety practices.

Lastly, Peoples and I&E have negotiated diligently to resolve the issues arising in this case in a constructive and amicable manner. The concerns of I&E were taken to heart by Peoples and addressed assertively in the settlement agreement.

II. THE APPLICABLE LEGAL STANDARD

Commission policy favors 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 administrative resources. Furthermore, the results gleaned through settlement are often preferable to those that could have been achieved through litigation. 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). Peoples submits that the Settlement crafted here is in the public interest and should be approved without modification.

In 52 Pa. Code 69.1201, the Commission has provided guidance on the factors and standards it will use in evaluating settled proceedings concerning alleged violations of the Public Utility Code or the Commission's regulations. Subsection (c) of Section 69.1201 provides the standards:

- (c) The factors and standards that will be considered by the Commission include the following:
 - (1) Whether the conduct at issue was of a serious nature. When conduct of a serious nature is involved, such as willful fraud or misrepresentation, the conduct may warrant a higher penalty. When the conduct is less egregious, such as administrative filing or technical errors, it may warrant a lower penalty.
 - (2) Whether the resulting consequences of the conduct at issue 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.
 - (3) Whether the conduct at issue was deemed intentional or negligent. This factor may only be considered in evaluating litigated cases. When conduct has been deemed intentional, the conduct may result in a higher penalty.
 - (4) Whether the regulated entity made efforts to modify internal practices and procedures to address the conduct at issue and prevent similar conduct in the future. These modifications may include activities such as training and improving company techniques and supervision. The amount of time it took the utility to correct the conduct once it was discovered and the involvement of top-level management in correcting the conduct may be considered.
 - (5) The number of customers affected and the duration of the violation.
 - (6) The compliance history of the regulated entity which committed the violation. An isolated incident from an otherwise compliant utility may result in a lower penalty, whereas frequent, recurrent violations by a utility may result in a higher penalty.
 - (7) Whether the regulated entity cooperated with the Commission's investigation. Facts establishing bad faith, active concealment of

violations, or attempts to interfere with Commission investigations may result in a higher penalty.

- (8) The amount of the civil penalty or fine necessary to deter future violation. The size of the utility may be considered to determine an appropriate penalty amount.
- (9) Past Commission decisions in similar situations.
- (10) Other relevant factors.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

Set forth below are the standards set forth in 52 Pa. Code § 69.1201(c), and Peoples' view as to how the Settlement represents a reasonable resolution of the issues in this proceeding under these standards.

(1) Whether the conduct at issue was of a serious nature. When conduct of a serious nature is involved, such as willful fraud or misrepresentation, the conduct may warrant a higher penalty. When the conduct is less egregious, such as administrative filing or technical errors, it may warrant a lower penalty.

Peoples acknowledges that I&E's allegations regarding gas safety infractions are clearly of a serious nature. However, Peoples does not believe that the incidents detailed in the formal complaint ever presented a serious threat to the public with the potential for significant property damage or personal injury. Indeed, none occurred. It is important to note that many of the alleged violations involved minor record-keeping, reporting or other less egregious actions on the part of Peoples. Furthermore, there was no willful fraud or misrepresentation by Peoples. Thus, Peoples submits that the first factor weighs heavily in favor of a lower civil settlement, in line with that agreed to by I&E and Peoples.

(2) Whether the resulting consequences of the conduct at issue 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.

Peoples does not believe that the actual consequences or the potential consequences of the actions, while significant, were of a nature that warrant a higher penalty than the one agreed upon. Several of the incidents involved the detection of small quantities of gas in residences which required rendering difficult decisions as to whether evacuations were appropriate while Peoples pursued remedial measures. Peoples has clarified its procedures with regard to such cases which now required supervisory involvement. There was no other serious threat to person or property, and no property damage or personal injury of any kind occurred.

(3) Whether the conduct at issue was deemed intentional or negligent. This factor may only be considered in evaluating litigated cases. When conduct has been deemed intentional, the conduct may result in a higher penalty.

This factor does not apply to the Settlement because this is not a litigated proceeding.

(4) Whether the regulated entity made efforts to modify internal practices and procedures to address the conduct at issue and prevent similar conduct in the future. These modifications may include activities such as training and improving company techniques and supervision. The amount of time it took the utility to correct the conduct once it was discovered and the involvement of top-level management in correcting the conduct may be considered.

As explained in the Joint Petition, Peoples has implemented significant changes to its procedures to comply with all of I&E's requirements, as more particularly noted in Exhibits A-D to the Joint Petition. Peoples has made many changes to enhance the effectiveness of its gas operations. These changes, which involved top-level management, affect all aspects of the

business, including regulatory compliance, construction practices, leak detection and follow-up and other areas that ensure the Company safely delivers energy to its customers and to the communities it serves. Many of these changes were adopted either before or soon after the complaint was filed.

(5) The number of customers affected and the duration of the violation.

The number of affected customers was minimal. There were no service outages involved and repairs and pipe replacements were made in due course. Moreover, Peoples maintains that it diligently addressed each and every one of the circumstances outlined in the formal complaint, made certain changes to its operating procedures, undertook voluntary participation in the EPA Methane Challenge, and partnered with CMU even before I&E filed its formal complaint. Peoples disputes that any violations occurred, let alone violations of a continuing nature. All of these factors weigh heavily in favor of a lower civil settlement.

(6) The compliance history of the regulated entity which committed the violation. An isolated incident from an otherwise compliant utility may result in a lower penalty, whereas frequent, recurrent violations by a utility may result in a higher penalty.

Peoples is a compliant utility with an excellent safety record. Peoples' compliance history is one of continuing improvement and acceleration of infrastructure improvements. As noted in the Settlement, Peoples has implemented written guidelines that identify when and how short leaking sections of main are to be considered for replacement versus repair (while promoting removal or replacement over repair). In addition, Peoples has added fifteen (15) incremental full-time employees in order to facilitate this "replace versus repair" approach and has modified its annual capital budget categories to allow for same. In addition, its willingness to step up and address small gas company system safety matters through voluntary takeovers is

unmatched in the industry. Finally, Peoples' participation as a partner with CMU and in the EPA Methane Challenge, as more fully described in the Joint Petition, demonstrates its willingness to lead on leak detection and response. All of these factors weigh in favor of a lower civil settlement.

(7) Whether the regulated entity cooperated with the Commission's investigation. Facts establishing bad faith, active concealment of violations, or attempts to interfere with Commission investigations may result in a higher penalty.

Peoples has an excellent compliance history, which is relevant and significant in addressing the reasonableness of the civil settlement to be paid pursuant to the Settlement. Throughout these proceedings, Peoples has cooperated with I&E in its investigation and has worked with I&E to develop constructive and practical improvement to safety procedures. Peoples has agreed to pay a civil settlement of \$50,000 to resolve the matter amicably. In this regard, the agreed civil settlement amount is not based on any other specific formula and should not be used to determine the reasonableness of the Settlement.

(8) The amount of the civil penalty or fine necessary to deter future violations. The size of the utility may be considered to determine an appropriate penalty amount.

In this instance, the civil settlement, combined with the extensive actions undertaken by Peoples to amend its procedures, conduct training and advance a culture of safety, serve to deter future violations. Each of these factors weighs strongly in favor of a lower civil settlement.

(9) Past Commission decisions in similar situations.

While each case is somewhat unique, the Commission has accepted settlements that called for change in operations and training, combined with a lower civil settlement, where no willful fraud, misrepresentation and no harm to property or persons as a result of the alleged

conduct. Peoples submits that the civil settlement of \$50,000 exceeds or is roughly comparable to settled amounts approved in other cases.

(10) Other relevant factors.

None.

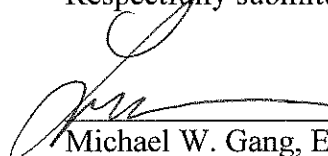
IV. CONCLUSION

Peoples fully embraces the concept that it is the Company's responsibility to safely and reliably deliver natural gas to its customers and the communities it serves. Peoples takes this responsibility seriously and has aggressively and cooperatively enhanced its procedures, training and operational performance. Peoples is committed to working with the Commission to constructively address gas safety issues.

The spirit of cooperation and open exchange of information has led to the Settlement that resolves all issues in this matter in a fair and equitable manner. Peoples' improvement efforts will provide public benefits, both short and long term to its customers, the communities it serves and to Peoples' employees as well.

For these reasons, the Settlement complies with the standards contained in the Commission's Policy Statement at 52 Pa. Code § 69.1201 and is in the public interest. Peoples requests that Administrative Law Judge Haas recommend approval of and that the Commission approve the Settlement and mark the record in the Complaint proceeding at C-2016-2437295 closed.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Date: August 25, 2017

Attorneys for Peoples Natural Gas Company LLC

VERIFICATION

I, PAUL W. BECKER, being the VICE PRESIDENT CONSTRUCTION AND ENGINEERING of Peoples Natural Gas Company LLC, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect Peoples Natural Gas Company LLC to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date:

8/24/17



Paul W. Becker

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation and Enforcement,	:	
Complainant	:	
	:	
v.	:	Docket No. C-2016-2437295
	:	
The Peoples Natural Gas Co., LLC –	:	
Equitable Division,	:	
Respondent	:	

CERTIFICATE OF SERVICE

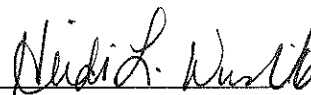
I hereby certify that I have this day served a true copy of the foregoing document, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

Service by First Class Mail:

William H Roberts II, Esquire
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The Honorable Steven Haas
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
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Dated: August 25, 2017