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December 5, 2011

VIA ELECTRONIC FILING AND OVERNIGHT MAIL

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

**Re: Natural Gas Pipeline and Performance Plans;
Docket No. M-2011-2271982**

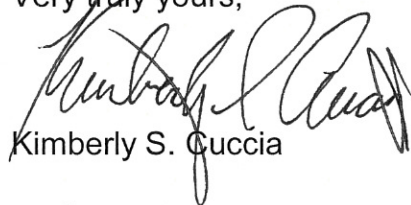
Dear Ms. Chiavetta:

Enclosed please find the Comments of Columbia Gas of Pennsylvania, Inc. which have been filed electronically in the above-referenced docket.

I have enclosed an original and one additional copy of Columbia's Comments. Please file stamp the additional copy and return it to me in the enclosed self-addressed, stamped envelope.

If you have any questions, please call me at 724.416.6347 or e-mail me at kscuccia@nisource.com. I thank you for your assistance.

Very truly yours,



Kimberly S. Cuccia

enclosure

cc: Paul Metro, Chief, Gas Safety Division (via e-mail)
Robert Young, Deputy Chief Counsel (via e-mail)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Natural Gas Pipeline Replacement and : Docket No. M-2011-2271982
Performance Plans :

COMMENTS OF COLUMBIA GAS OF PENNSYLVANIA, INC.

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), by and through its attorneys, submits its comments in response to the Commission’s invitation for comments concerning two topics—the electronic submission of gas utility Distribution Integrity Management Program (“DIMP”)/Integrity Management (“IM”) Plans, and the development and enhancement of Frost Patrols as originally discussed in the Tentative Order entered by the Commission on November 10, 2011 (“November 10 Order”), which the Commission subsequently revised and clarified by Secretarial letter dated November 21, 2011 (“November 21 Letter”).¹

Columbia appreciates this opportunity to submit comments on the two above-referenced topics, as directed by the November 21, 2011 Letter, on the overarching topic of enhancing natural gas distribution company pipeline safety in this Commonwealth.² Moreover, Columbia supports the Commission’s initiative to enhance and improve gas utilities’ efforts to ensure the safety and reliability of their distribution systems as we enter into the 2011-2012 winter heating season. As the Commission is aware, Columbia has invested over \$281 million during the past 5

¹ The Commission ratified the November 21 Letter at its December 1, 2011 Public Meeting.

² The Commission addressed three topics in its November 10 Order—(1) the electronic submission of DIMP/IM Plans, (2) enhanced Frost Surveys, and (3) Pipeline Replacement and Performance Plans. In accordance with the Commission’s November 21 Letter, these Comments address two of those topics, as specifically outlined in the November 21 Letter—the electronic submission of DIMP/IM Plans and Frost Surveys. The Commission’s November 21 Letter also extended the deadline imposed in its November 10 Order to January 13, 2012 for utilities to file comments on the topic of pipeline replacement and performance plans. Columbia will file comments on that topic of the November 10 Order by January 13, 2011.

years (2007-2011) to replace cast iron and bare steel mains and services.³ Further, in 2007 Columbia implemented an aggressive leak detection and leak repair program, which triples the federal leakage survey standards for bare steel and cast iron mains. These coordinated practices (replacement, survey, and repair) serve to further the Commission's goal of enhancing the safety of natural gas distribution, and will be more fully expanded on later in these Comments.

II. COMMENTS

Columbia prefaces its specific comments on the two identified topics by noting that each utility's system is unique, and the specific enhancements that will make each of those systems safer must be tailored to each operating system based on each utility's DIMP Plan. The Commission recognized the need for such tailoring in its November 10 Order where it acknowledged that DIMP Plans require a natural gas distribution company to determine and implement measures designed to reduce risks from failure of *its* gas distribution pipeline. November 10 Order at 5. For Columbia, the primary cause of leakage incidents is third-party damage, and Columbia intends to present the Commission with an approach that is tailored to address that specific issue in its comments due on January 13, 2012. However, to address the Commission's immediate concern pertaining to this winter heating season, Columbia proposes to enhance its frost survey methods in an effort to further enhance system safety by identifying and repairing any cast iron facilities damaged by ground movement caused by freezing temperatures.

³ Pursuant to historic practice and the provisions of Section 1510 of the Public Utility Code adopted in 1984, Columbia does not own customer service lines on its system in western (Pittsburgh and vicinity) Pennsylvania. The exact areas in which Columbia does not own the customer service lines are delineated in Columbia's tariff. In conjunction with Columbia's implementation of its accelerated infrastructure replacement program, Columbia requested, and was granted, a limited waiver of its tariff to replace customer owned service lines in conjunction with its accelerated main replacement and upgrade program. *Petition of Columbia Gas of Pennsylvania, Inc. for Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement*, Docket No. P-00072337 (Order entered May 19, 2008). Upon replacement by Columbia, those services remain the property and responsibility of the customer.

A. ELECTRONIC SUBMISSION OF DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM/INTEGRITY MANAGEMENT PLANS

The November 10 Order directed gas utilities to provide an electronic copy of their DIMP Plan and IM Plan to the Gas Safety Division no later than November 30, 2011. In its November 21 Letter, the Commission revised its November 10 Order to request comments on the submission of electronic copies of these plans, given the possibility that some plans may contain confidential security information under the Public Utility Confidential Security Information Disclosure Act, 35 P.S. §§ 2141.1-2141.6, and given that the plans are likely exempt from public disclosure under the Right to Know Law, 65 P.S. § 67.708(b)(3). Columbia agrees with the concept of providing the Commission Gas Safety Division personnel open access to its DIMP/IM Plans, and submits that Columbia provides such open access to its IM Plan today by making the Plan available for confidential review by Gas Safety Division personnel at the companies' offices. Historically, Commission Gas Safety personnel have performed periodic audits of Columbia's IM Plan pursuant to 52 Pa. Code § 59.33. Because the DIMP Plans have only been in effect since August of this year, Columbia has not yet been audited on its DIMP Plan, but assumes that such an audit will be in similar fashion to the Gas Safety Division personnel's audit of Columbia's IM Plan—at the companies' offices.

As the Commission is aware, there is currently pending before the Commonwealth Court a challenge to the Commission's refusal to release to the public certain gas safety investigative materials and records. *Pa. P.U.C. v. Gilbert and The Wall Street Journal*, No. 1381 CD 2011 (Petition for Review Filed July 27, 2011) ("*Wall Street Journal case*"). It is the Commission's position, supported by the gas industry, that such material is exempt from disclosure, pursuant to various exemptions under the Right to Know Law and the Pennsylvania Public Utility

Confidential Security Information Disclosure Protection Act. Among the exemptions from disclosure asserted in that case is that disclosure of the information will create a reasonable likelihood of endangering the safety or the physical security of public utility infrastructure and facilities.

Columbia believes that portions of its DIMP Plan and IM Plan fall within the exemptions of the Right to Know Law and, in particular, contain information the release of which could create a reasonable likelihood of endangering the safety or security of its plant infrastructure. However, until the *Wall Street Journal* case is decided, it is unknown whether the information contained in the DIMP Plan and IM Plan will, subsequent to submission, be required to be made available to the public. Although Columbia trusts the Commission to keep appropriate material confidential, the decision whether the information will remain confidential is outside the Commission's control at this time.

Since the Commission's goal is to ensure that utilities are in compliance with their DIMP/IM Plan obligations, Columbia would offer an alternative to requiring that utilities submit their DIMP/IM Plans to the Commission (electronically or by any other form). Columbia offers that the Commission could require utilities to file a self-certification form annually certifying their compliance with such plans similar to the way utilities self-certify compliance with Physical and Cyber Security Programs under 52 Pa. Code § 101.4. Under an annual self-certification process, Gas Safety Division personnel would still have open access to the utilities' plans in the companies' offices and, further, Gas Safety Division personnel would be able to maintain evidence that gas utilities are complying with their obligations in between audits. Such required annual self-certifications could be achieved temporarily through a tentative order, and

then become permanent additions to the Commission's regulations through the rulemaking process.⁴

If, however, the Commission decides that it is going to require utilities to submit their DIMP/IM Plans, Columbia urges the Commission to require utilities to file such plans confidentially only after the DIMP/IM Plans have been redacted to remove information containing confidential security information or other protected classes of information as defined under the Public Utility Confidential Security Information Act, 66 P.S. § 335, and the Right to Know Law. Gas Safety personnel would still have open access to the unredacted plans at the companies' offices. Columbia submits that either of the above two options will provide Gas Safety personnel with access to the confidential security information, heighten the Commission's satisfaction that utilities are in compliance with their DIMP/IM Plan obligations, and maintain the current safeguards against the disclosure of information to the public that will create a reasonable likelihood of endangering the safety or the physical security of public utility infrastructure and facilities.

Therefore, Columbia respectfully requests that the Commission not require gas utilities to submit their DIMP Plan and IM Plan to the Commission. The Commission should instead provide that utilities will annually self-certify that both Plans are in compliance and that copies of the Plans will be made available for confidential review by Gas Safety Division personnel at the companies' offices. If the Commission decides that copies of such plans should be submitted to the Commission, Columbia urges the Commission to require the utilities to *file confidentially* only redacted versions of their DIMP/IM Plans.

⁴ Columbia makes this recommendation based on the process used by the Commission in implementing 52 Pa. Code § 101.4, wherein the Commission provided for temporary procedures and directed the Bureau of Transportation and Safety to initiate a rulemaking. *See Physical and Cyber Security Program Self Certification Requirements for Public Utilities*, Docket No. M-00031717 (Tentative Order entered Aug. 5, 2003).

B. FROST SURVEYS

The November 10 Order directed gas utilities to commence weekly frost surveys beginning November 1st as enumerated in the November 10 Order. In its November 21 Letter, the Commission, upon reconsideration, suspended the immediate implementation of enhanced Frost Patrols and directed each natural gas distribution utility and city natural gas distribution operation with cast iron pipeline or unprotected steel pipeline in its systems to file comments providing information specific to the topic of Frost Patrols. The specific information requested by the Commission is as follows: (1) a full description of the utility's prior Frost Patrol protocols over the five (5) winter seasons preceding its DIMP/IM Plans; (2) a full description of the utility's current Frost Patrol protocols under its DIMP/IM Plans; (3) a full description of enhanced Frost Patrol Protocols the utility proposes to perform this winter; and (4) a discussion about whether Commission issued standards for Frost Patrols should be considered going forward, and whether such standards should be determined on a utility by utility basis or on an industry wide basis. Columbia submits its comments in response to this request for information immediately below.

1. Columbia's Frost Patrol Protocols Over the Past Five (5) Winter Heating Seasons

Consistently, over the past five (5) years Columbia has carried out weekly Frost Patrols each winter on its cast iron system from the time the frost enters the ground in the winter until the ground fully thaws in the spring. In addition to these weekly cast iron Frost Patrols, Columbia carries out a number of supplemental leakage surveys at weekly or monthly intervals on facilities it believes need an increased level of monitoring. These facilities include:

- Columbia's distribution steel mains installed in the 1960s that have been identified as having welds that do not meet contemporary welding standards.

- Specific sections of Columbia's system that have been identified by the local operations leadership as showing an increasing pattern of leakage.
- Geographic areas that may be prone to ground movement or earth slides that could destabilize Columbia's natural gas distribution facilities in that area.

2. Columbia's Current Frost Patrol Protocols Under Its DIMP/IM Plans

Columbia's current DIMP/IM Plans do not contain protocols specific to Frost Patrols other than the weekly cast iron Frost Patrols described above. In addition to the cast iron Frost Patrols, and based on an assessment of Columbia's system specific knowledge, Columbia performs an annual survey of all of its bare steel and cast iron mains and for the last five years, Columbia has been replacing its bare steel and cast iron infrastructure on an accelerated basis.

Columbia provides safe and reliable gas distribution service to Pennsylvania consumers. This is precisely why Columbia has gone above and beyond the federal survey requirements, and proactively put a plan in place for leak surveys and leak repairs, which it believes is the most efficient and cost effective way to manage leaks. In 2007, Columbia began an accelerated leakage survey program of its entire distribution system. Under this accelerated leak survey program, Columbia surveys its *entire system* (bare steel, cast iron, and plastic mains) every three years, even though the federal code only requires a leak survey of the entire system every five years. Further, in addition to surveying its entire distribution system every three years, Columbia also inspects all of its *bare steel* and *cast iron* mains annually, even though the federal code only requires distribution utilities to survey bare steel and cast iron every three years. 49 CFR Part 192. Coupled with its accelerated leak survey program, Columbia has embarked on a comprehensive initiative to reduce the number of outstanding leaks. Columbia is now doing more leakage surveys than at any point in the Company's history, and as a result of these efforts, the Company has reduced open Class 2 leaks by nearly 40% since 2007.

Hand in hand with increased leak surveys and increased leakage repair, Columbia has also undertaken a substantial rebuild of its distribution system by replacing its aging cast iron and unprotected bare steel. Over the past five years (projected through December, 2011), Columbia has eliminated approximately 400 miles of bare steel and cast iron mains. In other words, Columbia has already replaced 18% of the total amount of cast iron and unprotected bare steel that existed on its system five years ago. During 2011 alone, Columbia will spend approximately 90 million dollars and replace 102 miles of bare steel and cast iron, which equates to an annual replacement rate of over 5.2% of Columbia's remaining first generation pipe. At this rate, Columbia would replace its entire remaining inventory of first generation pipe in 18 years, or by 2029.⁵ Columbia submits that, for Columbia, the most effective way to mitigate the concern associated with aging infrastructure is its accelerated replacement of bare steel and cast iron main and to survey that same material on an annual basis until it can be replaced. Columbia's current survey, repair and replacement methods are also aligned with Columbia's specific system risks and the priorities ranked in its DIMP Plan. Columbia requests that the Commission take note of Columbia's accelerated aging infrastructure replacement and survey methods, particularly when additional survey requirements as discussed in the November 10 Order have the potential to disrupt the coordinated efforts that have proven successful for Columbia over the past five years. Columbia submits that the essential consideration when evaluating enhancements to system safety is coordinating any additional efforts with the previously identified and prioritized risks in the utility's system-specific DIMP Plan.

⁵ This replacement rate is contingent on future access to capital. Events, such as the freezing up of capital markets experienced in 2008, can affect future capital dollar projections.

3. Columbia's Proposed Enhanced Frost Patrol Protocols For the 2011-2012 Winter Heating Season

Concerning the instant matter of enhanced Frost Surveys, Columbia submits that, for Columbia, its current bare steel and cast iron survey (performed annually) combined with weekly cast iron leakage surveys during frost periods, safeguards Columbia's system against damage that could occur as a result of prolonged ground freezes. However, for the 2011-2012 winter heating season, Columbia is willing to modify its weekly cast iron surveys to begin on the clearly defined date of December 15th or when prolonged ground freeze has occurred (whichever is earlier), and extend until March 15th or to when the frost is fully out of the ground (whichever is later). The Company will make an off-cycle modification to its DIMP Plan to formalize Columbia's fixed period frost survey commitment. Columbia is also willing to discuss with Gas Safety Division personnel other options that they might find appropriate for Columbia to consider.

On its own, Columbia has considered additional enhancements such as monthly re-inspections of Class 2 leaks during the defined frost period and the possible enhanced surveying of business districts. While Columbia can agree that these options, along with possible others, are certainly things to be considered, Columbia is not convinced such additional enhancements will effectively mitigate Columbia's system-specific risks. However, Columbia is interested in hearing the thoughts of the Gas Safety Division personnel on these matters, and looks forward to future discussions on these topics.

4. Frost Patrol Standards Should Be Determined On A Utility by Utility Basis And Not On An Industry-Wide Basis

Every utility has unique factors concerning its system. These factors include the type and location of facilities, leak history, temperatures, leak detection procedures and other factors.

Given these differences, Columbia does not believe a “one-size-fits-all” approach is appropriate in establishing Frost Patrol standards. For reasons explained next, the Commission should not adopt industry-wide Frost Patrol standards such as were proposed in its November 10 Order, but instead should examine each utility’s leak detection, leak repair and main replacement efforts and craft, on a utility by utility basis, appropriate modifications that may be needed to be responsive to concerns about gas leaks.

The Commission’s November 10 Order demonstrates some of the difficulties in establishing statewide criteria for Frost Patrols. By directing that patrols be undertaken beginning November 1 and continuing through April 30, the Commission’s November 10 Order fails to consider the objective of Frost Patrols. Frost Patrols are undertaken when hard, prolonged ground freezes occur, because such extensive ground freezes can cause relatively inflexible cast iron pipe to break. Ground freezes, however, do not generally cause leaks to develop in unprotected bare or coated steel pipes, because steel has greater tensile strength than cast iron. Further, in Columbia’s experience it has never encountered a situation where frost related ground movement caused a leak or a reportable incident on its bare or coated steel facilities.

By establishing a firm leak survey period from November 1 through April 30, the uniform Frost Survey standards in the November Order were arbitrary, because such standards did not take into account whether any hard, prolonged ground freeze is occurring. As of November 30, 2011, Columbia has experienced no hard, prolonged ground freeze in any portion of its service territory this winter heating season. As a result, there is no need for Columbia to undertake weekly patrols to investigate whether ground freezing has caused cracks in cast iron pipe. By directing Columbia to undertake patrols when not warranted by weather conditions, the

Commission is unwisely and inefficiently redirecting company resources away from other matters, potentially including efforts to replace and repair identified leaks before the ground freezes.

The uniform Frost Patrol standards contained in the November 10 Order were vague and relied upon area criteria not maintained by Columbia, and as such would be difficult if not impossible for Columbia to comply with. Under those uniform standards, the determination of whether pipe with a leak history or leaks is to be surveyed weekly or monthly would depend upon whether the pipe is in a Class 3 or 4 area, or a Class 2 area. The classification of pipe by area is defined in 49 CFR § 192.5, but that classification is applicable only to transmission pipelines, not distribution facilities. Class 2 areas are defined as areas within 200 meters of a pipeline that have 10-46 buildings intended for human occupancy per mile of main. Class 3 areas are areas within 200 meters of a pipeline with 46 or more buildings intended for human occupancy per mile of main or where the pipeline lies within 91 meters of a building or outdoor area occupied by 20 or more people five days per week for 10 weeks in a year. A Class 4 area is defined as any area where buildings four or more stories above ground are “prevalent.”

Columbia does not have data regarding building density per mile of distribution main because this is not a typical criterion for a gas distribution company to capture. Because it does not maintain this data, Columbia cannot identify which parts of its distribution system are in Class 1, Class 2, Class 3 or Class 4 areas. As a result, in order to comply with those uniform standards, Columbia would need to perform weekly surveys of *all* of its cast iron pipe and all bare steel pipe with a leak history or leaks.

Columbia is also concerned with its ability to comply with the proposed uniform reporting requirements. Under the proposed uniform Frost Patrol standards, utilities would also

be required to report all leaks on a bi-weekly basis, and provide a schedule for repairs of all unreported leaks. This requirement is unreasonable because data is not readily available on a bi-weekly basis, and it would require a laborious manual reporting process to produce the bi-weekly reports (particularly for a system the size of Columbia's). Additionally, the definition of pipe "with a leak history" is undefined. Columbia does not know whether a leak at one end of a five mile long pipe five years ago means the entire pipe has a leak history and would have to be surveyed weekly. Similarly, if a customer service had a leak, does the associated main need to be surveyed weekly? Does Columbia have a responsibility to document the material type of customer-owned services and survey accordingly, or only Company-owned services? All of these uncertainties further dictate that large portions of Columbia's 7,350 mile distribution system be surveyed every week throughout the period from November 1 through April 30.

Columbia has 60 miles of cast iron pipe and 1,871 miles of unprotected bare or coated steel mains remaining in its system (as of December 31, 2010), and potentially 65,000 unprotected bare steel services.⁶ All of these pipes would have to be surveyed, at a minimum, on a monthly basis under the requirements set forth in the November 10 Order, and Columbia believes the majority of this pipe would need to be surveyed weekly given the uncertainties in the November 10 Order.

Based upon the foregoing, the uniform standards contained in the November 10 Order are vague and overbroad, premised on building density classifications and data not maintained by distribution companies, and therefore they do not consider the feasibility of compliance. Columbia has neither the personnel nor the equipment available to undertake such a task within any reasonable period of time. Columbia's initial estimate is that it would have to hire or

⁶ This number does not take into account customer owned services, which Columbia does not have a certain record of by pipe material. *See supra* fn 3.

contract for, at minimum, 320 additional personnel to perform the surveys that would be required if the uniform Frost Patrol standards in the November 10 Order were used. Even if Columbia were to begin the hiring and supply acquisition process immediately, it is unlikely that Columbia could have sufficient equipment and workforce in place to undertake the required weekly surveys prior to the April 30, 2012 end date of the first survey period.

The cost of compliance is equally daunting. Columbia estimates that the annualized incremental cost of compliance would exceed \$15 million. Such amount is not budgeted for by Columbia.⁷

These are just some examples of the difficulties in applying statewide Frost Patrol standards, and why Columbia believes that each company's processes should be considered separately in the context of their own specific circumstances. Although Columbia believes that each gas utility system is unique, and industry-wide standards for Frost Patrols should not be adopted, if the Commission concludes that a uniform set of standards pertaining to Frost Patrols is appropriate, Columbia recommends that any such standards be adopted through amendments to the Commission's gas safety regulations at 52 Pa. Code §§ 59.33 – 59.36. This process would allow for the development of a record, through comments, in support of any uniform standards.

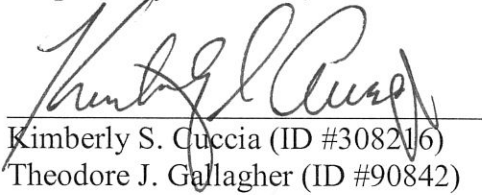
Although Columbia believes its leak survey (including Frost Patrol) plan and leak repair policy are appropriate for its systems and circumstances, Columbia is willing to discuss its proposed enhancement to its leak survey plan and leak repair policy with the Commission's Gas Safety Division, as outlined above, and is interested in hearing their perspective.

⁷ It is noted that this new requirement is not reflected in current rates, and Columbia should be entitled to recover any costs incurred prior to seeking rate relief. *See, Columbia Gas of Pennsylvania, Inc. v. Pa. P.U.C.*, 613 A.2d 74, 76 (CmwltH Ct. 1992).

C. CONCLUSION

For the reasons discussed above, Columbia Gas of Pennsylvania, Inc. respectfully requests that the Commission not adopt the requirements it has proposed in its November 10 Order with respect to DIMP/IM Plans and Frost Surveys. Specifically, Columbia requests the Commission to consider maintaining its current open process for Gas Safety Bureau personnel to review companies' DIMP/IM Plans in company offices, and issue a tentative order adding an annual self-certification until appropriate regulations can be codified, or in the alternative, requiring utilities to file copies of their respective DIMP/IM Plans confidentially and only after such plans have been redacted to remove sensitive infrastructure information. Columbia also requests that the Commission not adopt uniform Frost Survey Standards, and to address such standards on a utility by utility basis, also taking into consideration the top identified risks as indicated in the utilities' DIMP Plans. Thereafter, the Gas Safety Division and Columbia should be directed to meet to develop any necessary enhancements to such plan and policies as early as possible.

Respectfully submitted,



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