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January 13, 2012

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**VIA HAND DELIVERY**

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission are the original and five (5) copies of the Comments of the Industrial Energy Consumers of Pennsylvania ("IECPA"), Central Penn Gas Large Users Group ("CPGLUG"), Columbia Industrial Intervenors ("CII"), Peoples Industrial Intervenors ("PII"), Philadelphia Area Industrial Energy Users Group ("PAIEUG"), Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), and UGI Industrial Intervenors ("UGIII") (collectively, "Industrial Customer Groups") in the above-referenced proceeding.

Please date stamp the extra copy of this transmittal letter and Comments, and kindly return them to our messenger for our filing purposes.

Very truly yours,

McNEES WALLACE & NURICK LLC

By   
Teresa K. Schmittberger

Counsel to the Industrial Customer Groups

TKS/sar

Enclosures

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

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Natural Gas Pipeline Replacement  
and Performance Plans

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Docket No. M-2011-2271982

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**COMMENTS OF THE INDUSTRIAL CUSTOMER GROUPS**

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Pennsylvania, Central Penn Gas Large Users Group,  
Columbia Industrial Intervenors, Peoples Industrial  
Intervenors, Philadelphia Area Industrial Energy  
Users Group, Philadelphia Industrial and  
Commercial Gas Users Group, and UGI Industrial  
Intervenors

Dated: January 13, 2012

## I. INTRODUCTION

On November 10, 2011, the Pennsylvania Public Utility Commission ("Commission") issued a Tentative Order regarding Natural Gas Pipeline Replacement and Performance ("PRP") Plans. This Tentative Order required all regulated natural gas distribution public utilities and city natural gas distribution operations to provide copies of their Distribution Integrity Management Plans ("DIMPs") to the Commission; all regulated natural gas distribution public utilities and city natural gas distribution operations to perform "Frost Patrol" leak surveys during the winter months; and larger natural gas distribution companies to submit PRP Plans, which include performance benchmarks and cost recovery proposals for pipeline replacement. In a Secretarial Letter dated November 21, 2011, the Commission revised the Tentative Order with regard to DIMPs and Frost Patrols.<sup>1</sup> The Commission also extended the period for submitting Comments regarding PRP Plans until January 13, 2012.

The Industrial Energy Consumers of Pennsylvania ("IECPA") is an association of energy-intensive industrial companies operating facilities across the Commonwealth of Pennsylvania. Also sponsoring these Comments are coalitions of industrial customers receiving service from most of the Commonwealth's natural gas distribution companies ("NGDCs"): Central Penn Gas Large Users Group ("CPGLUG"), Columbia Industrial Intervenors ("CII"), Peoples Industrial Intervenors ("PII"), Philadelphia Area Industrial Energy Users Group ("PAIEUG"), Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), and UGI Industrial Intervenors ("UGIII") (collectively, "Industrial Customer Groups").

Because the Industrial Customer Groups depend on substantial volumes of natural gas in their manufacturing and operational processes, any modification to the terms or conditions of gas service for Large Commercial and Industrial ("C&I") customers could substantially impact the

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<sup>1</sup> The Commission issued a new Order on DIMPs and Frost Patrols on December 22, 2011 in this docket.

Industrial Customer Groups' overall operating costs. Accordingly, the Industrial Customer Groups respectfully submit the following Comments in response to the Tentative Order.

## II. COMMENTS

In the Tentative Order, the Commission acknowledged that each NGDC's DIMP likely would identify many *high risk* pipelines in need of repair or replacement to continue operating safely and reliably. As a result, the Commission requested that NGDCs submit PRP Plans to the Commission identifying strategies for systematic pipeline replacement. The Commission cited the Public Utility Code as authority for requiring NGDCs to submit PRP Plans,<sup>2</sup> and required PRP Plans to include replacement timeframes, as well as a proposal for how the replacement costs will be addressed in rates. The Commission further recommended that each PRP Plan be tailored to the individual utility, and contain performance metrics, such as the rate of replacement, damage prevention, corrosive control, emergency response time, and critical valve determination. The Commission suggested that an appropriate metric for pipeline replacement would be ensuring that pipes are replaced at the utility's average rate of pipeline replacement during the last ten years or the rate that will result in the replacement of all high-risk pipe within twenty years. Other metrics may be proposed by interested parties during the Comment period, and the Commission will consider their validity in the Final Order.

The Industrial Customer Groups would like to commend the Commission for exercising its authority within the Public Utility Code to address the safety and reliability of natural gas pipelines through the submission of PRP Plans. The Public Utility Code specifically requires public utilities to "make all such repairs, changes, alterations, substitutions, extensions, and

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<sup>2</sup> "Pursuant to our authority under Sections 501, 504, 505, 506 and 1501 of the Public Utility Code, 66 Pa. C.S. §§ 501, 504, 505, 506 and 1501, and, in particular, our fundamental duty to ensure the provision of safe and reliable utility service to consumers, utility employees and the public, we propose that Pennsylvania's major natural gas distribution utilities be required to file Pipeline Replacement and Performance Plans ("PRP Plans") for Commission review and approval." Tentative Order at 5-6.

improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public." 66 Pa. C.S. § 1501. The Commission also is given "general administrative power and authority to supervise and regulate all public utilities doing business within this Commonwealth," 66 Pa. C.S. § 501, and may require utilities to submit "reports concerning any matter whatsoever about which the commission is authorized to inquire, or to keep itself informed, or which it is required to enforce." 66 Pa. C.S. § 504. These statutes fully justify the Commission to begin the process of identifying high risk pipelines and procedures for their replacement in PRP Plans.

While the Industrial Customer Groups applaud the Commission's decision to review pipeline replacement procedures under its existing statutory authority, the Industrial Customer Groups respectfully request that the Commission consider the due process rights of customers and other interested parties when reviewing PRP Plans and determining how rates will be adjusted. At this early stage, the extent of interested party involvement in the PRP Plan review process is unclear. Accordingly, the Industrial Customer Groups recommend that interested parties should be permitted to provide input on proposed PRP Plans, especially regarding cost recovery provisions.

Interested party involvement in the review process is crucial for two important policy rationales. First, because customers will be responsible for paying for pipeline replacement when the plant additions and retirements are reviewed in the NGDC's next base rate proceeding, it is essential that customers experience any benefits provided by this replacement in a timely fashion. By way of example, as the Commission is well aware, one of the main potential benefits of pipeline replacement is the reduction in lost and unaccounted for gas. The Industrial Customer Groups believe that the financial benefit derived from this decrease in lost and

unaccounted for gas, along with any other benefits provided by pipeline replacement, should flow through to consumers on a regular and timely basis. Second, if cost recovery is addressed within PRP Plans, public review may be necessary to ensure that costs are properly allocated among customer classes. Because the replacement process will likely be widespread throughout Pennsylvania, interested parties throughout the Commonwealth provide an important perspective on the scope of cost recovery, and the particular classes who benefit from pipeline replacement in each region. Allowing interested parties to participate in the review process of PRP Plans advances both of these policies, and ensures that the concerns of all parties are fairly and *adequately addressed in the Plans.*

### **III. CONCLUSION**

The Industrial Customer Groups request that the Commission consider the above-stated factors when developing its Final Order regarding PRP Plans. In particular, the Industrial Customer Groups recommend that the Commission: (1) continue to recognize its authority to review PRP Plans under the Public Utility Code; (2) allow interested parties an opportunity to provide input on PRP Plans, pipeline replacement, and cost recovery procedures to ensure that (a) customers receive the benefits of pipeline replacement on a timely basis, and (b) costs of replacement are contained to the customer classes benefited by the replacement.

**WHEREFORE**, the Industrial Customer Groups respectfully request that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments.

Respectfully submitted,

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