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February 1, 2012

**VIA HAND DELIVERY**

Secretary Rosemary Chiavetta  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17101

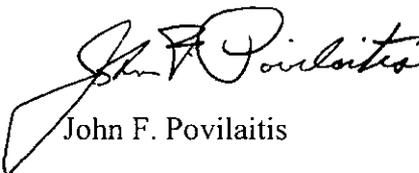
Re: Act 127 of 2011 - The Gas and Hazardous Liquids Pipeline Act; Assessment of  
Pipeline Operators; Docket No. M-2012-2282031

Dear Secretary Chiavetta:

On behalf of Williams Field Services Company, LLC, I have enclosed for filing the  
original and ten (10) copies of Comments with regard to the January 12, 2012 Tentative Order in  
the above-captioned matter.

Please contact me should you have any questions.

Very truly yours,



John F. Povilaitis

JFP/kra  
Enclosure

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Act 127 of 2011 - The Gas and Hazardous** :  
**Liquids Pipeline Act; Assessment of** : **Docket No. M-2012-2282031**  
**Pipeline Operators** :

**COMMENTS OF WILLIAMS FIELD SERVICES COMPANY, LLC**

**I. Introduction**

Williams Field Services Company, LLC ("Williams") appreciates the Pennsylvania Public Utility Commission's ("Commission") efforts to dialogue with companies potentially affected by newly promulgated Act 127 ("Act 127" or "Act"). This opportunity to submit written comments in response to the Commission's January 12, 2012 Tentative Implementation Order ("Tentative Order"), and the issuance of a responsive final order will assist the Commission and companies subject to Act 127 in reaching clear understandings on issues of process and compliance.

Williams is a midstream subsidiary of The Williams Companies, Inc. ("TWC"). TWC's subsidiaries have experience gathering, processing, and transporting natural gas throughout the United States. The midstream business units of TWC have experience operating midstream facilities in The Rocky Mountains, Wyoming, the Southwestern United States, and more recently, in Pennsylvania. Williams' principal place of business in Pennsylvania is in Moon Township. In Pennsylvania Williams operates natural gas gathering facilities in Fayette, Greene, Susquehanna, Luzerne, Washington, Westmoreland and Wyoming Counties, Pennsylvania. Williams is committed to safety and places a strong emphasis on safe operations in compliance with the law. To date the Commission has addresses a number of Act 127 issues through the informal process of meeting with energy industry representatives, providing answers on its

website to frequently asked questions and hosting a teleconference on January 26, 2012, at which previously submitted questions were orally answered.<sup>1</sup>

Williams submits the following comments with the aim of obtaining certain modifications of the Commission's proposed reporting forms, gaining further clarification on Act 127 issues and assisting the Commission on certain issues where the Commission needs to provide pipeline operators with appropriate guidance.

## **II. Proposed Clarifications and Modifications to the Commission's Reporting Requirements**

### **A. Section 301(C)(3)'s requirement to report the location and approximate aggregate miles of class 1 pipelines that collect or transport gas from unconventional wells requires clarification with respect to pipelines where flowing gas is a mix of gas from conventional wells and unconventional wells.**

Section 301(C)(3) of Act 127 states that "the operator of a pipeline in a class 1 location that collects or transports gas from an unconventional well shall report the location of the pipeline by class location and approximate aggregate miles for inclusion in the Commission's registry." The term "unconventional well" is defined in the Act as "a bore hole drilled or being drilled for the purpose of or to be used for the production of natural gas from an unconventional formation." In turn, the Act defines "unconventional formation" as "a geological shale formation existing below the base of the Elk sandstone or its geologic equivalent stratigraphic interval where natural gas generally cannot be produced at economic flow rates or in economic volumes except by vertical or horizontal well bores stimulated by hydraulic fracture treatments or by using multilateral well bores or other techniques to expose more of the formation of the well bore."

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<sup>1</sup> The Commission's cover letter to the Tentative Order stated that questions and answers submitted in writing would be answered via a posting on the Commission's website by 5:00 p.m. on January 30, 2012.

As a pipeline that supplies gathering services to gas producers who have drilled both conventional and unconventional wells, Williams does not require its customers to report whether their gas is from conventional or unconventional wells as defined by the Act. In addition, the amounts of mixed conventional well and unconventional well gas in class 1 gathering pipelines can vary from one segment of the pipeline to another and from one time period to another. Therefore significant difficulties arise with respect to reporting this information for calendar year 2011, except where it is clear the facilities carry only gas from unconventional wells.

With respect to future calendar year reporting periods, it would be burdensome for pipeline operators to be required to implement a new tracking system that identified what mix of conventional and unconventional well gas in each portion of the pipeline system that runs through class 1 locations. Therefore Williams recommends a bright line test for compliance with this Act 127 requirement. Companies should submit location and mileage information for class 1 segments of pipeline where it is confirmed that all gas moving in the pipeline is from unconventional wells. This will remove ambiguity and uncertainty with respect to this mandate and eliminate the need to implement a method to obtain such information from the producer-customers and develop a new tracking system, both of which would be required if reporting was required even where gas from conventional wells and unconventional wells was commingled.

Such a bright line standard would not unduly dilute the efficacy of the data reported since this reporting requirement was never intended to collect all mileage and locations for all class 1 situations or all unconventional well situations. The Act does not require information to be

submitted for class 1 conventional well facilities.<sup>2</sup> Nor does this requirement mandate submission of pipeline mileage for facilities specifically transporting unconventional well gas in non-class I locations. Williams' proposed standard would represent a reasonable interpretation of a reporting requirement that was never intended to capture the universe of pipeline facilities associated with class 1 locations or all transportation of unconventional well gas.

The Commission should require companies to submit location and mileage information for class 1 segments of pipeline only where it can be confirmed that all gas moving in the pipeline is from unconventional wells.

- B. The requirement to disclose the country of manufacture for all tubular steel products used in exploration, gathering and transportation of natural gas should be limited to the facilities completed and in commercial operation in the most recently completed calendar year and provision should be made for listing facilities as "unknown" with respect to country of manufacture.**

Section 301(D) of the Act requires each pipeline operator, for all class locations, to disclose annually the country of manufacture for "all tubular steel products used in the exploration, gathering or transportation of natural gas...". The Commission should confirm in its Final Order that this reporting requirement relates to new facilities installed in the calendar year preceding the report deadline.

In addition, the Commission should make provision for situations where the country of manufacture is not known. This is more likely to be relevant to the initial calendar reporting year, which transpired before the Act became law. In these circumstances, the pipeline operator should be permitted to state in an "unknown" category the length of tubular steel products installed where country of manufacture cannot be ascertained.

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<sup>2</sup> Williams acknowledges that the draft reporting form attached to the Tentative Order does require mileage for class 1 conventional well facilities to be submitted by pipeline operators. However in the January 26, 2012 teleconference, staff noted that the collection of this information was for "informational" purposes and was not based on a specific Act 127 requirement. Of course this position is not binding on the Commission.

Finally, Section 301(D) relates to disclosing tubular steel products "used" and does not specify a precise point when the mileage is recordable in a given reporting period. Williams suggests the clear standard of considering the facility "used" when it enters commercial operation. Facilities that are under construction would not be reported until commercial operations on that facility commenced.

In summary, the requirement to disclose the country of manufacture for all tubular steel products used in exploration, gathering and transportation of natural gas should be limited to the facilities completed and in commercial operation in a given calendar year. The Country of Manufacture Form should make provision for listing facilities as "unknown" with respect to the country of manufacture where that information is not ascertainable by the pipeline operator.

**C. The Commission should reconsider and eliminate the portion of its draft County Location and Mileage Form that requires the submission of class 1 conventional well pipeline mileage.**

The Commission's proposed County Location and Mileage Form contains an initial column titled "Class 1", which is distinguished from the neighboring column "Class 1 Unconventional" well category. By inference therefore, the "Class 1" column seeks mileage data with respect to conventional well facilities. It is explicit in the Act that class 1 unconventional well mileage must be reported. However, at this time, class 1 facilities are not subject to federal pipeline safety laws. In addition, the mileage that will form the basis of Commission assessments is comprised of class 2, 3 and 4 mileage. Therefore this information bears no relevance to safety inspections or assessment of the Commission's regulatory costs that would require the submission of class 1 data.

In view of the specificity and care the General Assembly took to identify in detail who was subject to the Act<sup>3</sup>, what safety standards were imposed<sup>4</sup> and what information was required to be submitted<sup>5</sup>, it is inconsistent with the letter and spirit of the Act to require the collection of class 1 conventional well data as a standard, annual reporting obligation, co-equal with other specifically required information. Generally, class 1 unconventional well mileage information is more recent and readily obtainable by pipeline operators. Legacy class 1 conventional well mileage is less documented and more difficult and time consuming to obtain.

The Commission should reconsider mandating the collection and submission of class 1 conventional well pipeline mileage and reserve such a requirement for a point in time when it is more relevant to its obligations under the Act.

### **III. Summary and Conclusion**

Williams remains committed to safety and commends the Commission for pursuing an expedited, but fair and transparent, process for establishing the initial timeline, assessments, and reporting requirements for its implementation of the Act. Williams has proposed a limited number of modifications and clarifications to the Tentative Order and associated forms as follows.

- The Commission should require companies to submit location and mileage information for class 1 segments of pipeline only where it can be confirmed that all gas moving in the pipeline is from unconventional wells.
- The requirement to disclose the country of manufacture for all tubular steel products used in exploration, gathering and transportation of natural gas should be limited to the

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<sup>3</sup> Section 103 of the Act provides that "the provisions of this Act shall apply only to pipelines, pipeline operators or pipeline facilities regulated under federal pipeline safety laws."

<sup>4</sup> Section 302(A) states that "the safety standards and regulations for pipeline operators shall be those issued under the federal pipeline safety laws as implemented in 49 CFR subtitle B Ch. I Subch. D (relating to pipeline safety)."

<sup>5</sup> See Section 301(A)-(D).

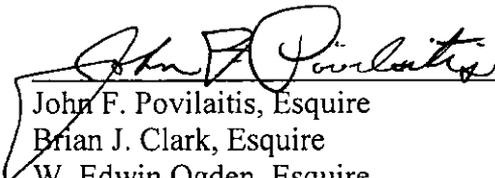
facilities completed and in commercial operation in the most recently completed calendar year and the Country of Manufacture Form should make provision for listing facilities as "unknown" with respect to country of manufacture where that is not ascertainable by the pipeline operator.

- The Commission should reconsider mandating the collection and submission of class 1 conventional well pipeline mileage and reserve such a requirement for a point in time when it is more relevant to its obligations under the Act.

With these modifications and clarifications, the Commission's implementation of Act 127 will more accurately reflect the spirit and letter of this new legislation. Williams respectfully requests that the Commission adopt the recommendations and requested clarifications proposed in these comments.

Respectfully submitted,

Dated: February 1, 2012

  
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VERIFICATION

I, (name), hereby verify that the statements in the foregoing Comments of Williams Field Services Company LLC are true and correct to the best of my information, knowledge and belief. I understand that the statements are made subject to the penalties of 18 Pa. C.S. Section 4904, relating to the unsworn falsification to authorities.

  
Signature

Ryan Savage  
General Manager

Dated: 2/1/12

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