



VIA ELECTRONIC FILING

November 1, 2021

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

Re: Docket No. L-2020-3019417: Request for Comments on the Implementation of Potential Amendments to 52 Pa. Code § 59.34 Related to Leakage Surveys of Customer-Owned Service Lines

Dear Secretary Chiavetta:

In accordance with the Tentative Implementation Order dated August 5, 2021, enclosed for filing please find the Comments of Peoples Natural Gas Company LLC and Peoples Gas Company LLC.

If you have any questions or concerns regarding this matter, please do not hesitate to contact the undersigned at (412) 208-6834

Very truly yours,

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Request for Comments on Implementation of
Potential Amendments to 52 Pa. Code § 59.34
Relating to Leakage Surveys of Customer-
Owned Service Lines

Docket No. L-2020-3019417

**COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC AND PEOPLES GAS
COMPANY LLC TO THE TENTATIVE AUGUST 5, 2021 IMPLEMENTATION ORDER**

I. INTRODUCTION

Peoples Natural Gas Company LLC and Peoples Gas Company LLC (collectively “Peoples”), the largest natural gas distribution company in Pennsylvania, appreciates the opportunity to file comments responding to the Pennsylvania Public Utility Commission’s (the “Commission”) Tentative Implementation Order (the “Order”) in the above-captioned proceeding.¹ The Order, which the Commission issued as a result of an inquiry from the Pipeline and Hazardous Materials Safety Administration (“PHMSA”), contains potential amendments to leakage survey requirements for customer-owned service lines (“COSL”).

The Commission’s proposal would make natural gas public utilities responsible for the “design, construction, operation, and maintenance of a customer’s service line upstream of the inlet of the meter (or wall if no meter),” subject to the right to seek reimbursement for the cost of these activities.² The sole basis for Commission’s proposal is a purported conflict between the Commission’s current regulations and the federal gas pipeline safety standards in 49 C.F.R. Part 192, which PHMSA’s Director of State Programs (the “Director”) identified in 2019.³ Specifically, the Director advised the Commission that the requirements in 52 Pa. Code § 59.34(c), which make the customer responsible for repairing and replacing the pipe if a leak is discovered on the customer-owned portion of a service line,⁴ are inconsistent with

¹ Request for Comments on Implementation of Potential Amendments to 52 Pa. Code § 59.34 Relating to Leakage Surveys of Customer-Owned Service Lines, Tentative Implementation Order, Docket No. L-2020-3019417 (Aug. 21, 2021).

² Order, at 9.

³ Order, at 2.

⁴ 52 Pa. Code § 59.34(c).

federal gas pipeline safety standards, which require the operator to replace, repair, or remove each segment of pipeline that becomes unsafe.⁵

As discussed in further detail below, Peoples respectfully disagrees that there is a conflict between state and federal law, as identified by the Director. Title 192 of the CFR is intended to prescribe minimum safety requirements for pipeline facilities. Peoples complies with Title 192 and strives to operate and maintain its natural gas distribution system in a manner above and beyond the minimum standards set forth in Title 192. In doing so, Peoples maintains procedures to conduct routine leak surveys, procedures to shut off gas to damaged or leaking facilities, standards for repairs, replacements or new installations, and testing and verification protocols for facilities – all such procedures incorporate the COSL. The only step not performed by Peoples, is hiring a plumber to install, repair or replace a COSL and paying for such services. Importantly, however, Peoples does incorporate the design, construction, operation and maintenance of the COSL into its standard procedures and practices.

The Order has not identified any additional safety standard or protection that will be achieved by modifying Section 59.34 of the Pennsylvania Code, nor has the Order identified any added layer of safety that will be provided to gas ratepayers, property owners or the community at large. As Peoples is already in compliance with Title 192 of the CFR, and Section 59.34 of the Pennsylvania Code, and the safe construction, operation and maintenance of the COSL is already provided for, respectfully, the proposed modifications are unnecessary. Further, the proposed modifications pose serious concerns related to interfering with legal ownership rights, placing the utility in the middle of potential property disputes, creating regulatory layers that increase utility expenses, and thus likely bad debt expenses, and result in increased terminations of gas ratepayers for non-payment of bills.

II. GENERAL COMMENTS

A. There is no conflict between Federal and State Regulations - Peoples already operates its distribution system in compliance the Public Utility Code, the Commission Regulations and 49 C.F.R. Part 192.

As discussed below, Peoples complies with Federal and state regulations and laws to ensure the safe operation of its natural gas distribution system. The procedures implemented by Peoples include

⁵ Order, at 3 (citing 49 C.F.R. § 192.703(b)). The PA PUC initially cited 49 C.F.R. § 192.723(b)(2) as the source of the conflict but also referenced 49 C.F.R. §§ 192.13(c) and 192.703(b).

routine leak surveys, emergency responses protocols, shut-offs for leaking and damaged COSL and inspection protocols prior to introducing natural gas to a new, repaired or replaced COSL. Peoples' procedures meet the safety requirements of both PHMSA and Pennsylvania regulations and law. Implementing the proposals in the Order, specifically requiring utilities to take control of the repair of COSL, will not provide any greater safety protection for the COSL, and as discussed later in these comments, creates an array of legal issues, including overriding ownership rights and enforcing collection activities without a contractual or legal relationship. All that the proposed modification change is requiring Peoples to, under its own workforce or by using a contractor, repair the COSL and initially pay for the costs. No additional testing, inspections, or surveys are required or provided. Simply put, the person hiring the plumber is now the utility instead of the person that owns the COSL and the utility becomes a financing company for costs associated with an asset it does not own, the COSL – nothing else changes.

(i) Leak Surveys & Verification of Repairs

Peoples routinely conducts leak surveys within business districts at least annually and outside of business districts, at least once per every three (3) year period. As required by Section 59.34 the COSL are included within this leak survey program, as are buried house lines between the meter and the premise wall. Records of leak survey results, and attempted surveys if Peoples is unable to gain necessary access to the COSL facilities, are maintained within the Company's customer information system at the premises level. If access is not granted to the COSL, despite repeated requests, Peoples will shut off gas service pending access for a leak survey. Leak survey records are reviewed and audited by the Commission's Gas Safety Divisions on a regular basis.

Upon locating a leak on a COSL, Peoples provides notification of the leak to the impacted ratepayer and advises that the COSL needs to be replaced or repaired (or if the ratepayer is a tenant, the ratepayer is advised to notify the property owner of the need for repairs). If the leak is not a Class 1 emergency leak, the ratepayer is notified that they have ten (10) days to have the COSL repaired or replaced. If the leak is a Class 1 leak, Peoples will immediately shut off the gas, usually at the curb box valve, pending repair or replacement of the COSL. Ratepayers are advised to contact the plumber of their choosing to repair the line, however, the plumber and the repair or replacement of the COSL must meet Peoples' standards identified in the Company's Service Line Installation Standards (the "SLIS") before Peoples will reintroduce gas at the premise. The SLIS includes, but is not limited to, requirements that tracer wire is installed with the replaced or repaired COSL, Peoples must witness a pressure test gauge on the COSL, and the plumber must be Operator Qualified (OQ) and enrolled in a Drug & Alcohol program as required by

Title 192. After the plumber completes the repair or replacement, the plumber submits a Service Installation Record (“SIR”) to Peoples, after which an Operations Center technician verifies the plumber has a valid OQ and is enrolled in a drug and alcohol program. The technician also verifies that the plumber has installed and pressure tested the service line properly according to the SLIS. Thereafter, Peoples dispatches a company technician to the address to validate proper installation and to witness the pressure gauge on the service line. If all requirements are met, and the integrity of the service line is verified, the company technician will reintroduce gas to the COSL and relight the ratepayer’s appliances.

These procedures are detailed in various Job Procedures and Standard Operating Procedures (“SOP”) maintained by the Peoples Compliance Department. The SLIS and the SOP are provided to the Commission’s Gas Safety Division and audited annually. These procedures are further documented in the Peoples Leak Survey Plan, which is in compliance with 49 CFR 192.723.

(ii) Customer Notification.

In compliance with 49 CFR 192.16, Peoples provides information to ratepayers and the public regarding the difference between COSL and utility distribution system lines. This practice has been long practiced. The information is available on Peoples’ website, in the SLIS, in the new-customer welcome packet provided to all new ratepayers, and is provided to ratepayers several times a year as a bill insert. The information details that Peoples does not own the COSL but Peoples is responsible for routine leak surveying of the COSL, safety inspections and emergency gas odor investigations. Recently, Peoples updated the customer notification information to provide greater guidance to customers.

B. Section 59.34(c) does not conflict with 49 C.F.R. § 192.723(b)(2)

The Commission states in the Order that “[s]ection 59.34(c) of the Commission’s regulations conflicts with PHMSA Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards, 49 C.F.R. § 192.723(b)(2).”⁶ However, there is no direct conflict between these two provisions. Section 59.34(c) provides that the customer must repair or replace the COSL if a leak is discovered on the pipe it owns between the main and the meter.⁷ Section 59.34(c) is consistent with PHMSA’s approach to

⁶ Order at 3.

⁷Section 59.34(c) provides that “Upon completion of a survey of a customer-owned service line, the public utility shall make a record showing the date and method of the survey, and the result found. If the result shows that a leak exists in the service line, the public utility shall require the customer to repair or renew the line, and may shut off gas

customer piping. The federal regulation identified by the Commission, section 192.723(b)(2), governs leak surveys, not repairs.⁸ In that regulation, PHMSA requires a leakage survey every five (5) years for areas outside business districts and does not otherwise address repairs of leaks.⁹ Peoples meets, and in fact, exceeds the leak survey timeframes.

The Commission also points to 49 C.F.R. §192.13(c) as a source of conflict with the State regulations. However, this regulation is largely irrelevant to the question of whether an operator or the ratepayer is responsible for hiring a certified plumber to make repairs and/or pay for repairs to a COSL. Section 192.13(c) sets out the general obligations of a utility to have and follow procedures to implement the federal pipeline safety regulations. Section 192.13 essentially provides that no person may operate a segment of pipeline unless the pipeline has been designed, installed, constructed, initially inspected, and initially tested in accordance with this part; or that has been replaced, relocated, or otherwise changed according to the requirements in this part; and each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under Part 192. As discussed in Section A herein, Peoples complies with the Title 192 to ensure the safe operation of its natural gas distribution system. The procedures implemented by Peoples set forth the installation, design, constructing, testing and inspection standards for COSL. Section 192.13 does not require that Peoples actually conduct the work itself, nor does it require that Peoples legally owns the COSL. Instead Section 192.13 requires that Peoples has plans, procedures, and programs for the design, installation, construction, inspection and testing of the COSL, which it does.

C. The Public Utility Code prohibits the Commission from adopting the proposed regulation.

The Commission does not have the authority to adopt the proposal outlined in the Order under Pennsylvania law. Like the federal gas pipeline safety regulations, the Pennsylvania Statute and Code make it clear that gas public utilities are not legally responsible for the COSL. The Commission cannot adopt a rule that disregards that limitation, regardless of the Director's view on the extent of a pipeline operator's compliance obligations under PHMSA's regulations. The Commission can only pursue the proposed course of action if the Public Utility Code is amended.

service until repair or renewal has been affected. The public utility shall retain the record of the two most recent surveys made under this section.”

⁸ The PAPUC cites 49 C.F.R. § 192.723(b)(2) which is the PHMSA regulation for leakage surveys. Distribution leak repairs is governed by section 192.720.

⁹ 49 C.F.R. § 192.723(b)(2).

The general provisions of the Public Utility define a “service line”, in relevant part, as “[t]he pipe and appurtenances of the gas utility . . . which connect any main with either the point of connection of a customer’s service line or the meter of the public utility if the utility owns all the pipe and appurtenances between its main and meter.”¹⁰ The general provisions further define a “customer’s service line”, in relevant part, as “[t]he pipe and appurtenances owned by the customer extending from the service connection of the gas utility to the inlet of the meter serving the customer.”¹¹ In other words, the definitions in the Public Utility Code make the same basic distinctions as the federal gas pipeline safety regulations, *i.e.*, that the customer-owned portion of a service line is not part of the gas utility’s service line.

The Public Utility Code also contains separate provisions that specifically address the ownership and maintenance of service lines. These provisions state that “[a] public utility shall not be authorized or required to acquire or assume ownership of any customer’s service line[,]” and that “[m]aintenance of service lines shall be the responsibility of the owner of the service line.”¹² As with the definitions, the ownership and maintenance provisions in the Public Utility Code reinforce the notion that a gas utility is not and cannot be made legally responsible for the design, construction, operation, and maintenance of customer-owned service lines.

The proposal that the Commission is seeking to adopt in the Order clearly disregards these limitations. Despite the definitions and subsequent prohibitions in the Public Utility Code, the Commission is trying to make gas public utilities responsible for ensuring that customer-owned service lines comply with the requirements in Part 192. The Public Utility Code does not authorize the Commission to take such action, regardless of the Director’s view on the extent of a pipeline operator’s compliance obligations under PHMSA’s regulations.

D. The Commission’s Proposed Modifications Interfere with Legal Ownership Rights of Property Owners

COSL are not owned by Peoples, nor does Peoples have a legal right or authority to exercise control of the COSL. These lines may be owned by a variety of entities – most commonly the owner of the premise receiving natural gas service. However, COSL, in some instances, are also owned by persons/entities sharing service lines, such as condo associations, multi-meter manifolds, subdivided properties, or rural

¹⁰ § 102.

¹¹ *Id.*

¹² § 1510.

locations with shared lines for efficiency or economy purposes. In these cases, as in cases where a tenant resides in a rented single meter premise, the entity or person owing the COSL may not be Peoples' ratepayer.

While Peoples delivers natural gas through the COSL to the meter (which is owned by Peoples), Peoples does not have legal authority over the COSL. Peoples may shut off the flow of gas through those lines – and does so in the case of safety concerns – however, Peoples does not have the legal right to take control of the COSL to repair, replace, locate or relocate them. Further, Peoples does not own the land in which the COSL are located, nor does Peoples have a legal right-of-way or easement to access those lines. The process envisioned by the Commission would take away the owner's right to control the COSL, select who installs, repairs or replaces the COSL, negotiate and approve the price of the installation, repair or replacement of the line, the location of the COSL on their property, the timing of the repair, replacement, installation and further the right to control who accesses their property – both the COSL and the underlining property in which the COSL is located. Essentially, the owner of the COSL loses all control over their property which results in a defacto taking. While some owners may be happy to allow Peoples to take actions as identified by the Commission, there are owners (as evidenced by the Comments already filed by Mr. Richard C. Culbertson, dated September 21, 2021, in this Docket) who undoubtedly may not want the utility to essentially take control of their property – and then also determine the price the owner will pay for their very own property. There is no legal authority vested in the Commission, or granted to Peoples, to take the proposed modifications identified in the Order.

Further, the proposed requirements for the Utility to maintain the COSL opens up a host of other legal issues. The Order presupposes that the legal owner of the COSL is the utility's ratepayer. However, in many instances, the owner of the COSL is not the ratepayer, the utility does not have a contractual relationship with the owner and the utility likely does not know who owns the COSL. For instance, a single family home is owned by X and rented by Y. Y is the ratepayer of the Utility. Peoples has no means to know if Y owns the premise, and thus the COSL, or if another party owns the line as ownership is not prerequisite of a ratepayer receiving service (unless there is a foreign load or shared residential appliance). In this example, if a COSL has to be replaced, in the current regulatory framework, Peoples notifies the ratepayer that the line needs replaced – the ratepayer is then responsible to communicate with their landlord, as the owner of the COSL, for repair, as there is a legal relationship (i.e. a lease or rental agreement) between the tenant and the landlord. If the proposed changes, as outlined in the Order, are adopted, Peoples would be required to replace the COSL – and then bill the ratepayer for the services. The ratepayer is not the COSL owner and arguably does not have the authority to take control of it – or the liability to pay for the

replacement or repair. If Peoples instead has to bill the COSL owner – with whom Peoples has no contractual relationship – there is no current manner for Peoples to bill the COSL owner – and no legal basis upon which to enforce and collect on the bill if it remains unpaid. In that likely scenario, the costs would then become bad debt of the utility and ultimately increase the cost of service to ratepayers over time.

Scenarios also arise where a COSL is located across neighboring property for which there may, or may not, be a right-of-way or easement between the neighbors. This may occur when properties have been subdivided, or historic relationships between neighbors permitted property use without documentation. Peoples is not a party to that legal arrangement between neighbors, if one exists, and does not have the right to access the neighboring property for repair, replacement or relocations of COSL. Requiring Peoples to take on the responsibilities as outlined in the Order will place Peoples in the middle of negotiating or navigating property rights and/or disputes over facilities in which it does not have an ownership interest. This is not the intended role of the utility nor does Peoples have the manpower to facilitate such events.

E. The Commission, PHMSA and the Utilities are not the only Parties with a Vested Interest in this Proceeding

Owners of COSL have a defined interest in this proceeding as the control of their property will be impacted, in a manner that some may find adverse and without a legal basis to support their loss of control. Other entities also have a vested interest in this proceeding, most notably plumbers. Individual plumbers or plumbing companies currently install, repair and replace COSL when the time arises. Requiring that work to transition to utilities – who may or may not hire individual plumbers or plumbing companies – will have a significant impact on the business and financial earnings of these individuals and companies. Transitioning that work requirement to Peoples will remove jobs from plumbing companies and may also impact the supply companies from whom plumbers purchase their tools and supplies. Further, companies providing warranty and insurance programs to owners of COSL will be adversely impacted by this proceeding in that the insurance programs offered may no longer be required if the utility is the party responsible for repairing the COSL. While the Order was provided to utilities in Pennsylvania and published in the Pennsylvania Bulletin, it is very likely that these key types of persons impacted by this proceeding are unaware of the impacts upon their businesses or personal property rights. Thus, it is imperative that, before proceeding further with regulation changes, a stakeholder group of all impacted entities, including plumbers, warranty companies and property owners, is convened to ensure all parties have the opportunity to provide their comments. It is most paramount to include property owners in the

discussion as their legal rights to control their personal property will be adversely impacted if the proposals in the Order are adopted.

F. The Time and Expense of Compliance with the Proposed Regulations must be carefully considered.

The Company believes that the service line repair work is new work – and our situation may be complicated with our bargaining unit agreements. If it is determined that the work must be performed by the bargaining unit (our internal workforce), the work of independent plumbers who currently perform many of the repairs, will be adversely impacted. As many of the plumbers are small businesses, this impact could be detrimental.

Further, Peoples is not currently staffed or equipped to assume responsibility for the repair, as well as the customer service, billing and collection perspectives. Peoples estimates that there may be well over 2,000 COSL repairs jobs each year. At this rate, Peoples would expect to need to add 30 to 40 field repair personnel to our current employee count, plus equipment and trucks, as well as supervisor/management personnel, customer service personnel and administrative staff. Given the higher cost of Peoples' operations compared to independent plumbers, Peoples expects that the average charge for COSL repairs would increase to about \$2,500, excluding the landscaping restoration costs.. This is an increase of at least \$800 per COSL compared to the estimated costs of an independent plumber replacing a COSL.

Further, Peoples anticipates additional costs related to billing system upgrades, mapping system modifications and other back office computer system and programming work to ensure the work on COSL are properly stored in the Peoples' data systems as well as ensuring a manner in which Peoples can bill for the COSL services.

The time to implement the proposed regulations must also be considered. Not knowing the specifics of the regulation changes, it is difficult to evaluate the time necessary to increase our workforce, reprogram our systems and implement a communications campaign to ratepayers and other impacted parties. As further clarification is provided, Peoples can make an informed estimation of the time and expense of making such changes – however, it is important to note that adequate time must be provided for system modifications, as well as possible workforces increases.

III. COMMENTS TO COMMISSION DIRECTED ISSUES

A. *Monetary Issues*

The Company expects that the average estimated repair or replacement of a COSL is, currently, \$1,700 including property restoration. These costs will vary depending on the length and location of the COSL, whether a new line must be installed in total, or whether a new line may be run through the existing COSL. Further, restoration costs will vary greatly depending on the property specifics at each COSL location. In addition to evaluating the manpower necessary to implement a COSL repair requirement, which is expected to be a considerable increase in manpower, Peoples will need to evaluate the costs of property restoration for COSL repair and installation work. Much of the construction work completed by Peoples on natural gas distribution lines occurs within the public right of way and along existing roadway paths. Restoration work is generally limited to roadside landscaping, some driveway and sidewalk restoration or replacement. COSL, on the other hand, run from the gas distribution line through the private property of the premise owner directly to the structure. Restoration of private property is inherently more timely and expensive as landscaping must be restored and/or replaced, as well as possible hardscaping and driveway restoration or replacement. While there are contractors to complete this work, Peoples is not in the business of restoring landscaping on personal property, and the increased manpower needed to manage private property restoration associated with COSL matters, in addition to the costs of the restoration could be substantial.

i.) *Cost Recovery*

Peoples has been examining the potential cost recovery mechanisms proposed in the Order and believes, strongly, that the Commission should not order a specific cost recovery mechanism in its findings, especially at this time before all impacted parties have had the opportunity to fully discuss the proposals. However, it would be appropriate for the Commission to allow utilities to establish a regulatory asset to accumulate all costs (including carrying costs) incurred to comply with a future order in this proceeding until a utility's next base rate case. The period over which a utility recovers such regulatory asset should be determined in a utility's next rate case or a separate petition. If prior to the first base rate case after implementation of these rules, a utility recovers costs via the Distribution System Improvement Charge ("DSIC") such costs should not be included in the regulatory asset mentioned above.

As an alternative to recovering the costs as described above, the Commission seeks comments related to the utilities establishing repayment plans, with interest, for ratepayers to pay the cost of repairs to the COSL. While this scenario most closely mirrors the current construct, as discussed earlier in these comments, the owner of the COSL is not always a ratepayer of Peoples. And sometimes multiple ratepayers may own one COSL. In those instances, requiring Peoples to collect the costs associated with a repair or replacement of a COSL places Peoples in the position of either determining ownership rights of the COSL and then determining how to share costs and/or charging a party with whom Peoples does not have a contractual or billing relationship. Further, Peoples is not a financing company nor a bank and is not equipped to enter into financing relationships with customers and non-customers.

Peoples has not yet evaluated the manner in which a payment arrangement may be provided related to a COSL repair, the maximum or minimum time of such payment arrangement or what financing charges and interest may be required. If a legal construct is developed in which Peoples has a legal right to make COSL repairs and collect the costs of such repairs, Peoples will then evaluate the manner in which payment arrangements may be established. However, under no circumstances, should the utility not be made whole for all of the costs (including carrying costs) and risks associated with these payment arrangements.

ii.) Can a Natural Gas Distribution Company include the costs in the Distribution System Improvement Charge?

The ability to include these costs in the DSIC will depend upon the form of cost recovery determined. However, if the costs of the service lines are deemed the financial responsibility of the utilities, recovering all capitalized costs via the DSIC would be appropriate and the Commission should take the steps necessary to allow for such cost recovery.

iii.) Terminations for non-payment or refusal to provide access

Peoples currently shuts off natural gas service when a COSL is leaking or when Peoples is unable to conduct leakage surveys. This practice, if the proposals are adopted, will not change.

In the event Peoples incurs costs to repair, replace or install COSL, Peoples must have a framework to bill for those costs – and to collect unpaid bills. Currently, the Peoples’ billing system is not designed to bill non-ratepayers for services. A system modification would need to be implemented if Peoples must bill COSL owners with whom Peoples does not already have a natural gas delivery relationship. In that

scenario, Peoples would not have termination capabilities (as the COSL owner is not a ratepayer) and would have to enforce payment obligations through a collection agency and/or through a court of component jurisdiction. As there is not currently a legal framework in which Peoples is authorized to repair, replace, or install property to which it does not own, no framework exist which would require a non-ratepayer COSL to actually pay Peoples for such work – or for Peoples to legally collect such costs.

For COSL owners who are ratepayers, Peoples' current billing system can only accommodate one payment arrangement and termination process – the system is not currently designed to segregate gas usage costs from costs associated with COSL costs. As such, if a customer is charged for a COSL repair, replacement or installation, those charges will be added to the monthly bill, either in its entirety or in installments over a limited period of time, and failure of the ratepayer to pay their monthly bill, in total, may result in termination of service. A reprogramming of the billing system would be required to have separate payment arrangements, termination rights, and perhaps bills, for charges associated only with COSL. Peoples has not evaluated the time and expense that would be associated with such reprogramming but expects that such programming, due to other system upgrades, would likely take in excess of a year to plan and implement.

Under the current regulatory construct, a ratepayer is not at risk of termination if they fail to pay a plumber for the repair or replacement of a COSL. While the plumber has other legal rights to enforce collection, the termination of natural gas service is not one of those rights. If Peoples becomes responsible for COSL repairs, Peoples must have a legal mechanism to collect for such costs. Termination for non-payment is historically the method used by utilities for collection of unpaid costs. Collection agencies and civil legal proceedings are also utilized in some instances. Utilization of collection agencies result in increased costs to the utility and civil legal proceedings likewise increase costs by adding legal fees and court fees. Further, if a ratepayer does not own property or assets, obtaining a civil judgement against a ratepayer is not an effective manner of collection. Thus, termination of service is the historic method used by utilities when bills are unpaid. By requiring Peoples to replace/repair COSL, ratepayers will then be in a position where their inability to pay for a COSL repair ultimately results in the termination of their natural gas service. This may have a severe impact on low-income ratepayers, fixed income ratepayers and ratepayers struggling financially.

iv.) Capitalization of Costs

As previously mentioned, Peoples should be entitled to establish a regulatory asset to recover all costs associated with complying with a future order in this proceeding. If Peoples is obligated to incur costs on assets that it will not own, but those costs would be capitalized if the assets were owned by the utility, then the Commission should provide Peoples' the authority to capitalize such assets.

Section 1510 of the Public Utility Code provides in part "A public utility shall not be authorized or required to acquire or assume ownership of any customer's service line. A public utility shall not be authorized or required to acquire or assume ownership of any pipe or appurtenances installed after the effective date of this section between its main and the meter unless the utility would have been authorized or required to do so according to the rules and regulations of its filed tariff if the pipe or appurtenances had been installed on or before the effective date of this section." Accordingly, until the Pennsylvania Statute is repealed or modified, Peoples is not authorized to assume ownership of any COSL, nor can it be required to do so. If the legal construct were modified, or repealed, and Peoples were to take ownership of a COSL, the ownership rights of the current COSL must be considered. Short of a mass condemnation process, Peoples would have to negotiate with each COSL owner to determine the price to be paid by Peoples. The purchase of COSL could be an extremely significant capital investment by the Company, may limit the Company's ability to make other necessary investments in the Company and may result in an adverse impact on investor relations. And, although it may seem unlikely, there will likely be owners who refuse to sell their COSL, or demand an unreasonable fee for the COSL. These disputes will result in regulatory or legal proceedings and will add an unnecessary costs and manpower expense to the Utility's business. All of the combined costs – purchase costs, overhead and fees – will then need to be addressed in ratemaking proceedings through rate cases and/or surcharge and Rider requests. However, in the meantime, the Company should be entitled to establish a regulatory asset to recover all costs associated with complying with a future order in this proceeding.

v.) Potential Tariff Language Regarding Billing, Collection, and Rates

As only two utilities are impacted by the proposed modification in the Order, uniform tariff language seems unnecessary. Further, as each of the utilities would have to address program specifics in the manner that best meets their business needs, utility-specific language within the utility's tariff is the most effective means to ensure any modifications to the current regulatory construct are clearly documented and explained.

B. *Customer-Service Issues*

i.) Utility Communications with Customers

Until the parameters of the regulation changes are fully vetted, it is premature to address the specifics of necessary communications with ratepayers – and non-ratepayers who will be impacted if they own a COSL. From a preliminary perspective, as with any significant change to the law or operating procedures, there will need to be a series of communications explaining the changes, how to seek further information and where to address disputes. Communication methods would be broadly considered, such as electronic communications, written communications, stakeholder meetings, and perhaps publications.

ii.) Gas Meter and Property Access Issues

Peoples is not aware of the exact location of all COSL as Peoples was not the party installing the line, nor was there always a requirement in the past, that a COSL contain a tracing wire or other locating material. Peoples does maintain a Standard Operating Procedure which assist field personnel is locating a COSL if the exact location is unknown, Amending Section 59.34(b) to require Utilities to include the location of all COSL in its records places an undue burden on the utility. There are some lines that, despite, good intentions and good locating practices, Peoples will be unable to exactly locate, although an estimation is possible using the location of the meter and the mainline as guidance. Including exact, or estimated, locations of COSL in Peoples' mapping records will require considerable manpower to map the lines and update systems to include this material. If this requirement is enacted, Peoples will need a period of time, likely years, to fully integrate this requirement as there are over 640,000 COSL in the Peoples territory.

Additional issues must also be considered, prior to requiring the inclusion of this information into the Peoples mapping system. The One-Call law, Act 50, Section 2.B(i)(1) only requires Peoples to locate its owned, or operated lines. Lines not owned or operated by Peoples may be located, in good faith, but there is no requirement to do so. As Peoples will not know the exact location of COSL, the Commission must make it clear that even if the COSL are in the mapping system, either with direct locations or estimated locations, Peoples is not required to locate COSL under the One-Call law. Otherwise, the proposed modification in the Order may cause a confusion between the Regulation and the One-Call law.

IV. CONCLUSION

As set forth above, Peoples maintains that there is no conflict between state and federal law, as identified by the Director. Title 192 of the CFR is intended to prescribe minimum safety requirements for pipeline facilities. Peoples complies with the Pennsylvania Code, Pennsylvania Statutes and Title 192 and strives to operate and maintain its natural gas distribution system in a manner above and beyond the minimum standards set forth in Title 192. The Order has not identified any additional safety standard or protection that will be achieved by modifying Section 59.34 of the Pennsylvania Code, nor has the Order identified any added layer of safety that will be provided to gas ratepayers, property owners or the community at large. As Peoples is already in compliance with Title 192 of the CFR, and Section 59.34 of the Pennsylvania Code, and the safe construction, operation and maintenance of the COSL is already provided for, respectfully, the proposed modifications are unnecessary. Further, the proposed modifications pose serious concerns related to interfering with legal ownership rights, placing the utility in the middle of potential property disputes, creating regulatory layers that increase utility expenses, and thus likely bad debt expenses, and result in increased terminations of gas ratepayers for non-payment of bills. Accordingly, Peoples respectfully requests that no changes be made to the Pennsylvania Code and this Docket be closed

Respectfully submitted,



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