

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held May 12, 2022

Commissioners Present:

Gladys Brown Dutrieuille, Chairman
John F. Coleman, Jr., Vice Chairman
Ralph V. Yanora

Pennsylvania Public Utility Commission,
Bureau of Investigation and Enforcement

M-2022-3028365

v.

Peoples Natural Gas Company LLC

TENTATIVE OPINION AND ORDER

BY THE COMMISSION:

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is a proposed Joint Petition for Approval of Settlement (Settlement), filed on March 9, 2022, by the Commission's Bureau of Investigation and Enforcement (I&E) and Peoples Natural Gas Company LLC (Peoples or the Company), with respect to an informal investigation conducted by I&E's Gas Safety Division (Safety Division) concerning possible violations of the Public Utility Code (Code), Commission Regulations and federal pipeline safety regulations in connection with a temporary meter station that failed on March 9, 2019, resulting in a natural gas leak and subsequent service outage. Both I&E and Peoples filed a Statement in Support of the Settlement (Statement in Support). Further, both I&E and Peoples submit that the proposed

Settlement is in the public interest and is consistent with the Commission’s Policy Statement at 52 Pa. Code § 69.1201, *Factors and standards for evaluating litigated and settled proceedings involving violations of the Public Utility Code and Commission regulations— statement of policy* (Policy Statement). See Settlement at ¶¶ 12-13, 41, *infra*.

Before issuing a final decision on the merits of the proposed Settlement, and consistent with the requirement of 52 Pa. Code § 3.113(b)(3), we shall publish the Settlement in the *Pennsylvania Bulletin* and provide an opportunity for interested parties to file comments regarding the proposed Settlement.¹

History of the Proceeding

This matter concerns allegations regarding Peoples, a natural gas distribution company that provides service to the public for compensation.² The allegations against Peoples are in connection with a temporary meter station (TMS) located at the 100 block of Western Avenue, Moon Township, Pennsylvania (Western Ave TMS). Settlement at ¶¶ 9, 14. The Western Ave TMS, which was installed by Peoples on July 24, 2018, failed on March 9, 2019, after an above-ground Dresser coupling (the connection point between the steel and plastic) pulled apart at the outlet side of the temporary meter set, which lead to a natural gas leak and subsequent service outage. Settlement at ¶¶ 12, 14, 19.

¹ As discussed, *infra*, because of the number of customers impacted by the incident as indicated in the Settlement, it is appropriate to publish the Settlement in the *Pennsylvania Bulletin*.

² Peoples is a “public utility,” as defined at 66 Pa. C.S. § 102, and is the largest natural gas distribution company in Pennsylvania, serving approximately 740,000 customers in western Pennsylvania, West Virginia, and Kentucky. Settlement at ¶ 9.

I&E and Peoples entered into negotiations and agreed to resolve the matter in accordance with the Commission’s policy to promote settlements at 52 Pa. Code § 5.231. Settlement at ¶ 13.

As previously noted, on March 9, 2022, I&E and Peoples filed the instant Settlement. Also, as noted earlier, the Parties to the Settlement in this instance have each filed a Statement in Support. *See* Appendix B and C to Settlement, which are Statements of Support filed by I&E and Peoples, respectively.

Background

As previously discussed, on March 9, 2019, the Western Ave TMS failed, resulting in a natural gas leak and subsequent service outage. Settlement at ¶ 14. The timeline of pertinent events that took place on March 9, 2019, are provided as follows:

March 9, 2019	Event
7:27 a.m.	A customer residing on Western Avenue in Moon Township called Peoples to report the smell of a natural gas odor.
7:28 a.m.	The Moon Township Police Department (MTPD) contacted Peoples to advise that another customer residing on Western Avenue reported to the police a loud popping noise at the end of the street near the TMS.
7:48 a.m.	An officer from the MTPD contacted Peoples to advise that he was at the site of the TMS and observed a broken line connection that appeared to be a six-inch valve with gas blowing into the air.
7:51 a.m.	Peoples dispatched a technician to the site
Between 8:07 a.m. and 9:20 a.m.	Various personnel from Peoples arrived at the site.
9:20 a.m.	A supervisor from Peoples advised Peoples’ employees to shut down the system.
9:30 a.m.	Peoples shut down the side gate of the TMS.
10:51 a.m.	The Safety Division learned of the gas outage through the media.

March 9, 2019	Event
11:05 a.m.	Peoples notified the Safety Division of the outage.
11:38 a.m.	Peoples filed National Response Center (NRC) report no. 123962, to report an outage impacting 980 customers.
12:15 p.m.	The Safety Division received Pennsylvania Emergency Management Association report no. 88495, which reported the outage and referenced the NRC Report.
12:35 p.m.	A Safety Division inspector arrived at the site and commenced I&E's investigation.
5:00 p.m.	Peoples completed repairs and began purging the TMS.

Settlement at ¶ 15. By 6:00 p.m. on March 10, 2019, Peoples completed the restoration of service to all customers impacted by the outage. *Id.*

Peoples installed the Western Ave TMS downstream from a regulator station operated by Equitrans Midstream Corporation (Equitrans). The Western Ave TMS measured gas purchased from Equitrans and supplied to Peoples' line M-4611, which was operating at approximately 30 pounds per square inch gauge (PSIG) at the time of the incident. Settlement at ¶ 16. Peoples constructed the station using two four-inch plastic main lines (inlet and outlet lines) running beneath Western Avenue, which connected to 90-degree elbows underground. The plastic main lines came above ground to two additional 90-degree elbows before transitioning to the steel piping of the TMS. The station was also constructed with a steel frame on the ground with pipe supports and attached fencing. The station piping consisted of six-inch steel with valves. Supports were attached to the steel frame, as well as two big solar panels and other telemetering devices. Settlement at ¶¶ 17-18. The meter was a "six-inch Flowsic 500 meter." Settlement at ¶ 18.

As noted, *supra*, the above-ground Dresser coupling, which was the connection point between the steel and plastic, pulled apart at the outlet side of the Western Ave TMS. Settlement at ¶ 19. With regard to the repairs, Peoples: (1) "excavated the risers and used 2a modified stone in place of the native soil around the

risers of the temporary meter station;”³ (2) soap-tested the coupling and purged the remaining product downstream; and (3) installed ratchet straps, with minimal pressure as an ancillary measure, around the station and plastic risers. After conversations with the Safety Division regarding further repairs to the Western Ave TMS, Peoples added: (1) signage to the station; (2) barricades to aid in damage protection; and (3) steel risers in place of the above-ground plastic. On March 13, 2019, the repairs were completed and, upon completion, Peoples removed the ratchet straps. Settlement at ¶¶ 20-21.

According to Peoples, the cause of the incident was “settlement of wet soil close to the edge of the station. The soil caused movement on the station, which led the steel piping to pull out of the coupling.” Settlement at ¶ 22.

During its investigation, the Safety Division determined that Peoples constructed the Western Ave TMS “without following any comprehensive specifications and standards.” Settlement at ¶ 23. Further, the Safety Division observed that the construction of TMSs is not addressed in the Company’s procedures. *Id.* Moreover, the Safety Division identified several ways that the Western Ave TMS was flawed. Each station flaw, as summarized in the Settlement, is reprinted verbatim below:

- a) Peoples used Polyethylene pipe for the risers, which is not as rigid or strong compared to steel, and tends to bend, flex, and displace when external force is applied.
- b) Peoples placed the temporary meter station on grass and soil instead of a flat, solid base.
- c) Peoples used a coupling that was not a category 1 fitting and thus was not resistant to pull-out. The coupling was designed to be installed underground, however, Peoples’ above-ground installation of the

³ Settlement at ¶ 20.

coupling rendered the coupling to be unable to hold the piping together.

- d) The temporary meter station lacked supports anchored to the ground. Rather, the station was secured to the tightened compression coupling and its weight on the native ground. Peoples used tie-down straps in an effort to create more longitudinal support for the coupling. Two solar panels were installed on the one side of the station and caused unequal weight distribution.

Settlement at ¶ 24. Additionally, the Safety Division found that, due to moisture in the ground and the absence of a solid base under the skid, the station moved longitudinally relative to the inlet and outlet piping because it was not securely anchored. As a result of the station moving by undesirable longitudinal forces, the coupling separated. The Safety Division further observed that, although not a cause of the failure, the Western Ave TMS, which the Company placed along a roadway, was not protected from vehicular traffic (*i.e.*, no bollards or cement barricades surrounded the station). Settlement at ¶¶ 25-26.

If this matter had been fully litigated, I&E was prepared to present evidence and legal arguments to demonstrate that Peoples committed the following alleged violations, reprinted verbatim below:

- a) Peoples failed to construct the temporary meter station in accordance with comprehensive written specifications or standards consistent with Part 192 of the Federal pipeline safety regulations in that no written specifications or standards were utilized to build the station. I&E alleges that this is a violation of 49 CFR § 192.303 (relating to compliance with specifications or standards when constructing a main) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).

- b) The temporary meter station failed to maintain structural integrity, as constructed, in that the station moved due to undesirable longitudinal forces, causing the coupling to separate. I&E alleges that this is a violation of 49 CFR §§ 192.53 (relating to general requirements for pipe and components), 192.143 (relating to general requirements for the design of pipeline components), 192.161 (relating to supports and anchors), 192.203(b)(7) (requiring that the arrangement of pipe, components and supports provide safety under anticipated operating stresses), and 192.273 (relating to general requirements for the joining of materials other than by welding), and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).

- c) The above-ground plastic piping, which was exposed to weather and temperature changes, was not designed with enough flexibility to prevent thermal expansion or contraction from causing excessive stresses on the coupling in that the coupling separated. I&E alleges that this is a violation of 49 CFR § 192.159 (providing that pipeline must be designed with flexibility to withstand excessive stresses) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).

- d) Peoples failed to take all practicable steps to protect the temporary meter station from unstable soil or other hazards that may cause the pipeline to move or sustain abnormal loads in that the Company installed the station on native grass and soil, which subjected the station to detrimental environmental conditions, and did not install the station on a solid base of stone or other material that would offer firm support. I&E alleges that this is a violation of 49 CFR § 192.317(a) (related to protection from hazards) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).

- e) Peoples failed to protect the temporary meter station from accidental vehicular damage in that it was installed alongside a road without bollards or cement barricades surrounding it. I&E alleges that this is a violation of 49 CFR § 192.317(b) (related to protection from hazards) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- f) Peoples failed to install the temporary meter station in a manner that minimized shear or tensile stresses in that the station was not supported on a stable base and only the plastic inlet and outlet legs, which came out of the ground, supported the station. I&E alleges that this is a violation of 49 CFR § 192.321(c) (related to the installation of plastic pipe) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- g) Peoples failed to place line markers around the perimeter of the station and to indicate the underground location of the inlet and outlet pipeline in that no signage was present to warn the public of the hazards of the area. I&E alleges that this is a violation of 49 CFR § 192.707 (related to line markers for mains and transmission lines) and 52 Pa. Code § 59.33(b) (adopting Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- h) Peoples failed to maintain adequate, safe and reasonable service and facilities in that the construction of the temporary meter station was inadequate, which led to a portion of the piping pulling out of the coupling, causing a natural gas outage that impacted approximately 980 customers. I&E alleges

that this is a violation of 66 Pa. C.S. § 1501 (related to character of service and facilities) (one count).

Settlement at ¶ 27.

Terms of the Settlement

The Parties state that the purpose of the Settlement is to resolve I&E's informal investigation and settle this matter completely without litigation. Further, although Peoples may dispute or disagree with the allegations described in the Settlement, the Company fully acknowledges the seriousness of the allegations and recognizes the need to prevent similar allegations in the future. Moreover, the Parties note that they recognize that this is a disputed matter and that resolving the disputed issues prior to the initiation of any formal enforcement proceeding can be beneficial given the inherent unpredictability of the outcome of a contested proceeding. Furthermore, the Parties acknowledge that approval of this Settlement is in the public interest and consistent with the Commission's Policy Statement for evaluating litigated and settled proceedings involving violations of the Code and Commission Regulations, pursuant to 52 Pa. Code § 69.1201. Settlement at ¶¶ 28, 33.

The conditions of the Settlement are reprinted verbatim below:

29. I&E and Peoples, intending to be legally bound and for consideration given, desire to fully and finally conclude this matter and agree that a Commission Order approving the Settlement without modification shall create the following rights and obligations:

- a) Peoples will pay a civil penalty in the amount of (\$195,000), pursuant to 66 Pa. C.S. § 3301(c), to fully and finally resolve all possible claims of alleged violations of the Public Utility Code, Commission regulations, and Code of Federal

Regulations in connection with the March 9, 2019 failure of its temporary meter station. Said payment shall be made within thirty (30) days of the date of the Commission's Final Order approving the Settlement Agreement and shall be made by certified check or money order payable to the "Commonwealth of Pennsylvania" and sent to:

Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg PA 17120

The civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f). Peoples will not seek recovery of any portion of the civil penalty amount in any future ratemaking proceeding.

- b) Peoples agrees that no monies spent on the construction or repair of temporary meter set are subject to recovery in a future base rate or ratemaking case.
- c) Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement in this matter, Peoples shall provide the I&E Safety Division with a list of the locations of all current temporary meter and regulator stations in Peoples' system, if any, including the date that each went into service and the date Peoples intends to install permanent facilities or a permanent solution.
- d) Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement in this matter, Peoples shall change its design process with regard to temporary meter and regulator stations to ensure

that they meet all of the requirements of 49 CFR Part 192, including:

- (1) Providing support to the station;
 - (2) Constructing a suitable base and support that will prevent movement and settling;
 - (3) Installing the proper barricades to protect the station from external damage;
 - (4) Installing the proper line markers and warning signs;
 - (5) Eliminating the use of Dresser couplings, steel-to-plastic, being installed above-ground, including in temporary situations; and
 - (6) Creating design standards for temporary meter and regulation stations.
- e) Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement in this matter, Peoples shall implement a process to consult with the I&E Safety Division in the event if Peoples is uncertain whether a situation would be considered to be a reportable incident.

30. This Settlement is without admission that the foregoing rights and obligations have any nexus to the allegations arising from I&E's investigation.

31. Upon Commission approval of the Settlement in its entirety without modification and in consideration of the Company's payment of the total civil penalty in the amount of One Hundred Ninety-Five Thousand Dollars (\$195,000) and compliance with the other terms of this Settlement specified herein, I&E agrees that its informal investigation relating to the March 9, 2019 temporary meter set failure as described in this Settlement Agreement shall be terminated and marked closed.

32. Upon Commission approval of the Settlement in its entirety without modification, I&E shall be deemed to have released Peoples from all past claims that were made or could have been made monetary and/or other relief based on allegations associated with the March 9, 2019 temporary meter station failure.

See Settlement at ¶¶ 29-32.

The Parties jointly agree that the Settlement shall be construed and interpreted under Pennsylvania law. Further, the Parties also jointly agree that changes to obligations set forth in the Settlement may be made if they are in writing and are expressly accepted by the Parties. Moreover, if the Commission modifies the Settlement, the Parties agree that any party may withdraw from the Settlement, may proceed with litigation and, in such event, the Settlement will be void and of no effect. The Parties indicate that the election of any Party withdrawing from the Settlement must be made in writing, filed with the Commission's Secretary, and served upon the Parties within twenty (20) days after entry of an Order modifying the Settlement. Settlement at ¶¶ 35 36.

The Parties also agree that the underlying allegations were not the subject of any hearing and I&E's informal investigation did not result in an order, findings of fact, or conclusions of law. Further, the Parties understand that, by entering into this Settlement, the Company has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in all proceedings that may arise as a result of the circumstances described in the Settlement. Moreover, the Parties acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Party's position with respect to any issues raised in the instant matter. Furthermore, the Parties jointly agree that, if either Party should file a pleading or comments in response to a Commission order, the other Party shall have the right to file a reply. Settlement at ¶¶ 37-39.

The Parties also acknowledge that, in order to resolve this matter in a fair and reasonable manner, the Settlement is being presented in the context of this informal investigation and without prejudice to any position that any of the Parties may have advanced or may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of the Settlement. The Parties also jointly agree that they are not precluded by the Settlement from taking other positions in any other proceeding. Settlement at ¶ 40.

Finally, the Parties note that, after conducting informal discovery and engaging in discussions, they arrived at the terms and conditions of this Settlement, which constitute “a carefully crafted package representing reasonably negotiated compromises on the issues” addressed in the Settlement. Settlement at ¶ 41. The Parties, therefore, provide that the Settlement is consistent with the Commission’s rules and practices encouraging negotiated settlements set forth in 52 Pa. Code §§ 5.231 and 69.1201. *Id.*

Discussion

Pursuant to the Commission’s Regulations at 52 Pa. Code § 5.231, it is the Commission’s policy to promote settlements. The Commission must, however, review proposed settlements to determine whether the terms are in the public interest. *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004).

In reviewing settlements that resolve informal investigations, the Commission will provide other potentially affected parties with the opportunity to file comments regarding a proposed settlement prior to issuing a decision. The Commission’s Regulations at 52 Pa. Code § 3.113(b) provide as follows:

§ 3.113. Resolution of informal investigations.

* * *

(b) Under 65 Pa.C.S. Chapter 7 (relating to Sunshine Act), the Commission's official actions resolving informal investigations will be as follows:

* * *

(3) When the utility, or other person subject to the Commission's jurisdiction, has committed to undertake action to address or remedy a violation or potential violation of the act or to resolve another perceived deficiency at the utility, in the form of a settlement with the Commission staff or other resolution of the matter, the Commission's consideration of the settlement or approval of the utility's action will occur at public meeting. Except for staff reports and other documents covered by a specific legal privilege, documents relied upon by the Commission in reaching its determination shall be made part of the public record. **Before the Commission makes a final decision to adopt the settlement or to approve the utility's action, the Commission will provide other potentially affected persons with the opportunity to submit exceptions thereon or to take other action provided for under law.**

52 Pa. Code § 3.113(b) (emphasis added). *See also Pa. PUC, Bureau of Investigation and Enforcement v. PPL Electric Utilities Corporation*, Docket No. M-2012-2264635 (Order entered September 13, 2012); *Pa. PUC, Bureau of Investigation and Enforcement v. Liberty Power Holdings, LLC*, Docket No. M-2019-2568471 (Order entered August 8, 2019).

Additionally, given that the record reflects that approximately 980 customers were impacted by the natural gas outage that resulted from the failure of the

Western Ave TMS, we find that it is advisable to provide notice to impacted customers by publication of this proposed Settlement in the *Pennsylvania Bulletin* and to provide an opportunity for interested parties to file comments regarding the proposed Settlement.

Conclusion

Before issuing a decision on the merits of the proposed Settlement, consistent with the requirement of 52 Pa. Code § 3.113(b)(3), and for the reason(s) stated above, we are providing an opportunity for interested parties to file comments regarding the proposed Settlement; **THEREFORE,**

IT IS ORDERED:

1. That the Secretary's Bureau shall duly certify this Opinion and Order along with the attached Joint Petition for Approval of Settlement (including Appendices) and the Statements in Support thereof, at Docket No. M-2022-3028365, and deposit them with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.

2. That within twenty-five (25) days of the date that this Opinion and Order and the attached Joint Petition for Approval of Settlement (including Appendices) and the Statements in Support thereof are published in the *Pennsylvania Bulletin*, interested parties may file comments concerning the proposed Settlement. Filing and service requirements are governed by the Commissions Regulations. 52 Pa. Code Chapters 1, 3, and 5. It is strongly encouraged that any comments be filed with the Commission through efilings by opening an efilings account free of charge through our website. An efilings account may be opened at our website,

<https://www.puc.pa.gov/efiling/default.aspx>. Paper copies shall be filed with the Secretary's Bureau at the following address:

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

3. That a copy of this Opinion and Order, together with the attached Joint Petition for Approval of Settlement and the Statements in Support thereof, at Docket No. M-2022-3028365, shall be served on the Office of Consumer Advocate and the Office of Small Business Advocate.

4. That this Opinion and Order, together with the attached Joint Petition for Approval of Settlement and the Statements in Support thereof, at Docket No. M-2022-3028365, shall be issued for comments by any interested party.

5. That, subsequent to the Commission's review of comments filed in this proceeding, at Docket No. M-2022-3028365, a final Opinion and Order will be issued by the Commission.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: May 12, 2022

ORDER ENTERED: May 12, 2022

ATTACHMENT



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

March 9, 2022

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission,
Bureau of Investigation and Enforcement v.
Peoples Natural Gas Company LLC
Docket No. M-2022-3028365
Joint Petition for Approval of Settlement

Dear Secretary Chiavetta:

Enclosed for electronic filing is the **Joint Petition for Approval of Settlement** in the above-referenced informal investigation proceeding as well as the following Appendices: (1) Appendix A – Proposed Ordering Paragraphs; (2) Appendix B - the Bureau of Investigation and Enforcement’s Statement in Support; and (3) Appendix C - the Statement in Support of Peoples Natural Gas Company LLC.

Copies have been served on the parties of record in accordance with the Certificate of Service.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Stephanie M. Wimer
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 207522
(717) 772-8839
stwimer@pa.gov

SMW/ac
Enclosure

cc: Kathryn G. Sophy, Director, OSA (*via email only – Word Version*)
Kimberly A. Hafner, Deputy Director - Legal, OSA (*via email only – Word Version*)
E. Festus Odubo, Deputy Director - Technical, OSA (*via email only – Word Version*)
Michael L. Swindler, Deputy Chief Prosecutor, I&E (*via email only*)

As per Certificate of Service



**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation and Enforcement	:	
	:	
v.	:	Docket No. M-2022-3028365
	:	
Peoples Natural Gas Company LLC	:	

**JOINT PETITION FOR
APPROVAL OF SETTLEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to 52 Pa. Code §§ 5.41, 5.232 and 3.113(b)(3), the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”) and Peoples Natural Gas Company LLC (“Peoples” or “Company”) hereby submit this Joint Petition for Approval of Settlement (“Settlement” or “Settlement Agreement”) to resolve all issues related to the I&E Safety Division’s investigation of a temporary meter station that failed on March 9, 2019, and created a large volume natural gas leak, the repair of which necessitated an outage of service to approximately 985 customers in Moon Township, Allegheny County, Pennsylvania.

As part of this Settlement Agreement, I&E and Peoples (hereinafter referred to collectively as the “Parties”) respectfully request that the Commission enter a Final Opinion and Order approving the Settlement, without modification. Proposed Ordering Paragraphs are attached as Appendix A. Statements in Support of the Settlement expressing the individual views of I&E and Peoples are attached hereto as Appendix B and Appendix C, respectively.

I. INTRODUCTION

1. The Parties to this Settlement Agreement are the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, by its prosecuting attorneys, 400 North Street, Harrisburg, PA 17120, and Peoples Natural Gas Company LLC with a principal place of business at 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212.

2. The Pennsylvania Public Utility Commission is a duly constituted agency of the Commonwealth of Pennsylvania empowered to regulate public utilities within this Commonwealth, as well as other entities subject to its jurisdiction, pursuant to the Public Utility Code ("Code"), 66 Pa.C.S. §§ 101, *et seq.*

3. I&E is the entity established to prosecute complaints against public utilities and other entities subject to the Commission's jurisdiction pursuant to 66 Pa.C.S. § 308.2(a)(11); *See also Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011) (delegating authority to initiate proceedings that are prosecutory in nature to I&E).

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

5. Section 701 of the Code, 66 Pa.C.S. § 701, authorizes the Commission, *inter alia*, to hear and determine complaints alleging a violation of any law, regulation, or order that the Commission has jurisdiction to administer.

6. Section 3301(c) of the Code, 66 Pa.C.S. § 3301(c), which is specific to gas pipeline safety violations, authorizes the Commission to impose civil penalties on any

person or corporation, defined as a public utility, who violates any provisions of the Code or any regulation or order issued thereunder governing the safety of pipeline or conduit facilities in the transportation of natural gas, flammable gas, or gas which is toxic or corrosive. Section 3301(c) further provides that a civil penalty of up to Two Hundred Thousand Dollars (\$200,000) per violation for each day that the violation persists may be imposed, except that for any related series of violations, the maximum civil penalty shall not exceed Two Million Dollars (\$2,000,000) or the penalty amount provided under Federal pipeline safety laws, whichever is greater.

7. Civil penalties for violations of Federal pipeline safety laws and regulations are adjusted annually to account for changes in inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74, § 701, 129 Stat. 599, 28 U.S.C. § 2461 note (Nov. 2, 2015) (amending the Federal Civil Penalties Inflation Adjustment Act of 1990). The most pertinent adjustment made by the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (“PHMSA”) occurred on November 27, 2018 and revised the maximum civil penalty to Two Hundred Thirteen Thousand, Two Hundred Sixty-Eight Dollars (\$213,268) for each violation for each day the violation continues, with a maximum penalty not to exceed Two Million, One Hundred Thirty-Two Thousand, Six Hundred Seventy-Nine Dollars (\$2,132,679) for a related series of violations. 83 Fed. Reg. 60732 (November 27, 2018).

8. Pursuant to Section 59.33(b) of the Commission’s regulations, 52 Pa. Code § 59.33(b), I&E’s Safety Division has the authority to enforce Federal pipeline safety

laws and regulations set forth in 49 U.S.C.A. §§ 60101-60503 and as implemented at 49 CFR Parts 191-193, 195 and 199. The Federal pipeline safety laws and regulations proscribe the minimum safety standards for natural gas public utilities in the Commonwealth.

9. Peoples is a “public utility” as that term is defined at 66 Pa.C.S. § 102,⁴ as it is engaged in providing natural gas distribution services to the public for compensation. Peoples is the largest natural gas distribution company in Pennsylvania and serves approximately 740,000 customers in western Pennsylvania, West Virginia and Kentucky.⁵

10. Peoples, in providing natural gas distribution service to the public for compensation, is subject to the power and authority of this Commission pursuant to Section 501(c) of the Code, 66 Pa.C.S. § 501(c), which requires a public utility to comply with Commission regulations and orders, including Federal pipeline safety laws and regulations.

11. Pursuant to the provisions of the applicable Commonwealth statutes and regulations and Federal statutes and regulations, the Commission has jurisdiction over the subject matter and actions of Peoples in its capacity as a public utility providing natural gas distribution services in Pennsylvania.

⁴ At 66 Pa.C.S. § 102, “Public utility” is defined under that term at subsection (1)(i) as:

(1) Any person or corporations now or hereafter owning or operating in this Commonwealth equipment or facilities for:

(i) Producing, generating, transmitting, distributing or furnishing natural or artificial gas, electricity, or steam for the production of light, heat, or power to or for the public for compensation.

⁵ [About Us | Peoples Natural Gas \(peoples-gas.com\)](http://peoples-gas.com)

12. This matter alleges violations of the Public Utility Code, Commission regulations, and Federal pipeline safety regulations in connection with a temporary meter station that Peoples installed on July 24, 2018 and that failed on March 9, 2019, resulting in a natural gas leak and subsequent outage of service.

13. As a result of successful negotiations between I&E and Peoples, the Parties have reached an agreement on an appropriate outcome to the investigation as encouraged by the Commission's policy to promote settlements. *See* 52 Pa. Code § 5.231. The duly authorized Parties executing this Settlement Agreement agree to the settlement terms set forth herein and urge the Commission to approve the Settlement as submitted as being in the public interest.

II. BACKGROUND

14. On March 9, 2019, a temporary meter station that had been installed by Peoples less than eight months earlier failed when an above-ground Dresser coupling pulled apart at the outlet side of the temporary meter set causing a natural gas leak. The meter station was located at the 100 block of Western Avenue, Moon Township, Pennsylvania.

A. Timeline of Events on March 9 and March 10, 2019

15. A timeline of the pertinent events follows:
- a. On March 9, 2019 at 7:27 a.m., a customer residing on Western Avenue, Moon Township called Peoples to report smelling a natural gas odor.
 - b. At 7:28 a.m., that same day, the Moon Township Police Department contacted Peoples to advise that another customer residing on Western Avenue called the police and reported a loud "popping" noise at the end of the street near the temporary meter station.

- c. At 7:48 a.m. that same day, an officer from the Moon Township Police Department contacted Peoples to advise that he was at the site of the temporary meter station and observed a broken line connection that appeared to be a 6-inch valve with gas blowing into the air.
- d. At 7:51 a.m. that same day, Peoples dispatched a technician to the site and between 08:07 a.m. and 9:20 a.m. various Peoples personnel arrived at the site.
- e. At 9:20 a.m. that same day, a supervisor from Peoples advised Peoples employees to shut down the system.
- f. At 9:30 a.m. that same day, Peoples shut down the side gate of the temporary meter station.
- g. At 10:51 a.m. that same day, the Safety Division learned of the gas outage through the media.
- h. At 11:05 a.m. that same day, Peoples notified the Safety Division of the outage.
- i. At 11:38 a.m. that same day, Peoples filed National Response Center (“NRC”) report no. 123962 to report an outage impacting 980 customers.
- j. At 12:15 p.m. that same day, the I&E Safety Division received Pennsylvania Emergency Management Association (“PEMA”) report no. 88495, which reported the outage and referenced the NRC report.
- k. At 12:35 p.m. that same day, an I&E Safety Division Inspector arrived at the site and commenced I&E’s investigation.
- l. At 5:00 p.m. that same day, Peoples completed repairs and began purging the temporary meter station.
- m. By 6:00 p.m. on March 10, 2019, Peoples completed the restoration of service to all customers impacted by the outage.

B. The Temporary Meter Station

16. Peoples installed the temporary meter station on July 24, 2018. It was located at the side of the road at Western Avenue, Moon Township, downstream from a regulator station operated by Equitrans Midstream Corporation (“Equitrans”). The temporary meter station measured gas purchased from Equitrans and supplied to Peoples’ line M-4611. At the time of the incident, line M-4611 was operating at approximately 30 pounds per square inch gauge (“PSIG”).

17. Peoples constructed the station using two four-inch plastic main lines (inlet and outlet lines) running beneath Western Avenue, which connected to 90-degree elbows underground and then came out of the ground to two additional 90-degree elbows above-ground before transitioning to the steel piping of the temporary meter station.

18. Peoples constructed the station with a steel frame on the ground with pipe supports and fencing attached to the steel frame. The station piping consisted of six-inch steel with valves. The meter was a six-inch Flowsic 500 meter. Supports for the six-inch steel piping were attached to the steel frame. Also attached to the steel frame resting on the ground were two big solar panels and other telemetering devices.

19. The above-ground Dresser coupling, which was the connection point between the steel and plastic, pulled apart at the outlet side of the temporary meter station.

20. With respect to the repair process, Peoples excavated the risers and used 2a modified stone in place of the native soil around the risers of the temporary meter station. The repair was completed using the original piping and new couplings. Peoples soap-tested the coupling and purged remaining product downstream. Peoples also installed

ratchet straps around the station and plastic risers. The straps were installed with minimal pressure as an ancillary measure.

21. After conversations with the I&E Safety Division, Peoples made further repairs to the temporary meter station. These repairs included adding signage to the station, barricades to aid in damage protection, and steel risers in place of the above-ground plastic pipe. These repairs were completed by March 13, 2019 and, upon completion, Peoples removed the ratchet straps.

22. Peoples determined that the cause of the incident was due to settlement of wet soil close to the edge of the station. The soil caused movement on the station, which led the steel piping to pull out of the coupling.

C. Findings of the I&E Safety Division Investigation

23. The I&E Safety Division determined that Peoples constructed the temporary meter station without following any comprehensive specifications and standards. The Company's procedures also do not address construction of temporary meter stations. Overall, the I&E Safety Division found that Peoples constructed the temporary meter station without consideration of the applicable requirements of Part 192 of the Federal pipeline safety regulations.

24. The I&E Safety Division found that the construction of the temporary meter station was flawed in the following ways:

- a. Peoples used Polyethylene pipe for the risers, which is not as rigid or strong compared to steel, and tends to bend, flex, and displace when external force is applied.
- b. Peoples placed the temporary meter station on grass and soil instead of a flat, solid base.

- c. Peoples used a coupling that was not a category 1 fitting and thus was not resistant to pull-out. The coupling was designed to be installed underground, however, Peoples' above-ground installation of the coupling rendered the coupling to be unable to hold the piping together.
- d. The temporary meter station lacked supports anchored to the ground. Rather, the station was secured to the tightened compression coupling and its weight on the native ground. Peoples used tie-down straps in an effort to create more longitudinal support for the coupling. Two solar panels were installed on the one side of the station and caused unequal weight distribution.

25. Due to moisture in the ground and the absence of a solid base under the skid, the I&E Safety Division found that the station moved longitudinally relative to the inlet and outlet piping since it was not anchored securely. When the station moved by the undesirable longitudinal forces, the coupling separated.

26. While not a cause of the temporary meter station's failure, the I&E Safety Division observed during its investigation that the station, which Peoples placed along a roadway, was not protected from vehicular traffic in that no bollards or cement barricades surrounded the station.

III. ALLEGED VIOLATIONS

27. Had this matter been fully litigated, I&E would have proffered evidence and legal arguments to demonstrate that Peoples committed the following violations:

- a. Peoples failed to construct the temporary meter station in accordance with comprehensive written specifications or standards consistent with Part 192 of the Federal pipeline safety regulations in that no written specifications or standards were utilized to build the station. I&E alleges that this is a violation of 49 CFR § 192.303 (relating to compliance with specifications or standards when constructing a

main) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).

- b. The temporary meter station failed to maintain structural integrity, as constructed, in that the station moved due to undesirable longitudinal forces, causing the coupling to separate. I&E alleges that this is a violation of 49 CFR §§ 192.53 (relating to general requirements for pipe and components), 192.143 (relating to general requirements for the design of pipeline components), 192.161 (relating to supports and anchors), 192.203(b)(7) (requiring that the arrangement of pipe, components and supports provide safety under anticipated operating stresses), and 192.273 (relating to general requirements for the joining of materials other than by welding), and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- c. The above-ground plastic piping, which was exposed to weather and temperature changes, was not designed with enough flexibility to prevent thermal expansion or contraction from causing excessive stresses on the coupling in that the coupling separated. I&E alleges that this is a violation of 49 CFR § 192.159 (providing that pipeline must be designed with flexibility to withstand excessive stresses) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- d. Peoples failed to take all practicable steps to protect the temporary meter station from unstable soil or other hazards that may cause the pipeline to move or sustain abnormal loads in that the Company installed the station on native grass and soil, which subjected the station to detrimental environmental conditions, and did not install the station on a solid base of stone or other material that would offer firm support. I&E alleges that this is a violation of 49 CFR § 192.317(a) (related to protection from hazards) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- e. Peoples failed to protect the temporary meter station from accidental vehicular damage in that it was installed alongside a road without bollards or cement barricades surrounding it. I&E alleges that this is a violation of 49 CFR § 192.317(b) (related to protection from

hazards) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).

- f. Peoples failed to install the temporary meter station in a manner that minimized shear or tensile stresses in that the station was not supported on a stable base and only the plastic inlet and outlet legs, which came out of the ground, supported the station. I&E alleges that this is a violation of 49 CFR § 192.321(c) (related to installation of plastic pipe) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- g. Peoples failed to place line markers around the perimeter of the station and to indicate the underground location of the inlet and outlet pipeline in that no signage was present to warn the public of the hazards of the area. I&E alleges that this is a violation of 49 CFR § 192.707 (related to line markers for mains and transmission lines) and 52 Pa. Code § 59.33(b) (adopting the Federal pipeline safety regulations as the minimum safety standards for natural gas public utilities) (one count).
- h. Peoples failed to maintain adequate, safe and reasonable service and facilities in that the construction of the temporary meter station was inadequate, which led to a portion of the piping pulling out of the coupling, causing a natural gas outage that impacted approximately 980 customers. I&E alleges that this is a violation of 66 Pa.C.S. § 1501 (related to character of service and facilities) (one count).

IV. SETTLEMENT TERMS

28. Pursuant to the Commission's policy of encouraging settlements that are reasonable and in the public interest, the Parties held a series of discussions that culminated in this Settlement. I&E and Peoples desire to: (i) resolve I&E's informal investigation; and (ii) settle this matter completely without litigation. Although Peoples may dispute or disagree with the allegations described above, it fully acknowledges the seriousness of the allegations and recognizes the need to prevent similar allegations from reoccurring. Moreover, the Parties recognize that this is a disputed claim, and given the

inherent unpredictability of the outcome of a contested proceeding, the Parties further recognize the benefits of amicably resolving the disputed issues prior to the initiation of any formal enforcement proceeding. The terms and conditions of the Settlement, for which the Parties seek Commission approval, are set forth below.

29. I&E and Peoples, intending to be legally bound and for consideration given, desire to fully and finally conclude this matter and agree that a Commission Order approving the Settlement without modification shall create the following rights and obligations:

- a. Peoples will pay a civil penalty in the amount of One Hundred Ninety-Five Thousand Dollars (\$195,000), pursuant to 66 Pa.C.S. § 3301(c), to fully and finally resolve all possible claims of alleged violations of the Public Utility Code, Commission regulations, and Code of Federal Regulations in connection with the March 9, 2019 failure of its temporary meter station. Said payment shall be made within thirty (30) days of the date of the Commission's Final Order approving the Settlement Agreement and shall be made by certified check or money order payable to the "Commonwealth of Pennsylvania" and sent to:

Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

The civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f). Peoples will not seek recovery of any portion of the civil penalty amount in any future ratemaking proceeding.

- b. Peoples agrees that no monies spent on the construction or repair of temporary meter set are subject to recovery in a future base rate or ratemaking case.
- c. Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement in this matter, Peoples shall provide the I&E Safety Division with a list of the locations of

all current temporary meter and regulator stations in Peoples' system, if any, including the date that each went into service and the date Peoples intends to install permanent facilities or a permanent solution.

- d. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall change its design process with regard to temporary meter and regulator stations to ensure that they meet all of the requirements of 49 CFR Part 192, including:
 - (1) Providing support to the station;
 - (2) Constructing a suitable base and support that will prevent movement and settling;
 - (3) Installing the proper barricades to protect the station from external damage;
 - (4) Installing the proper line markers and warning signs;
 - (5) Eliminating the use of Dresser couplings, steel-to-plastic, being installed above-ground, including in temporary situations; and
 - (6) Creating design standards for temporary meter and regulation stations.

- e. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall implement a process to consult with the I&E Safety Division in the event if Peoples is uncertain whether a situation would be considered to be a reportable incident.

30. This Settlement is without admission that the foregoing rights and obligations have any nexus to the allegations arising from I&E's investigation.

31. Upon Commission approval of the Settlement in its entirety without modification and in consideration of the Company's payment of the total civil penalty in the amount of One Hundred Ninety-Five Thousand Dollars (\$195,000) and compliance

with the other terms of this Settlement as specified herein, I&E agrees that its informal investigation relating to the March 9, 2019 temporary meter set failure as described in this Settlement Agreement shall be terminated and marked closed.

32. Upon Commission approval of the Settlement in its entirety without modification, I&E shall be deemed to have released Peoples from all past claims that were made or could have been made for monetary and/or other relief based on allegations associated with the March 9, 2019 temporary meter station failure.

33. I&E and Peoples jointly acknowledge that approval of this Settlement Agreement is in the public interest and fully consistent with the Commission's Policy Statement for Litigated and Settled Proceedings Involving Violations of the Code and Commission Regulations, 52 Pa. Code § 69.1201. The Parties submit that the Settlement Agreement is in the public interest because it effectively addresses I&E's allegations, and avoids the time and expense of litigation, which entails hearings, potential travel for the Company's witnesses, and the preparation and filing of briefs, exceptions, reply exceptions, as well as possible appeals.

34. Attached as Appendices B and C are Statements in Support submitted by I&E and Peoples, respectively, setting forth the bases upon which the Parties believe the Settlement Agreement is in the public interest.

V. CONDITIONS OF SETTLEMENT

35. This document represents the Settlement Agreement in its entirety. No changes to obligations set forth herein may be made unless they are in writing and are expressly accepted by the Parties. This Settlement Agreement shall be construed and interpreted under Pennsylvania law.

36. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Joint Petition for Approval of Settlement without modification. If the Commission modifies this Settlement Agreement, any party may elect to withdraw from the Settlement and may proceed with litigation and, in such event, this Settlement Agreement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all parties within twenty (20) days after entry of an Order modifying the Settlement.

37. The Parties agree that the underlying allegations were not the subject of any hearing and that there has been no order, findings of fact, or conclusions of law rendered in this informal investigation proceeding. It is further understood that, by entering into this Settlement Agreement, Peoples has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in all proceedings that may arise as a result of the circumstances described in the Settlement.

38. The Parties acknowledge that this Settlement Agreement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this matter.

39. If either party should file any pleading, including comments, in response to a tentative or final order of the Commission, the other party shall have the right to file a reply.

40. This Settlement Agreement is being presented only in the context of this informal investigation in an effort to resolve the matter in a manner that is fair and reasonable. This Settlement is presented without prejudice to any position that any of the

Parties may have advanced and without prejudice to the position any of the Parties may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement Agreement. This Settlement does not preclude the Parties from taking other positions in any other proceeding.

41. The Parties arrived at the Settlement after conducting informal discovery and engaging in discussions over many months. The terms and conditions of this Settlement Agreement constitute a carefully crafted package representing reasonably negotiated compromises on the issues addressed herein. Thus, the Settlement Agreement is consistent with the Commission's rules and practices encouraging negotiated settlements set forth in 52 Pa. Code §§ 5.231 and 69.1201.

WHEREFORE, the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement and Peoples Natural Gas Company LLC respectfully request that the Commission issue an Order approving the terms of this Settlement Agreement in their entirety as being in the public interest.

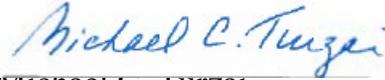
Respectfully Submitted,

Pennsylvania Public Utility Commission,
Bureau of Investigation and Enforcement

Peoples Natural Gas Company LLC

By:

By:



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Date: March 9, 2022

Date: March 9, 2022

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation and Enforcement	:	
	:	
v.	:	Docket No. M-2022-3028365
	:	
Peoples Natural Gas Company LLC	:	

PROPOSED ORDERING PARAGRAPHS

1. That the Joint Settlement Petition filed on March 9, 2022 between the Commission’s Bureau of Investigation and Enforcement and Peoples Natural Gas Company LLC is approved in its entirety without modification.

2. That, in accordance with Section 3301 of the Public Utility Code, 66 Pa.C.S. § 3301(c), within thirty (30) days of the date this Order becomes final, Peoples Natural Gas Company LLC shall pay a civil penalty of One Hundred Ninety-Five Thousand Dollars (\$195,000). Said payment shall be made by certified check or money order payable to “Commonwealth of Pennsylvania” and shall be sent to:

Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

3. Within thirty (30) days of the date this Order becomes final, Peoples shall change its design process with regard to temporary meter and regulator stations to ensure that they meet all of the requirements of 49 CFR Part 192, including:

a. Providing support to the station;

- b. Constructing a suitable base and support that will prevent movement and settling;
- c. Installing the proper barricades to protect the station from external damage;
- d. Installing the proper line markers and warning signs;
- e. Eliminating the use of Dresser couplings, steel-to-plastic, being installed above-ground, including in temporary situations; and
- f. Creating design standards for temporary meter and regulation stations.

4. Within thirty (30) days of the date this Order becomes final, Peoples shall implement a process to consult with the I&E Safety Division in the event if Peoples is uncertain whether a situation would be considered to be a reportable incident.

5. A copy of this Opinion and Order shall be served upon the Financial and Assessment Chief, Bureau of Administration.

6. That the above-captioned matter shall be marked closed upon receipt of the civil penalty.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility : Docket No. M-2022-3028365
Commission, Bureau of Investigation :
and Enforcement :
v. :
:

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT’S
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to 52 Pa. Code §§ 5.231, 5.232 and 69.1201, the Pennsylvania Public Utility Commission’s (“Commission” or “PUC”) Bureau of Investigation and Enforcement (“I&E”), a signatory party to the Joint Petition for Approval of Settlement (“Settlement” or “Settlement Agreement”) filed in the matter docketed above, submits this Statement in Support of the Settlement Agreement between I&E and Peoples Natural Gas Company LLC (“Peoples” or “Company”). I&E avers that the terms and conditions of the Settlement are just and reasonable and in the public interest for the reasons set forth herein.

1 I&E and Peoples are collectively referred to herein as the “Parties.”

I. BACKGROUND

The I&E Safety Division serves as a registered agent for the Pipeline and Hazardous Materials Safety Administration (“PHMSA”), a federal agency housed in the U.S. Department of Transportation and, as such, is contracted to enforce Federal pipeline safety standards on jurisdictional intrastate pipelines. The I&E Safety Division employs engineer-inspectors who possess engineering degrees and are trained and qualified by PHMSA to perform pipeline safety inspections and verify compliance with the Federal pipeline safety standards, which the Commission has adopted for natural gas public utilities operating in the Commonwealth. 52 Pa. Code § 59.33(b). Accordingly, the I&E Safety Division maintains exclusive jurisdiction over pipeline safety on the intrastate pipeline facilities of natural gas public utilities in Pennsylvania.

I&E’s Safety Division conducted an in-depth investigation of a temporary meter station that failed on March 9, 2019 shortly before 7:30 am, and created a large volume natural gas leak, the repair of which necessitated an outage of service to approximately 985 customers in Moon Township, Allegheny County, Pennsylvania. Peoples owned and operated the temporary meter station, which has since been removed and replaced with a permanent station at a different location.

The I&E Safety Division’s investigation consisted of visiting the incident site shortly after becoming aware of the failure, the service of two (2) sets of data requests directed to the Company and review of the responses thereto, and numerous meetings and phone calls with Company personnel. Peoples cooperated with the investigation.

Peoples installed the meter station on July 24, 2018, less than eight months prior to its failure. The temporary meter station failed when an above-ground coupling pulled apart at the outlet side of the station. Repairing the station and natural gas leak required shutting down natural gas in the area. Peoples fully restored natural gas service to customers impacted by the outage by 6:00 pm on March 10, 2019.

At the conclusion of its investigation, the I&E Safety Division found that the construction of the temporary meter station was flawed in that: (1) Peoples used Polyethylene pipe for the risers, which is not as rigid or strong compared to steel, and tends to bend, flex, and displace when external force is applied; (2) Peoples placed the temporary meter station on grass and soil instead of a flat, solid base; (3) Peoples used a coupling that was not a category 1 fitting and thus was not resistant to pull-out. Furthermore, the coupling that Peoples used was designed to be installed underground and the above-ground installation of the coupling rendered the coupling to be unable to hold the piping together; and (4) the temporary meter station lacked supports anchored to the ground. Rather, the station was secured to the tightened compression coupling and its weight on the native ground. Peoples used tie-down straps in an effort to create more longitudinal support for the coupling.

Upon review of all data, the I&E Safety Division found that due to moisture in the ground and the absence of a solid base under the skid, the temporary meter station moved longitudinally relative to the inlet and outlet piping since it was not anchored securely. When the station moved by the undesirable longitudinal forces, the coupling separated.

The results of the I&E Safety Division's investigation formed the basis for the allegations that I&E would have advanced had this matter been litigated. I&E would have

alleged that Peoples committed numerous violations of the Public Utility Code, Commission regulations and 49 CFR Part 192 in connection with the incident, including 49 CFR § 192.303 (requiring an operator to construct transmission lines or mains in accordance with comprehensive written specifications or standards consistent with 49 CFR Part 192), 49 CFR § 192.53 (requiring an operator to use materials for pipe and components that are able to maintain the structural integrity of the pipeline under environmental conditions that may be anticipated), 49 CFR § 192.143 (requiring an operator to design each component of a pipeline to be able to withstand anticipated loadings without impairment of its serviceability), 49 CFR § 192.161 (requiring an operator to design a pipeline and its associated equipment with enough anchors or supports to resist longitudinal forces caused by a bend or offset in the pipe), 49 CFR § 192.203(b)(7) (requiring an operator to arrange pipe, components, and supports to provide safety under anticipated operating stresses), 49 CFR § 192.273 (requiring an operator to design and install a pipeline so that each joint will sustain the longitudinal pullout or thrust forces caused by anticipated external loading), 49 CFR § 192.159 (requiring an operator to design a pipeline with flexibility to withstand excessive stresses), 49 CFR § 192.317(a)-(b) (requiring an operator to take all practicable steps to protect each transmission line or main from hazards that may cause the pipeline to move and from accidental damage by vehicular traffic), 49 CFR § 192.321(c) (requiring an operator to install plastic pipe so as to minimize shear or tensile stresses), 49 CFR § 192.707 (requiring an operator to place line markers at certain points over each buried main and transmission line), and 66 Pa.C.S. §

1501 (requiring every public utility to furnish and maintain adequate, efficient, safe, and reasonable service and facilities).

I&E and Peoples engaged in negotiations regarding the complex technical issues raised by the allegations advanced by I&E, which resulted from the I&E Safety Division's investigation. On March 9, 2022, I&E and Peoples filed a Joint Petition for Approval of Settlement resolving all issues between I&E and Peoples in the instant matter. This Statement in Support is submitted in conjunction with the Settlement Agreement.

II. THE PUBLIC INTEREST

Pursuant to the Commission's policy of encouraging settlements that are reasonable and in the public interest, the Parties held a series of settlement discussions. These discussions culminated in this Settlement Agreement, which, once approved, will resolve all issues related to the instant I&E Safety Division informal investigation and provide public benefits.

Most notably, Peoples confirmed that there are no other locations of temporary meter stations in its distribution system in the Commonwealth. In the event that Peoples elects to construct temporary meter and regulator stations in the future, it has agreed to revise its design process to ensure that it meets all of the requirements of 49 CFR Part 192. Moreover, Peoples has agreed to refrain from seeking recovery on monies spent on the construction or repair of the aforementioned temporary meter station in a future base rate or ratemaking case.

I&E intended to prove the allegations that arose from the findings of the I&E Safety Division's investigation at hearing, to which the Company would have disputed. This Settlement Agreement results from the compromises of the Parties. Although I&E and Peoples may disagree with respect to I&E's factual allegations, the Company recognizes the need to prevent a similar incident from reoccurring.

Further, I&E recognizes that, given the inherent unpredictability of the outcome of a contested proceeding, the benefits of amicably resolving the disputed issues through settlement outweigh the risks and expenditures of litigation. I&E submits that the Settlement constitutes a reasonable compromise of the issues presented and is in the public interest as it provides for relevant corrective measures as well as a civil penalty.

As such, I&E respectfully requests that the Commission approve the Settlement without modification. **III. TERMS OF SETTLEMENT**

Under the terms of the Settlement, I&E and Peoples have agreed as follows:

- a. Peoples will pay a civil penalty in the amount of One Hundred Ninety-Five Thousand Dollars (\$195,000), pursuant to 66 Pa.C.S. § 3301(c), to fully and finally resolve all possible claims of alleged violations of the Public Utility Code, Commission regulations, and Code of Federal Regulations in connection with the March 9, 2019 failure of its temporary meter station. Said payment shall be made within thirty (30) days of the date of the Commission's Final Order approving the Settlement Agreement and shall be made by certified check or money order payable to the "Commonwealth of Pennsylvania" and sent to:

Secretary
 Pennsylvania Public Utility Commission
 Commonwealth Keystone Building
 400 North Street
 Harrisburg, PA 17120

The civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f). Peoples will not seek recovery of any portion of the civil penalty amount in any future ratemaking proceeding.

- b. Peoples agrees that no monies spent on the construction or repair of temporary meter set are subject to recovery in a future base rate or ratemaking case.
- c. Within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement in this matter, Peoples shall provide the I&E Safety Division with a list of the locations of all

current temporary meter and regulator stations in Peoples' system, if any, including the date that each went into service and the date Peoples intends to install permanent facilities or a permanent solution.

- d. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall change its design process with regard to temporary meter and regulator stations to ensure that they meet all of the requirements of 49 CFR Part 192, including:
 - (1) Providing support to the station;
 - (2) Constructing a suitable base and support that will prevent movement and settling;
 - (3) Installing the proper barricades to protect the station from external damage;
 - (4) Installing the proper line markers and warning signs;
 - (5) Eliminating the use of Dresser couplings, steel-to-plastic, being installed above-ground, including in temporary situations; and
 - (6) Creating design standards for temporary meter and regulation stations.
- e. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall implement a process to consult with the I&E Safety Division in the event if Peoples is uncertain whether a situation would be considered to be a reportable incident.

In consideration of Peoples' payment of a monetary civil penalty and performance of the above-described corrective actions, I&E agrees that it has released Peoples from all past claims that were made or could have been made for monetary and/or other relief based on allegations associated with the March 9, 2019 temporary meter station failure.

IV. LEGAL STANDARD FOR SETTLEMENT AGREEMENTS

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. “The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a ‘burden of proof’ standard, as is utilized for contested matters.” *Pa. Pub. Util. Comm’n, et al. v. City of Lancaster – Bureau of Water*, Docket Nos. R-2010-2179103, *et al.* (Order entered July 14, 2011) at p. 11. Instead, the benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm’n v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004).

I&E submits that approval of the Settlement Agreement in the above-captioned matter is consistent with the Commission’s Policy Statement regarding *Factors and Standards for Evaluating Litigated and Settled Proceedings Involving Violations of the Public Utility Code and Commission Regulations* (“Policy Statement”), 52 Pa. Code § 69.1201; *See also Joseph A. Rosi v. Bell-Atlantic-Pennsylvania, Inc.*, Docket No. C-00992409 (Order entered March 16, 2000). The Commission’s Policy Statement sets forth ten factors that the Commission may consider in evaluating whether a civil penalty for violating a Commission order, regulation, or statute is appropriate, as well as whether a proposed settlement for a violation is reasonable and in the public interest. 52 Pa. Code § 69.1201.

The Commission will not apply the factors as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, in settled cases, the parties “will be afforded flexibility in reaching amicable resolutions to complaints and other matters as long as the settlement is in the public interest.” *Id.*

The first factor considers whether the conduct at issue was of a serious nature, such as willful fraud or misrepresentation, or if the conduct was less egregious, such as an administrative or technical error. Conduct of a more serious nature may warrant a higher penalty. 52 Pa. Code § 69.1201(c)(1). I&E alleges that the driving conduct in this matter involves Peoples’ failure to construct the temporary meter station in accordance with 49 CFR Part 192 in that the station was unable to withstand anticipated external forces. A coupling pulled apart from a recently constructed temporary meter station, which created a large volume natural gas leak. I&E therefore submits that the alleged violations resulting from the I&E Safety Division’s investigation are of a serious nature and were considered in arriving at the civil penalty and remedial relief set forth in the terms of the Settlement.

The second factor considered is whether the resulting consequences of People’s alleged conduct were of a serious nature. When consequences of a serious nature are involved, such as personal injury or property damage, the consequences may warrant a higher penalty. 52 Pa. Code § 69.1201(c)(2). In this matter, no personal injury or property damage occurred aside from damage to Peoples’ pipeline facilities. However, the repair of the temporary meter station and ensuing natural gas leak required Peoples to shut off natural gas in the surrounding area. As a result, approximately 985 customers did not

receive natural gas service, including heat, for up to thirty-five hours on March 9, and 10, 2019. Therefore,

I&E avers that serious consequences occurred, which are reflected in the terms and conditions of the Settlement.

The third factor to be considered under the Policy Statement is whether the alleged conduct was intentional or negligent. 52 Pa. Code § 69.1201(c)(3). “This factor may only be considered in evaluating litigated cases.” *Id.* This factor does not apply to the present case since this matter is being resolved through a settlement of the Parties.

The fourth factor to be considered is whether the Company has made efforts to change its practices and procedures to prevent similar conduct in the future. 52 Pa. Code § 69.1201(c)(4). Prior to the filing of the instant Settlement, Peoples removed from service any remaining temporary meter stations in its distribution system. Furthermore, Peoples has committed to revising its design process with respect to any future construction and installation of temporary meter and regulator stations to address the specific concerns raised by the I&E Safety Division arising from the investigation of the instant matter.

The fifth factor to be considered relates to the number of customers affected by the Company's actions and the duration of the violations. 52 Pa. Code § 69.1201(c)(5). Approximately 985 customers lost natural gas service for up to thirty-five hours as a result of the natural gas leak that ensued from the failure of the temporary meter station.

The sixth factor to be considered relates to the compliance history of Peoples. 52 Pa. Code § 69.1201(c)(6). An isolated incident from an otherwise compliant company may result in a lower penalty, whereas frequent, recurrent violations by a company may result in

a higher penalty. *Id.* Peoples has been the subject of at least five proceedings over the past ten years² where the Commission imposed civil penalties upon the Company.

In *Alan Bricker v. Peoples Natural Gas Company LLC*, Docket No. F-2017-2614037 (Order entered March 27, 2018), the Commission imposed a civil penalty of \$500 for a violation of 66 Pa.C.S. § 1501 due to Peoples' failure to recognize a malfunctioning meter for approximately ten months.

In *Pa. Pub. Util. Comm'n, Bureau of Investigation and Enforcement v. Peoples Natural Gas Company LLC*, Docket No. C-2016-2437295 (Order entered January 18, 2018), the Commission approved a settlement agreement where Peoples agreed to pay a civil penalty of \$50,000 in connection with allegations about deficiencies with the Company's leak classification, monitoring, repair, surveying, and reporting operations and procedures, including a failure to correctly classify and document gas leaks and a failure on two occasions to make necessary and appropriate repairs in a timely manner.

In *Stuart Beckerman v. Peoples Natural Gas Company LLC*, Docket No. F-2013-2380130 (Order entered July 2, 2014), the Commission imposed a civil penalty of \$250 for failing to correctly charge a customer for natural gas consumed during March 2013.

In *Joseph Palla v. Peoples Natural Gas Company LLC*, Docket No. F-2012-2293016 (Order entered December 5, 2012), the Commission imposed a civil penalty of \$2,600 for Peoples' failure to furnish reasonable public utility service in violation of 66 Pa.C.S. § 1501 by neglecting to notify a customer about the presence of a foreign load.

² The Commission limited the review of the compliance history of a long-time certificated natural gas public utility to the past ten-years when the matter concerned alleged gas safety violations. *Pa. Pub. Util. Comm'n, Bureau of Investigation and Enforcement v. UGI Utilities, Inc. – Gas Division*, Docket No. C-2018-3005151 (Order entered October 29, 2020) at 27.

In *Pa. Pub. Util. Comm'n, Law Bureau Prosecutory Staff v. The Peoples Natural Gas Company LLC, f/k/a The Peoples Natural Gas Company, d/b/a Dominion Peoples*, Docket No. M-2011-2157955 (Order entered August 2, 2012), the Commission approved a settlement agreement where Peoples agreed to pay a civil penalty of \$5,000 in connection with an alleged failure to properly abandon a service line in violation of 52 Pa. Code §§ 59.33(a) and 59.36(5), and 66 Pa.C.S. § 1501.

In summary, Peoples' compliance history, especially as it relates to allegations of gas safety violations over the past decade, was considered in arriving at the agreed-upon civil penalty in this matter.

The seventh factor to be considered relates to whether the Company cooperated with the Commission's investigation. 52 Pa. Code § 69.1201(c)(7). I&E submits that Peoples fully cooperated in the investigation and settlement process in this matter and that such cooperation demonstrates a commitment consistent with public safety goals and objectives.

The eighth factor to be considered is the appropriate settlement amount necessary to deter future violations. 52 Pa. Code § 69.1201(c)(8). I&E submits that a civil penalty amount of \$195,000, which may not be claimed as a tax deduction or recovered in any future ratemaking proceeding, in combination with Peoples' agreement to refrain from seeking recovery in a future ratemaking proceeding of monies spent on the construction or repair of the temporary meter station, is a significant pecuniary concession that is sufficient to deter Peoples from committing future violations.

The ninth factor to be considered relates to past Commission decisions in similar situations. 52 Pa. Code § 69.1201(c)(9). I&E's research did not reveal another situation

involving a failure of a temporary meter station. However, I&E submits that the instant Settlement provides comparable relief to one other situation involving allegations that pipeline facilities were not constructed in accordance with written specifications or standards consistent with Part 192 of the Federal pipeline safety regulations. In *Pa. Pub. Util. Comm'n, v. Equitable Gas Company, LLC, A Subsidiary of EQT Corporation f/k/a Equitable Resources, Inc.*, Docket No. M-2009-1505395 (Order entered May 10, 2010), Equitable Gas Company, LLC (“Equitable”) used a coupling assembly to tie-in a new section of plastic natural gas pipe. Soon after the coupling assembly was installed, Equitable discovered that it was leaking natural gas at the connection with the existing pipe. When Equitable attempted to stop the leak, the coupler detached from the pipe, allowing a release of natural gas that ignited, and a fire ensued that damaged a building. It was determined that the thrust force caused by the natural gas flow caused the coupling assembly to fail, and that Equitable did not prevent undue strain on the coupling assembly, such as by adding anchors and other support. In relation to the coupling assembly failure and two other incidents involving allegations of damage prevention violations, the Commission imposed a \$65,000 civil penalty on Equitable and directed Equitable to contribute an additional \$65,000 to its hardship fund.

I&E submits that the instant Settlement Agreement should be viewed on its own merits and is fair and reasonable. However, in looking at the relevant factors that are comparable to other pipeline matters involving violations of the Federal pipeline safety regulations, the instant Settlement is consistent with past Commission actions in that a civil penalty will be paid and corrective actions will be performed to address the alleged

violations.

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

In conclusion, I&E fully supports the terms and conditions of the Settlement Agreement. The terms of the Settlement Agreement reflect a carefully balanced compromise of the interests of the Parties in this proceeding. The Parties believe that approval of this Settlement Agreement is in the public interest. Acceptance of this Settlement Agreement avoids the necessity of further administrative and potential appellate proceedings at what would have been a substantial cost to the Parties.

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

Respectfully submitted,



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Dated: March 9, 2022

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation and Enforcement,	:	
Complainant	:	
	:	
v.	:	Docket No. M-2022
	:	
Peoples Natural Gas Company LLC	:	
Respondent	:	

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

Honorable Commissioners:

Peoples Natural Gas Company LLC (“Peoples”) hereby files this statement in Support of the Joint Petition for Approval of Settlement (“Settlement” or “Joint Settlement”) entered into by Peoples and the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) (hereinafter, collectively “Joint Petitioners”) in the above-captioned proceeding. The Settlement, if approved, will fully resolve all issues related to I&E’s formal complaint involving a natural gas leakage and outage ensuing from a temporary meter set on March 9, 2019 in Moon Township, Allegheny County, Pennsylvania (“March 9, 2019 Incident” or “Incident”). Peoples respectfully requests that the Commission approve the Settlement, including the terms and conditions thereof, without modification.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. Peoples undertook an extensive investigation of the events related to the March 9, 2019 Incident and fully cooperated with and assisted I&E’s investigation of the events surrounding the Incident. Peoples has been proactive with I&E related to identifying and modifying facilities, practices, and procedures to enhance the safety and reliability of its distribution service. The Settlement, if approved, will provide substantial public benefits. For these reasons and the reasons set forth below, the Settlement is fair, just and reasonable and, therefore, the Settlement should be approved without modification.

I. INTRODUCTION

A. PARTIES

I&E is the entity established by statute to prosecute complaints against public utilities pursuant to 66 Pa.C.S. § 308.2(a)(11). The Commission has delegated its authority to initiate proceedings that are prosecutorial in nature to I&E and other bureaus with enforcement responsibilities. *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Aug. 11, 2011).

Peoples is a “public utility” and a “natural gas distribution company as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2202. Peoples provides natural gas transmission, distribution, and supplier of last resort services to its customers throughout its certificated service territory subject to the regulatory jurisdiction of the Commission.

B. BACKGROUND

The background of this matter is adequately set forth in Section II of the Joint Settlement and is incorporated herein by reference.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. See 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. C-2010-2071433, 2012 Pa. PUC LEXIS 1377 at *6 (August 31, 2012).

The Commission has promulgated a Policy Statement that sets forth ten factors that the Commission may consider in evaluating whether a civil penalty for violating a Commission order, regulation, or statute is appropriate, as well as whether a proposed settlement for a violation is reasonable and in the public interest. 52 Pa. Code § 69.1201. These factors are (i) Whether the conduct at issue was of a serious nature; (ii) Whether the resulting consequences of the conduct at issue were of a serious nature; (iii) Whether the conduct at issue was deemed intentional or negligent; (iv) Whether the regulated entity made efforts to modify internal policies and procedures to address the conduct at issue and prevent similar conduct in the future; (v) The number of customers affected and the duration of the violation; (vi) The compliance history of the regulated entity that

committed the violation; (vii) Whether the regulated entity cooperated with the Commission's investigation; (viii) The amount of the civil penalty or fine necessary to deter future violations; (ix) Past Commission decisions in similar situations; and (x) Other relevant factors. 52 Pa. Code § 69.1201(c). The Commission will not apply the standards as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, in settled cases the parties "will be afforded flexibility in reaching amicable resolutions to complaints and other matters so long as the settlement is in the public interest." 52 Pa. Code § 69.1201(b).

The substantial public benefits of the Settlement, as well as the ten factors that the Commission considers in reviewing a settlement of an alleged violation, are addressed in the section that follows. For the reasons explained below, the Settlement is in the public interest and should be approved.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. SUMMARY

The Settlement, once approved, will resolve all issues related to the I&E complaint related to the March 9, 2019 Incident. The Complaint alleges that, in connection with the Incident, Peoples committed several violations of the Public Utility Code and federal pipeline safety standards. Based on these allegations, the Complaint requested that the Commission order Peoples to pay a civil penalty, to change its design process with regard to temporary meter and regulator stations and to implement a process to consult with I&E about reportable incidents. Peoples removed the temporary meter set at issue. During negotiations and agreement on settlement terms, Peoples accurately told I & E that it had

no other temporary meter sets and no temporary regulator stations. On February 18, 2022, Peoples did, however, install a temporary skid-mounted regulating set in Greentree, Pennsylvania of which Peoples informed I & E Gas Safety division.

Throughout the investigative and settlement processes in this proceeding, Peoples has worked cooperatively and proactively with I&E to enhance the safety and reliability of its distribution services involving temporary meter and regulation stations. Further, Peoples has agreed to an adequate civil penalty in this matter. Finally, the terms and conditions of the Settlement favorably align with the ten factors that may be considered under the Commission's Policy Statement. Accordingly, the Settlement should be approved.

B. DESCRIPTION OF THE SETTLEMENT

Importantly, as discussed in the Joint Settlement, the Parties agree that it is their intent that the Joint Settlement not be admitted as evidence in any potential civil proceeding involving this matter. It is further understood that, by entering into the Joint Settlement, Peoples has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in all proceedings including, but not limited to, any civil proceedings, that may arise as a result of the circumstances described in the Joint Settlement.

The terms of the Settlement fully resolve all of the issues raised in and relief requested by I&E's Complaint, including the payment of civil penalties. As explained below, Peoples avers that approval of the Settlement is in the public interest. Further, acceptance of the Settlement will avoid the necessity of further administrative and

potential appellate proceedings at what would have been a substantial cost to the parties. If approved, the Settlement will provide substantial and important benefits to the customers and communities served by Peoples, including improvements to temporary meter and regulator stations moving forward.

C. FACTORS UNDER COMMISSION'S POLICY STATEMENT

Under the Policy Statement, the Commission may consider ten specific factors when evaluating settlements of alleged violations of the Public Utility Code and the Commission's Regulators. 52 Pa. Code § 69.1201(c).

The first factor addresses whether the conduct at issue was of a serious nature. Peoples avers that the gas leak did not cause a catastrophic event, that no persons were injured, and that no property was damaged. Gas service was shut off out of an abundance of caution. In responding to this March 9, 2019 Incident, Peoples acted promptly and prudently. On March 9, 2019, Peoples and its contractors excavated the risers and replaced the native soil around the risers of the temporary meter station with 2 a modified stone. New couplings were put into place connecting the steel and plastic pipes. Peoples also installed ratchet straps around the station and plastic risers. On March 13, 2019, Peoples replaced the above ground plastic pipe with steel risers. Peoples added signage to the framed station. Peoples added barricades around the already framed station. Peoples restored service to some customers on March 9, 2019 and to remaining customers on March 10, 2019.

The second factor considers the seriousness of the consequences of the incident at issue. There was no catastrophic incident, no injuries to any persons, no damage to any

homes or businesses or other properties. Further, please know that Peoples decided to interrupt the flow of gas at the meter set to the downstream customers in the interest of public safety. The decision to stop service was the safest, most prudent course of action. By doing so, Peoples ensured that there was no air-gas mixture in the pipelines, service lines and residences, thereby preventing any likelihood of a catastrophic event.

The third factor to be considered in this case, namely, whether Peoples' alleged conduct was intentional or negligent. To the extent this factor is to be considered, there has been no finding that Peoples' conduct was either intentional or negligent. Further, this matter is fully resolved through a negotiated settlement with no admission of fault. Further, Peoples acted promptly and prudently to prevent any catastrophic event.

The fourth factor to be considered is whether Peoples made efforts to modify internal policies and procedures to address the alleged conduct at issue and to prevent similar conduct in the future. Peoples agrees to change its design and construction process with regard to temporary meter and regulator stations. Further, the terms and conditions of the Settlement adequately take into account Peoples' agreement to change its design and construction process to address the alleged conduct.

The fifth factor to be considered deals with the number of customers affected and the duration of the violation. The March 9, 2019 incident was not catastrophic, no persons were injured and no real property or other properties were damaged. Peoples returned customers to service, some on March 9th and the remainder on March 10th. Peoples shut off service as the safest, most prudent course of action.

The sixth factor considered is the compliance history of Peoples, who has a positive, proactive relationship with I&E as the Company provides safe and reliable natural gas distribution service. The Settlement further evidences Peoples' good faith efforts to enhance the safety and reliability of its gas system, consistent with the purposes of the Code and the Commission's regulations.

The seventh factor considered is whether the regulated entity cooperated with the Commission's investigation. Peoples supported and cooperated fully with I&E and its staff throughout its investigation, as well as in negotiations regarding the Commission's complaint and settlement process.

The eighth factor is whether the amount of the civil penalty or fine will deter future violations. Peoples submits that a civil penalty in the amount of \$195,000 constitutes an adequate deterrent. Peoples avers that the civil penalty set forth in the Settlement appropriately recognizes the seriousness of this matter. The compromised penalty amount does recognize the prompt efforts of Peoples in addressing the March 9, 2019 Incident, changes to its design process going forward and its cooperation regarding this Settlement.

The ninth factor examines past Commission decisions in similar situations. When all relevant factors are considered, the Settlement is consistent with past Commission actions.

Relative to the tenth factor, Peoples avers that a compromise best meets public policy as both Peoples and I&E want to prevent a leakage from any temporary meter set or regulator station going forward. Further, this Settlement recognizes that Peoples will

improve its design and construction processes going forward. Peoples has demonstrated a commitment consistent with the Commission's public safety goals and objectives and insured concern for its customers and the general public.

Based on the foregoing, the Settlement should be considered fair, equitable and reasonable under the Commission's Policy Statement.

IV. CONCLUSION

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a settlement that resolves all issues in the proceeding in a fair, equitable, and reasonable manner. The Settlement resolves all issues related to the I&E Complaint related to the March 9, 2019 Incident. Finally, the terms and conditions of the Settlement should be viewed as satisfying the ten factors set forth in the Commission's Policy Statement, 52 Pa. Code § 69.1201(c). A fair, equitable and reasonable compromise has been achieved in this case. Peoples fully supports the Settlement and respectfully requests that the Honorable Commission approve the Settlement in its entirety, without modification.

Respectfully submitted,



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Date: March 7, 2022

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Bureau of Investigation and Enforcement	:	
	:	
v.	:	Docket No. M-2022-3028365
	:	
Peoples Natural Gas Company LLC	:	

CERTIFICATE OF SERVICE

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

Service by Electronic Mail Only:

Michael C. Turzai
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Michael.Turzai@peoples-gas.com



Stephanie M. Wimer
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Dated: March 9, 2022