

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

Public Meeting held November 9, 2023

Commissioners Present:

Stephen M. DeFrank, Chairman, Conflict Statement  
Kimberly Barrow, Vice Chair  
Ralph V. Yanora  
Kathryn L. Zerfuss  
John F. Coleman, Jr.

Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement

M-2023-3024990

v.

Peoples Natural Gas Company LLC

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility (Commission) for consideration and disposition is the proposed Joint Petition for Approval of Settlement (Settlement, Settlement Agreement, or Petition) filed on July 31, 2023, by the Commission's Bureau of Investigation and Enforcement (I&E) and Peoples Natural Gas Company LLC (Peoples or the Company) (collectively, the Parties), with respect to an informal investigation conducted by I&E. The Parties each filed Statements in Support of the Settlement and submit the proposed Settlement is in the public interest and consistent with the standards delineated in 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*.  
Petition at 22.

Prior to publishing the Settlement for comment pursuant to 52 Pa. Code § 3.113(b)(3) and issuing a final decision on the merits of the proposed Settlement, we direct the Parties to augment the Settlement with supplemental information so that the Commission can make an informed decision regarding whether the Settlement is in the public interest.

### **History of the Proceeding**

This matter arises from an over-pressurization event that occurred on April 29, 2020, on Peoples' distribution system serving Robinson, Pennsylvania. Petition at 4-5. The incident resulted in the over-pressurization of approximately two hundred and four (204) service lines, caused three (3) furnaces to flare and catch fire, and resulted in the replacement of eleven (11) furnaces, seventy (70) water heaters, one (1) range, one hundred and ninety-four (194) furnace valves, and one hundred and thirty-five (135) water tank valves. Petition at 5-6.

I&E conducted a field investigation and interviewed three (3) Peoples employees. As part of its investigation, I&E also served forty-two (42) individual data requests. Petition at 7.

Thereafter, the Parties entered negotiations and agreed to resolve the matter in accordance with the Commission's policy to promote settlements at 52 Pa. Code § 5.231(a). Petition at 11. As previously indicated, the Parties filed the instant Settlement on July 31, 2023.

## Background

Peoples' Robinson distribution system serves two hundred and twenty-one (221) properties in Robinson, Indiana County, Pennsylvania. Petition at 6. The system is supplied gas through a single regulator station (LS 260 or station) with an inlet maximum operating pressure (MAOP) of sixty (60) pounds per square inch gauge (psig) and outlet MAOP of one psig. *Id.* The station's typical operating pressures are between fifty-two (52) and fifty-six (56) psig on the inlet side, and eight (8) ounces on the outlet side. *Id.* LS 260 is designed as a single regulator with double-stacked relief, a single-relief isolation valve, a single bypass valve, an upstream valve, and a downstream valve. *Id.*

On April 29, 2020, three (3) technicians employed by Peoples were conducting an annual regulator inspection of LS 260. To test the regulator, the technicians took the regulator out of service by closing a valve upstream and a valve downstream of the regulator. Petition at 4. Pressure to the downstream system was adjusted manually by opening the bypass valve at the regulator station. During the manual operation of the bypass valve, the technicians noted the downstream gauge was not registering pressure. After placing a second gauge on the downstream side of the bypass valve, the second gauge displayed an outlet operating pressure of twenty (20) ounces, more than the MAOP of the system. Petition at 4-5. The technicians opened a closed downstream valve, which allowed gas to escape through the double-stacked relief and shut down the system using an emergency valve. Petition at 5. Peoples estimates that between thirty (30) to sixty (60) seconds of overpressure occurred. However, because there was no recording gauge on the downstream piping, the precise duration of the over-pressurization event is unknown. Petition at 8.

Peoples submitted an incident report, Report No. 1276429, to the National Response Center on April 30, 2020.

I&E's Safety Division's findings indicate the three Peoples technicians had received relevant operator qualification training, though only one of the three technicians had previously conducted an inspection on a regulator station where the downstream valve could, if shut, isolate the double-stack relief and regulators from the rest of the system. Petition at 7. I&E's Safety Division also noted the technicians failed to follow Company procedures as set forth in Peoples' Job Procedure 703, *Bypassing a Regulating Station*, by failing to install a pressure gauge in the correct position to monitor system pressure, only installing the downstream pressure gauge after the over-pressurization event occurred. Petition at 9. I&E's Safety Division also found training materials provided by Peoples were not sufficiently detailed to ensure employees were qualified to conduct bypass operations when inspecting regulator stations. *Id.* Finally, I&E's Safety Division found the design of LS 260 likely contributed to the overpressure incident with certain isolation valves, when shut off, isolating the relief valve and double-stacked relief. *Id.*

I&E's Safety Division directed Peoples to conduct daily leak surveys for one week (or until leaks were no longer discovered) and expedite the replacement of bare steel piping and metallic service lines affected by the overpressure. Petition at 6-7. Peoples complied with I&E's Safety Division's directive and conducted daily leak surveys for eight (8) weeks until all leaking service lines were replaced. Petition at 7. Peoples also replaced approximately four thousand five hundred and fifty-two (4,552) feet of steel pipe and one hundred and thirty-three (133) service lines. Petition at 7. As mentioned *supra*, the over-pressurization event also resulted in the replacement of eleven (11) furnaces, seventy (70) water heaters, one (1) range, one hundred and ninety-four (194) furnace valves, and one hundred and thirty-five (135) water tank valves. Petition at 5-6.

If this matter had been fully litigated, I&E would have proffered evidence and legal arguments to demonstrate that Peoples, *inter alia*, committed multiple

violations related to 66 Pa. C.S. § 1501, 49 CFR § 192, and the adoption of Federal pipeline safety laws at 52 Pa. Code § 59.33(b), including, but not limited to the following: insufficient safety standards to protect against accidental overpressure, failure to establish sufficient training materials, operating steel or plastic pipelines in excess of maximum operating pressure (MAOP), failure to ensure employees have the necessary knowledge and skills to safely perform such tasks, and failure to maintain adequate, safe and reasonable service. Petition at 9-10.

### **Terms and Conditions of the Settlement**

The Parties submit that the Settlement Agreement is in the public interest because it effectively addresses I&E's allegations that are the subject of the I&E informal investigation and avoids the time and expense of litigation. Petition at 19. Both Parties jointly acknowledge that approval of the Settlement Agreement is in the public interest and is fully consistent with the Commission's Policy Statement at 52 Pa. Code § 69.1201. *Id.*

The Settlement consists of the Joint Petition for Approval of Settlement containing the terms and conditions of the Settlement and thirteen Attachments, including Proposed Ordering Paragraphs (Appendix A to the Petition) and the respective Statements in Support of the Settlement of I&E (Appendix B to the Petition) and Peoples (Appendix C to the Petition), filed on July 31, 2023.

Pages 12-19 of the Settlement set forth the full terms and conditions. The essential terms of the Joint Settlement are set forth in Paragraph No. 38 of the Petition, which is recited in full, below, as it appears in the Petition:

38. I&E and Peoples, intending to be legally bound and for consideration given, desire to fully and finally conclude this investigation and agree that a Commission Order approving

the Joint Petition without modification shall create the following rights and obligations:

- a. Peoples shall pay a civil penalty in the amount of Two Hundred and Fifty Thousand Dollars (\$250,000) pursuant to 58 P.S. § 801.502 and 52 Pa. Code § 69.1201. Said payment shall be made within thirty (30) days of the entry date of the Commission's Final Order approving the Joint Petition for Approval of Settlement in this matter and shall be made by certified check or money order payable to the "Commonwealth of Pennsylvania." The docket number of this proceeding shall be indicated with the certified check or money order and the payment shall be sent to:

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

- b. Peoples agrees that 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).
- c. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall review all regulator stations in its distribution system. Peoples has "reviewed all of the low-pressure regulator stations and agrees to similarly review all medium and high-pressure regulator stations to identify all medium-pressure and high-pressure SRS.
- d. The Company agrees to provide lists for medium-pressure and high-pressure SRS identified out of the total number of medium and high-pressure regulator stations within sixty (60) days following entry of a Final Order approving the Settlement Agreement.
- e. Peoples agrees to develop a process to rank the specific risk of each SRS.

- f. Peoples agrees to use the risk model for identifying regulator station improvement project prioritization.
- g. Peoples agrees to develop a plan and timeline for “reconfiguration.”
- h. Peoples agrees to use the risk model hereto for identifying regulator station improvement projects. The Parties agree that, given higher ranked risks, other remedial projects could rank higher than a planned low-pressure SRS reconfiguration. Nonetheless, the remedial project set forth herein will be undertaken in addition to other identified remedial projects.
  - 1) Peoples shall develop a remediation schedule or preventative and mitigative measures to prevent the pipeline systems from overpressure when the station relief valves are isolated; and
  - 2) Peoples shall reconfigure the stations to protect the system from overpressure when maintenance is performed.
- i. Within thirty (30) days of the entry date of the Commission’s Final Order approving the Settlement Agreement, Peoples shall develop and implement a process that involves a detailed pre-job briefing and checklist for performing regulator station inspections and bypass valve operations. The pre-job briefing shall require technicians to confirm the configuration of the regulator station and identify specific hazards that may be unique to the station that is being inspected.
- j. Peoples agrees that going forward, the Pre-Job Briefing and the checklist will express include any bypass valve operations.
- k. Peoples agrees that once this process is completely developed, it shall be incorporated into the Company’s standard operating procedures and job procedures.

- l. Within thirty days (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create a training program for new trained GM&R technicians.
- m. Peoples agrees to provide a summary of the training program to include, at minimum, parameters being considered in the specific training and any other detail that can be offered.
- n. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create drawings of each station that shows where downstream gauges must be placed during bypass operations.
- o. Within one (1) year of the entry date of the Commission's Final Order approving the Settlement Agreement, Peoples will complete the task of having a drawing for regulator stations.
- p. Peoples agrees to update its Design Manual.
- q. Within thirty (30) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall create an OQ task for the operation of a bypass valve as a means of regulating downstream pressure in a gas distribution system.
- r. 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 procedures and/or equipment to maintain the ability to record the actual pressure of an overpressure event in low pressure systems without the gauge or chart maximum pressure being reached.
- s. Peoples agrees that it has a plan to install pressure monitoring devices on each of its low-pressure systems. This plan is set forth in its most recent LTIIP as follows:



Peoples' Long Term Infrastructure Improvement Plan ("LTIIIP") approved by the Pennsylvania Public Utility Commission at Docket No. P-2020-3021942 on January 14, 2021, sets forth Peoples' plan in place with respect to regulator stations:

"In an effort to reduce the likelihood of future over-pressurization events, similar to the event that occurred in Merrimack, MA, in September 2018, the Companies reviewed their 640 regulated low-pressure systems, which are comprised of 4,500 miles of low-pressure pipeline and over 1,800 regulator stations and serve over 450,000 customers. As a result of that review, the Peoples Companies are proposing to implement three project types intended to mitigate over-pressurization risks as part of this Combined Distribution LTIIIP. The Companies will upgrade existing regulator stations by (i) adding remote pressure detection equipment to existing regulator systems, (ii) adding another form of over-pressure protection as applicable, such as adding relief valves or making station piping modifications, and (iii) relocating underground control lines to above-ground locations whenever possible and feasible. The Company proposes to implement this program over an 8-year period, and the total estimated plant additions and costs are approximately \$40,790,000. See Appendix A, pp. 11-12. This program will increase the safety and reliability of service of the Peoples Companies systems by investing in upgrades specifically targeted to mitigate the risk of over-pressurization events similar to the events that occurred in Merrimack, MA." Peoples' LTIIIP pages 6-7.

Peoples plans to install 960 devices.

- t. Within forty (40) days of the entry date of the Commission's Final Order approving any Settlement Agreement in this matter, Peoples shall file a report of

compliance to confirm that the Company has completed or is on track to complete its remedial obligations set forth, *infra*.

- u. Upon Commission approval by Final Order of the Settlement, in its entirety without modification, I&E acknowledges and confirms that Peoples is released from all past claims that were made or could have been made by the Commission for monetary and/or other relief based on allegations that the Company failed to comply with the allegations that are the subject of the instant I&E informal investigation.
- v. 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 regarding Factors and Standards for Evaluating Litigated and Settled Proceedings, 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 that are the subject of the I&E informal investigation, and avoids the time and expense of litigation, which entails hearing, travel for the Company's witnesses, and the preparation and filing of briefs, exceptions, reply exceptions, as well as possible appeals. Attached as **Appendix B** and **Appendix C** are Statements in Support submitted by I&E and Peoples, respectively, setting for the bases upon which they believe the Settlement Agreement is in the public interest.

Settlement Agreement at ¶ 38.

### **Discussion**

Pursuant to our 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).

Upon review of the Settlement and Statements in Support of the same, the Commission believes that the Settlement must be augmented with supplemental information so that the Commission can make an informed decision regarding whether the Settlement is in the public interest.

First, the Settlement should be supplemented by the Parties to clearly and publicly indicate the costs of replacing the private property damaged by this incident. This information is only accessible to the Parties and should be included in the Settlement, and we see no reason why these costs should be confidential. Second, the Parties should explain how the cost to remediate the damage to private property will be paid for. For example, whether insurance will cover the replacement of these private facilities, whether Peoples' shareholders will bear those costs, or whether cost recovery will be sought in rates. Finally, the Parties should comment on their intentions regarding recovery of the civil penalty in rates.

### **Conclusion**

Before publishing the Settlement for comment pursuant to 52 Pa. Code § 3.113(b)(3) and issuing a decision on the merits of the proposed Settlement, we shall direct the Parties to augment the Settlement with supplemental information as described

above. Within twenty (20) days, the Parties shall supplement the record in the Settlement by clearly and publicly indicating the costs of replacing the private property damaged by this incident, explaining how the cost to remediate the damage to the private property will be paid for (e.g., whether insurance will cover the replacement of these private facilities, whether Peoples' shareholders will bear those costs, or whether cost recovery will be sought in rates), and informing the Commission of their intentions regarding recovery of the civil penalty in rates. Upon receipt of the supplemental information, the Commission will publish the clarified settlement for comment, and consider and review the Settlement and supplemental information. If supplemental information is not submitted within twenty (20) days, the Settlement shall be deemed withdrawn; **THEREFORE,**

**IT IS ORDERED:**

1. That the Commission's Bureau of Investigation and Enforcement and Peoples Natural Gas Company LLC shall supplement the record in the Settlement within twenty (20) days of entry of this Opinion and Order with the following information:

(a) a clear and public indication of the costs of replacing the private property damaged by this incident;

(b) an explanation regarding how the cost to remediate the damage to private property will be paid for (e.g., whether insurance will cover the replacement of these private facilities, whether Peoples Natural Gas Company LLC's shareholders will bear these costs, or whether cost recovery will be sought in rates); and

(c) comments on the Parties' intentions regarding recovery of the civil penalty in rates.

2. That the supplemental information required in Ordering Paragraph No. 1 above shall be filed within twenty (20) days of the entry of this Opinion and Order with the Secretary of the Commission at Docket No. M-2023-3024990.

3. That, in the event supplemental information is not submitted as directed in Ordering Paragraph Nos. 1 and 2 above, the Settlement shall be deemed withdrawn and the proceeding at Docket No. M-2023-3024990 shall be returned to the Commission's Bureau of Investigation and Enforcement for further action as deemed necessary.

**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: November 9, 2023

ORDER ENTERED: December 6, 2023