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October 7, 2024

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

VIA E-FILING

**RE: Replacement of Older Plastic Pipe in Natural Gas Distribution Systems;
Docket No. M-2024-3050313**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the Comments of Valley Energy, Inc., regarding the Tentative Order entered on August 26, 2024, in the above-referenced proceeding.

This filing has been served via email on the parties listed on the attached Certificate of Service. If you have any questions regarding this filing, please feel free to contact the undersigned. Thank you.

Very truly yours,

Pamela C. Polacek

By

Pamela C. Polacek

Counsel to Valley Energy, Inc.

Enclosure

c: Certificate of Service

Adam Young, Law Bureau (via email—adyoung@pa.gov)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Replacement of Older Plastic Pipe :
In Natural Gas Distribution Systems : Docket No.: M-2024-3050313

**COMMENTS TO TENTATIVE ORDER OF
VALLEY ENERGY, INC.**

On August 26, 2024, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) entered a Tentative Order proposing new requirements regarding certain vintage plastic pipe that was installed in Natural Gas Distribution systems. The Tentative Order requires Comments to be submitted within 30 days after publication in the *Pennsylvania Bulletin*, which occurred on September 7, 2024. Valley Energy, Inc. (“Valley” or “Company”) submits these Comments.

Valley is a small Natural Gas Distribution Company (“NGDC”) serving approximately 7,375 customers in portions of Bradford County, Pennsylvania, including Sayre, Athens, Towanda and Monroeton.¹ Valley’s distribution system also extends into New York, serving approximately 2,000 customers in the area around Chemung and Barton, New York. Valley must comply with gas safety requirements established by the PUC, the New York Public Service Commission and the Pipeline Hazardous Materials Safety Administration (“PHMSA”), as well as various local zoning and other requirements.

Valley is very proud of its record of service reliability and system improvements. Since C&T Enterprises, Inc., acquired the system in 2002, the Company has invested over \$6,419,000

¹ Valley meets the definition of NGDC set forth in 66 Pa.C.S. §2202.

in main and service line improvements and replacements, including the complete elimination of all cast iron and bare steel pipe.² Valley accomplished this without instituting a Distribution System Improvement Charge (“DSIC”), relying instead on efficient management, leveraging revenues from new customer opportunities and filing occasional base rate proceedings to fund the necessary investments.

Because Valley has eliminated cast iron and bare steel mains on its system, Valley has been focusing on the replacement of the vintage plastic pipelines that are discussed in the Tentative Order. For Valley, the vintage plastic pipe of concern is Aldyl-A. Over the last 12 years, Valley has been able to eliminate 0.63 miles of Aldyl-A mains and 76 services on its system. At this time, Valley has less than 1.13 miles of Aldyl-A mains and 183 services remaining.

Valley uses its Distribution Integrity Management Plan (“DIMP”) as one of the primary tools in establishing its planned capital projects each year. Although the reliability risks of Aldyl-A pipe that are discussed in Tentative Order place this pipe in the top five risks as identified in Valley’s current DIMP, there are items with higher risk-based priority.³ Valley’s capital projects are also influenced by required facility relocations in the public rights of way, new customer requests, equipment upgrades to accommodate additional gas demand, tool/equipment/vehicle purchases, available cash flow and borrowing capacity, and other company needs.

It is important to recognize that a DIMP risk ranking isn’t always based solely on events that occurred on Valley’s system and, instead, can be influenced by events occurring on other NGDC systems where PHMSA has alerted pipeline operators of enforcement emphasis. For example, in 2020, PHMSA issued advisory bulletin ADH-20-02 regarding regulators and reliefs

² Valley’s 2023 Annual Report, page 12, states that the Company’s total net utility plant balance at the end of 2023 was \$23,404,380. See <https://www.puc.pa.gov/pdocs/1827132.pdf>.

³ The DIMP risk ranking is based on four factors—probability, consequence, leak cause factor, and incident probability.

after an incident with Merrimack Valley. As a result of that advisory bulletin, Regulators/Reliefs was at the top of Valley's 2021-2023 DIMP ranking with a risk ranking score of 27.88. The Company has focused on adding, replacing and upgrading district regulator stations to address the high relative risk score of this facility category in the DIMP.

While focusing on projects to increase the safety and reliability of district regulator stations, Valley also accomplishes Aldyl-A main replacements, service line installations and replacements, meter relocations, and other projects. Valley sets an annual capital project budget that balances the many capital improvements and other projects for its customers, and also establishes multiple year capital plans. At times, however, Valley's plans must be modified unexpectedly based on outside agency decisions or other system conditions. For example, if the local water or sewer company notifies Valley of plans to excavate in or along a public road, Valley may adjust its main replacement plans to also replace facilities in the same right of way, even if those facilities are not Aldyl-A as targeted in the Company's annual and multi-year capital budgets. Alternatively, if PennDOT or the local government relocates or expands a roadway, Valley may need to move facilities. Valley's capital budget is constrained based on its borrowing capacity and cash flow. If resources need to be reallocated for a government-required relocation or another street opening situation, then the planned Aldyl-A main replacement may be postponed.

Valley does not support the Commission's proposal to add reporting requirements and plastic pipeline replacement timelines for NGDCs or non-DSIC eligible gas utilities. Universal reporting requirements are not necessary to supplement the current reporting and communication that occurs between natural gas utilities and the Commission's Gas Safety Division. Valley's historic record of eliminating the cast iron and bare steel facilities on its system and taking solid steps towards the elimination of Aldyl-A facilities demonstrates that existing processes and

procedures result in sufficient utility oversight and motivation to ensure that reliability enhancing projects occur. Valley urges the Commission to examine whether existing tools can accomplish the desired goals.

In addition, presumptive replacement timelines could conflict with the DIMP results and will otherwise interfere with each utility's managerial discretion regarding the operation of its system. Although the Commission's Tentative Order provides an opportunity for a utility to seek a waiver to the extent it is not accomplishing the desired annual replacements, this creates an added regulatory risk, especially for smaller utilities. Smaller utilities may need to make decisions on short time-frames to redeploy planned capital projects to higher-risk items or projects for which the timing is out of the utility's control (like those discussed above). Utilities bear the risk of and potential liability for maintaining safe and reliable service. Establishing a vintage plastic pipeline replacement target that may result in Commission fines and otherwise interfere with the utility's discretion to operate its system and pursue capital projects is inappropriate.

Valley is in regular contact with the Commission's Gas Safety Division, which has responsibility to enforce the PHMSA requirements for Pennsylvania pipeline operators. Valley submits its DIMP, incident reports, equipment operation reports and other items to PHMSA and Gas Safety. Valley is available to discuss these reports and its system upgrade and operation strategy with Gas Safety. Enacting an additional layer of reporting is not necessary for utilities that are forthcoming with Gas Safety. For any utility that is not forthcoming in its communications with Gas Safety or that is not addressing DIMP priorities on its system, the Commission has enforcement options including Bureau of Investigation & Enforcement complaints. Adding the new reporting and replacement targets as proposed in the Tentative Order is not necessary.

Respectfully submitted,

Pamela C. Polacek

By _____

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Dated: October 7, 2024

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL

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Pamela C. Polacek

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Dated this 7th day of October, 2024, in Venetia, Pennsylvania.