

Prepared Testimony of

Andrew G. Place

Vice Chairman

Pennsylvania Public Utility Commission

before the

Pennsylvania Senate & House

Veteran's Affairs and Emergency Preparedness Committees

November 16, 2016



Pennsylvania Public Utility Commission

400 North Street

Harrisburg, Pennsylvania 17120

Telephone (717) 787-4301

<http://www.puc.pa.gov>

Good morning Chairman Vulakovich, Chairman Costa, Chairman Barrar, Chairman Sainato, and members of the Senate and House Veteran's Affairs and Emergency Preparedness Committee.

I am Andrew Place, Vice Chairman of the Pennsylvania Public Utility Commission (PUC or Commission). On behalf of Chairman Brown and my fellow Commissioners, I thank you for the invitation to testify before you today regarding the PUC's work on the important topic of pipeline safety.

The PUC is tasked with ensuring safe and reliable utility service at reasonable rates; protecting the public interest; educating consumers to make independent and informed utility choices; promoting economic development; and fostering new technologies and competitive markets in an environmentally sound manner. The Commission's pipeline safety jurisdiction includes both public and non-public utilities. Public utilities include natural gas distribution companies (e.g. UGI, Columbia, Peoples, etc.) who serve end-use customers as well as common carrier pipelines that transport natural gas and hazardous liquids in bulk.

The responsibility to ensure the provision of safe and reliable public utility service for citizens of the Commonwealth is central to the Commission's mission. The Public Utility Code is the statutory basis for our responsibility to prevent accidents, protect lives and property, replace aging pipelines, safeguard critical systems against cyber threats, conduct rail safety inspections, and oversee public utility compliance with the PA One Call program. Within the Commission there are safety divisions for Gas, Electricity, Rail and Motor Carriers which monitor jurisdictional operator compliance with state and federal regulations, deploying more

than 60 professionals in the field performing safety inspections daily, including 2,400 gas safety inspections in 2015.

Additionally, the Commission continues its oversight of non-public utility gas and hazardous liquids pipelines across the state, as authorized by The Gas and Hazardous Liquids Pipelines Act (Act 127 of 2011). Under Act 127 the PUC enforces federal pipeline safety laws involving various pipelines which are not regulated by the Commission as public utilities. These include cooperatively owned natural gas distribution systems, natural gas gathering and intrastate transmission pipelines, and propane distribution pipeline systems. The Commission also maintains a registry of Act 127 gas and hazardous liquids pipeline operators within the state. Presently, 96 operators are registered with the Commission.

It is important to note that not all pipelines within Pennsylvania are subject to the PUC's jurisdiction under Act 127 or the Public Utility Code. Due to federal preemption the Commission does not have any safety or regulatory jurisdiction over natural gas pipelines which are exclusively regulated by the Federal Energy Regulatory Commission (FERC) under the federal Natural Gas Act as part of the interstate pipeline system.¹ PHMSA directly oversees pipeline safety for interstate pipelines within Pennsylvania. Additionally, the PUC does not have jurisdiction over some gas production and gathering pipelines. These are the "Class 1" pipelines that I will discuss shortly.

The Commission has a formal agreement with the United States Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA) to enforce

¹ Interstate hazardous liquids pipelines are subject to a different federal regulatory model than interstate natural gas pipelines. The federal Interstate Commerce Act regulates interstate hazardous liquids pipelines and permits dual jurisdiction with the states. Thus, hazardous liquids pipeline public utilities can be subject to PUC jurisdiction for intrastate rates and service while also being subject to non-exclusive FERC jurisdiction for interstate rates and service.

the federal pipeline safety laws associated with combustible gases such as natural gas, propane, and landfill gas. The PHMSA agreement requires that the PUC have a federally trained workforce of engineers and an active enforcement program that monitors compliance with the federal pipeline safety laws. The federal training consists of 25 classes at PHMSA's Oklahoma City, Oklahoma training facility – the only such training facility in the U.S. These classes are one week in length and require a two hour test that the engineers must pass in order to become federally certified. For years, the Commission has been in discussions with PHMSA to create a Hazmat and Pipeline Training facility in Pennsylvania in connection with a college or university. A PHMSA/Pennsylvania facility would allow for regional federal training on both Hazmat for trains and pipelines as well as pipeline safety certification.

As part of the conditions associated with the PHMSA formal agreement, the PUC receives federal reimbursements for our pipeline safety program. The funding levels are approved by the U. S. Congress with a maximum of 80 percent funding for direct costs associated with the pipeline safety program. The PUC's Pipeline Safety program is audited annually by PHMSA. The audit reviews the PUC performance associated with pipeline inspections and reviews the enforcement actions taken by the Gas Safety division with regards to monitoring compliance to the federal and state pipeline safety codes.

As per the PHMSA agreement, the PUC enforces federal pipeline safety laws with respect to public utility and Act 127 pipeline operators. These pipeline operators include distribution operators (e.g. UGI, Columbia, Peoples, etc.) that transport natural gas from a transmission pipeline to the end-use customer (residential, industrial, commercial); Gathering Pipelines in Class 2, 3 and 4 areas; and intra-state transmission pipeline operators in Class 1-4

locations². The federal pipeline safety regulations define these class locations. Class 4 is the most densely populated area, and Class 1 is the most sparsely populated area.

PHMSA's pipeline safety regulations consider gathering lines in Class 1 areas to be "unregulated." While the federal pipeline safety laws permit PHMSA to issue regulations for gathering lines in Class 1 locations, only recently has PHMSA issued a Notice of Proposed Rulemaking to establish regulations for Class 1 gathering pipelines. If these regulations become final, Act 127 enables the Commission to enforce PHMSA's safety regulations with regard to Class 1 gathering lines. In the meantime, I believe it would be prudent for the General Assembly to consider state regulation of Class 1 gathering pipelines to address basic safety issues such as pipeline marking requirements, participation in PA One Call, odorization, and corrosion control.

Currently, the PUC regulates and inspects approximately 1,127 miles of jurisdictional intra-state transmission and gathering pipelines and 47,499 miles of distribution pipeline. There are approximately 3 million natural gas customers within the Commonwealth. As there are currently no reporting requirements for Class 1 Gathering pipelines located in the

² Except as provided in paragraph (c) of this section, pipeline locations are classified as follows:

(1) A Class 1 location is:

- (i) An offshore area; or
- (ii) Any class location unit that has 10 or fewer buildings intended for human occupancy.

(2) A Class 2 location is any class location unit that has more than 10 but fewer than 46 buildings intended for human occupancy.

(3) A Class 3 location is:

- (i) Any class location unit that has 46 or more buildings intended for human occupancy; or
- (ii) An area where the pipeline lies within 100 yards (91 meters) of either a building or a small, well-defined outside area (such as a playground, recreation area, outdoor theater, or other place of public assembly) that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period. (The days and weeks need not be consecutive.)

(4) A Class 4 location is any class location unit where buildings with four or more stories above ground are prevalent.

Commonwealth the quantity, location and description of pipe in the ground is currently unknown, but estimates have placed the total Class 1 Gathering miles to be between 60,000 to 100,000.

The PUC Gas Safety staff has 17 engineering positions assigned to it. Additional staffing is planned for the next fiscal year. PUC engineers are field based and are assigned inspection areas in four regions of the Commonwealth. The engineers monitor compliance to the state and federal pipeline safety code by performing 43 distinct inspections. The inspections are based upon a complete review of the code requirements and a risk assessment calculated by the Pipeline Safety staff.

In the Committee's invitation to testify today, you asked us to address the PUC's role in pipeline safety and to provide recommendations going forward.

Continuing over the next decade, Pennsylvania will undergo a substantial pipeline infrastructure build-out to transport gas and related byproducts from thousands of wells throughout the state.

It is also clear that Pennsylvania's industry, commerce and residents benefit from access to low-cost natural gas. To this end, the PUC has approved seven pilot programs for natural gas distribution companies, aimed at providing alternative financing mechanisms for the extension of gas service to homes and businesses. Equally, the replacement of legacy gathering and distribution pipe is a central safety focus. Currently, the Commonwealth has approximately 11,000 miles of legacy pipe. On average, it costs more than a \$1 million per mile for pipeline replacement. The legislature, in Act 11 of 2012, established a Distribution System Improvement Charge (DSIC) mechanism that allows gas utilities to accelerate the removal of legacy pipelines

and to recover the replacement cost through a surcharge on customers. The DSIC surcharge is capped at a percentage of utility revenues, usually five percent. Once the cap is reached, a utility may file a base rate filing with the Commission to reset the surcharge and continue accelerated infrastructure replacement. In order to use a DSIC, the utility has to obtain Commission approval of a Long Term Infrastructure Improvement Plan (LTIIIP). The LTIIIP is a five to ten year projection of pipeline replacement schedules that is based on the gas utilities Distribution Integrity Management Plan (DIMP). DIMP is a federal regulation that requires gas pipeline operators to perform a risk assessment of their facilities, rank the riskiest pipe, and then determine a mitigation plan to reduce the risk. The mitigation plan is the pipeline replacement plan. In the last several years, the Commonwealth's gas utilities have replaced more than 300 miles of at-risk pipeline annually. Most of these gas utilities have scheduled the complete replacement of their at-risk pipe within 20 years.

During 2015, the Commission concluded a special PGW investigation in which our staff proposed recommendations to reduce PGW's legacy pipeline removal schedule. PGW accepted the majority of these recommendations and is taking steps to remove legacy pipe on an accelerated basis. These actions have reduced PGW's at-risk pipeline replacement schedule from 88 years to 48 years.

Another effort by the Commission to address aspects of pipeline operations – including safety, cost, and potential environmental impact – is our active review of Lost and Unaccounted for Gas (LUFG). The Commission carefully studies “lost gas” data from gas utilities, and recently enacted a regulation that establishes thresholds for LUFG which are steadily reduced each year. This serves as a benchmark for operational efficiency, but also helps address safety issues, limits financial impacts on ratepayers and helps reduce greenhouse gas emissions.

The Governor's Pipeline Infrastructure Task Force, which included participation from PUC Chairman Gladys Brown and Commission staff, presented recommendations in six major categories, with an emphasis on driving wider public discussion on the critical, complex, and interrelated environmental and community issues Pennsylvania faces in the development of the infrastructure needed to transport gas to market.

The Task Force was focused on identifying best practices for pipeline siting, permitting and safety. Pipeline infrastructure development is governed by a complicated matrix of federal and state laws and regulations, county plans, and local ordinances. Multiple agencies are involved in permitting and overseeing siting, construction, operation, and maintenance of infrastructure.

In February 2016, the Task Force issued a final report which included a total of 184 recommendations, including a series of key safety-related measures supported by the PUC, notably:

- Designating the PUC to enforce the Pennsylvania One Call system and Pennsylvania's Underground Utility Line Protection Law, with a goal of reducing the number of "hits" on underground pipelines;
- Annual leak surveys on all existing or new pipelines, including the expansion of the leak-detection surveys to include Class 1 gathering lines and production lines outside the well pad;
- Accelerated leak repairs, including the scheduling of repairs on all classes of leaks;
- Establishment of a centralized mapping system for use by emergency responders, along with a public portal for accessing mapping information; and

- Creation of a website providing access to all publicly available pipeline inspection information.

The safety of our communities, construction workers, utility crews and emergency responders would be enhanced if all pipeline operators were required to map their pipeline systems and participate in the Pennsylvania One Call system. One of the basic tenets of pipeline safety is to be able to accurately mark and locate pipelines in order to protect the public, workers, and the environment. A mapping requirement was included in every proposed version of PA One Call legislation this legislative session.

The PUC has requested that the legislature transfer enforcement authority of the Underground Utility Line Protection Law, PA One Call Law, to the Pennsylvania Public Utility Commission. The PA One Call Board of Directors supports this transfer of enforcement authority. Likewise, the Commission met with multiple interest groups and associations including the Pennsylvania Department of Transportation (PennDOT), the Pennsylvania Emergency Management Agency (PEMA), municipal trade associations, utilities, excavators, the American Petroleum Institute of Pennsylvania (API-PA), the Marcellus Shale Coalition (MSC), and the Pennsylvania Independent Oil and Gas Association (PIOGA) to discuss the transfer. We welcome the opportunity to accept this responsibility.

The PA One Call System would continue its role in providing an efficient and effective communications network for facility owners, excavators, designers and project owners. Many utilities with underground lines are already regulated by the PUC. The transfer of One Call enforcement authority is a logical extension of those responsibilities. The transfer of this function is also consistent with the U.S. Department of Transportation's Pipeline and Hazardous

Materials Safety Administration (PHMSA) recommendation encouraging state utility commissions to enforce One Call laws. Based on the experience in other states, the Commission believes increased enforcement will reduce underground line hits, increase public safety, and reduce costs associated with line hits for utilities, excavators and ultimately utility customers.

In addition to the transfer of enforcement authority, the PUC encourages several other important enhancements – including the elimination of all exemptions, mandatory reporting of all line hits, and a requirement for excavators to take additional steps if they discover that facilities have not been marked as requested.

In closing, I hope my testimony today has detailed the PUC's role in addressing pipeline safety – especially our focus on proactive efforts aimed at preventing problems and reducing risks for our citizens, workers and emergency responders. Safe and reliable energy infrastructure is one of the most essential services that we can provide, and the Commission is dedicated to that mission. We are also committed to working with our utilities, emergency responders, contractors, municipalities, other state agencies and additional stakeholders to enhance the safety of Pennsylvania's infrastructure.

I appreciate the opportunity to testify today and would be happy to address any of your questions.