

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**JOINT APPLICATION OF PNG COMPANIES )**  
**LLC, DRAKE MERGER SUB INC., AND )**      **CASE NO: 2017-00125**  
**DELTA NATURAL GAS COMPANY INC. )**  
**FOR APPROVAL OF AN ACQUISITION OF )**  
**OWNERSHIP AND CONTROL OF DELTA )**  
**NATURAL GAS COMPANY, INC. )**

**COMMENTS OF THE**  
**KENTUCKY LABORERS DISTRICT COUNCIL**

SteelRiver is a relative newcomer in owning regulated natural gas distribution utilities, and the track record of its subsidiary companies demonstrates a need for improvement in workforce development planning and training and replacement of high-risk pipelines.

SteelRiver, through PNG Companies LLC and Peoples TWP LLC (“Peoples”), owns regulated natural gas distribution utilities in Kentucky, West Virginia, and Pennsylvania.<sup>1</sup> Outside these subsidiary companies, SteelRiver does not own any other utilities comparable to Delta Natural Gas Company.<sup>2</sup> Further, SteelRiver’s only comparable transaction to date is the acquisition of Peoples Natural Gas, LLC from Dominion Resources, Inc. in 2010, and the acquisition of Peoples TWP LLC and Equitable Gas Company LLC in 2013.<sup>3</sup>

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<sup>1</sup> The Joint Application of PNG Companies LLC, Drake Merger Sub Inc. and Delta Natural Gas Company, Inc. For Approval of an Acquisition of Ownership and Control of Delta Natural Gas

<sup>2</sup> Preqin Fund Manager Profile of SteelRiver Infrastructure Partners, [www.preqin.com](http://www.preqin.com), accessed May 2017.

<sup>3</sup> The Joint Application of PNG Companies LLC, Drake Merger Sub Inc. and Delta Natural Gas Company, Inc. For Approval of an Acquisition of Ownership and Control of Delta Natural Gas Company, Inc., Case No. 2017-00125.

In March of 2014, the Pennsylvania Public Utilities Commission issued a progress report on Peoples Natural Gas Company's implementation of certain management and operations recommendations from a 2009 audit. Those recommendations focused on the following areas: executive management, gas operations, emergency preparedness, and customer service. The 2014 report found that Peoples had "effectively or substantially implemented" six of the 15 prior recommendations, and had taken some action on the other nine recommendations. The report commended Peoples for revising its organizational structure and significantly increasing staffing levels subsequent to being acquired by SteelRiver. It also commended Peoples for reducing the number of Class 1 and Class 2 leaks along with the backlog of Class 2 leaks since 2009. Additionally, the report noted several areas in need of improvement related to workforce development planning and training sufficient to modernize its pipeline infrastructure. The report recommendations include:<sup>4</sup>

- 1. Reduction of excessive overtime hours by hiring additional employees and or contractors;
- 2. Annual manpower planning studies to properly address the adequacy of ongoing staffing levels and hire and train Gas Operations field employees as appropriate to address the increased workload related to pipeline replacement while recognizing pending retirements;

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<sup>4</sup> Pennsylvania Public Utilities Commission, Bureau of Audits, "Peoples Natural Gas Company LLC Management Efficiency Investigation Evaluating the Implementation of Selected Recommendations from the 2009 Focused Management and Operations Audit Report," Docket No. D-2012-2328651, Issued March 2014.

- 3. Completion of replacement plans for unprotected bare steel mains and services under the approved long term infrastructure improvement plan; and
- 4. Reduction of company at-fault damages by enhancing training for line marking employees and updating mapping.

According to data reported to PHMSA, Peoples has the highest percentage of high-risk pipelines at the end of 2016 compared to peers, and has the highest number of known leaks in its system in the state of Pennsylvania. In 2010, Dominion Peoples' system had a higher percentage of at-risk pipelines at 27.9%, however, other operators with significant at-risk pipelines in their system seem to have modernized their infrastructure at a faster pace compared to SteelRiver. For example, in 2010, 26.1% of Columbia Gas of Pennsylvania's total system was unprotected bare steel or cast/wrought iron pipe mains compared to 19.1% in 2016. It should be noted that Peoples' system grew through the acquisition of Equitable Gas Company in 2013, however, adding in those pipelines still results in Peoples having a slower modernization schedule compared to its peers.<sup>5</sup>

The KLDC urges the PSC to take notice of the analysis of other jurisdictions with regard to SteelRiver's performance. Specifically, the KLDC urges the PSC to adopt the recommendations of the Pennsylvania Public Utilities Commission with

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<sup>5</sup> Distribution, Transmission & Gathering, LNG, and Liquid Annual Data, Annual Gas Distribution Data for 2016 and 2010, [https://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Pipeline2data/annual\\_gas\\_distribution\\_2010\\_present.zip](https://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Pipeline2data/annual_gas_distribution_2010_present.zip), Accessed May 2017. Only operators with 10,000 or more total pipeline natural gas distribution mains were used in this comparison.

regard to workforce development and infrastructure modernization training, so that Kentucky's pipelines and workers do not fall behind.

Respectfully submitted,  
KIRCHER, SUETHOLZ & ASSOCIATES, PSC

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**EXHIBIT A**

**Major Natural Gas Distribution Operators with the Highest Rate of At-Risk Pipeline in System<sup>6</sup>**

Operator	Miles of Unprotected Bare Steel Main	Miles of Cast/Wrought Iron Mains	Total Miles in System	% of Miles of Unprotected Bare Mains and Cast/Wrought Iron Mains
PEOPLES NATURAL GAS COMPANY LLC	2,373.35	96.76	10,781.61	22.9%
PUBLIC SERVICE ELECTRIC & GAS CO	254.00	3,789.00	17,863.20	22.6%
DOMINION EAST OHIO	4,109.15	35.96	19,720.49	21.0%
DTE GAS COMPANY	197.54	2,271.58	19,368.14	12.7%
NIAGARA MOHAWK POWER CORP	296.00	1,207.00	11,938.00	12.6%
COLUMBIA GAS OF OHIO INC	2,338.40	153.20	19,999.70	12.5%
ATMOS ENERGY CORPORATION - MID-TEX	3,345.29	567.15	31,853.22	12.3%
ALABAMA GAS CORPORATION	293.90	640.20	11,039.80	8.5%
SOUTHERN CALIFORNIA GAS CO	3,287.00	-	50,356.00	6.5%
Grand Total US	37,691.61	26,223.52	1,285,621.77	5.0%

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<sup>6</sup> Distribution, Transmission & Gathering, LNG, and Liquid Annual Data, Annual Gas Distribution Data for 2016, [https://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Pipeline2data/annual\\_gas\\_distribution\\_2010\\_present.zip](https://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Pipeline2data/annual_gas_distribution_2010_present.zip), Accessed May 2017. Only operators with 10,000 or more total pipeline natural gas distribution mains were used in this comparison.

**EXHIBIT B**

**Pennsylvania Gas Distribution Operators with the Highest Rate of At-Risk Pipeline in System<sup>7</sup>**

Operator	% System Unprotected Bare Main and Cast Iron Main 2016	% System Unprotected Bare Main and Cast Iron Main 2010	2010- 2016 Reduction
PEOPLES NATURAL GAS COMPANY LLC <sup>8</sup>	23.3%	26.5%	3.2%
COLUMBIA GAS OF PENNSYLVANIA	19.1%	26.1%	7.0%
PHILADELPHIA GAS WORKS	46.5%	51.6%	5.1%
NATIONAL FUEL GAS DISTRIBUTION CORP	21.7%	20.3%	-1.4%
PECO ENERGY CO	13.8%	17.0%	3.1%
PEOPLES TWP LLC	28.1%	na	na
UGI CENTRAL PENN GAS, INC	13.1%	17.0%	3.9%
UGI UTILITIES, INC	7.6%	12.1%	4.5%
UGI PENN NATURAL GAS	7.2%	15.3%	8.0%
KNOX ENERGY COOPERATIVE ASSOCIATION, INC. C/O UTILITY PIPELINE, LTD.	29.1%	37.8%	8.8%

<sup>7</sup> Distribution, Transmission & Gathering, LNG, and Liquid Annual Data, Annual Gas Distribution Data for 2016 and 2010, [https://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Pipeline2data/annual\\_gas\\_distribution\\_2010\\_present.zip](https://www.phmsa.dot.gov/staticfiles/PHMSA/DownloadableFiles/Pipeline2data/annual_gas_distribution_2010_present.zip), Accessed May 2017.

<sup>8</sup> The 2010 Rate for Peoples was calculated by adding at risk pipes at Equitable Gas Company and Dominion Peoples.

## **CERTIFICATE OF COMPLIANCE**

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that the Comments electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on June 13, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; that an original and six copies of the filing are being delivered to the Commission within two business days.

/s/ Alyson Steele Beridon  
Alyson Steele Beridon

**CERTIFICATE OF SERVICE**

A copy of the foregoing Comments have been served by electronic mail and United States mail on the following persons this the 13th day of June, 2017:

/s/ Alyson Steele Beridon  
Alyson Steele Beridon

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