

Public Hearing on Wellhead to Stovetop – Conveying Energy in Pennsylvania

Before the
House Environmental Resources and Energy Committee
Pennsylvania House of Representatives

**Testimony of
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Vice President and General Counsel
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Energy Association of PA - Introduction

- Good morning Chairman Metcalfe, Chairman Vitali and members of the Committee. I am Donna Clark, Vice President and General Counsel of the Energy Association of Pennsylvania, a trade association of electric and natural gas utilities operating in Pennsylvania.
- EAP performs a number of functions:
 - Advocacy before state agencies and policymakers- such as the PUC and the General Assembly;
 - Help member companies to share best practices and sponsor educational conferences on operations and consumer issues.

EAP Electric & Natural Gas Members

Electric Utility Members

Citizens' Electric Company
Duquesne Light Company
Metropolitan Edison Company
PECO Energy Company
Pennsylvania Electric Company
Pennsylvania Power Company
Pike County Light & Power Company
PPL Electric Utilities Corporation
UGI Utilities, Inc. (Electric Division)
Wellsboro Electric Company
West Penn Power Company

Gas Utility Members

Columbia Gas of PA
Leatherstocking Gas Company
National Fuel Gas Distribution Corp.
PECO Energy Company
Peoples Natural Gas Company
Philadelphia Gas Works
Pike County Light & Power Company
UGI Utilities, Inc. (Gas Division)
Valley Energy Inc.

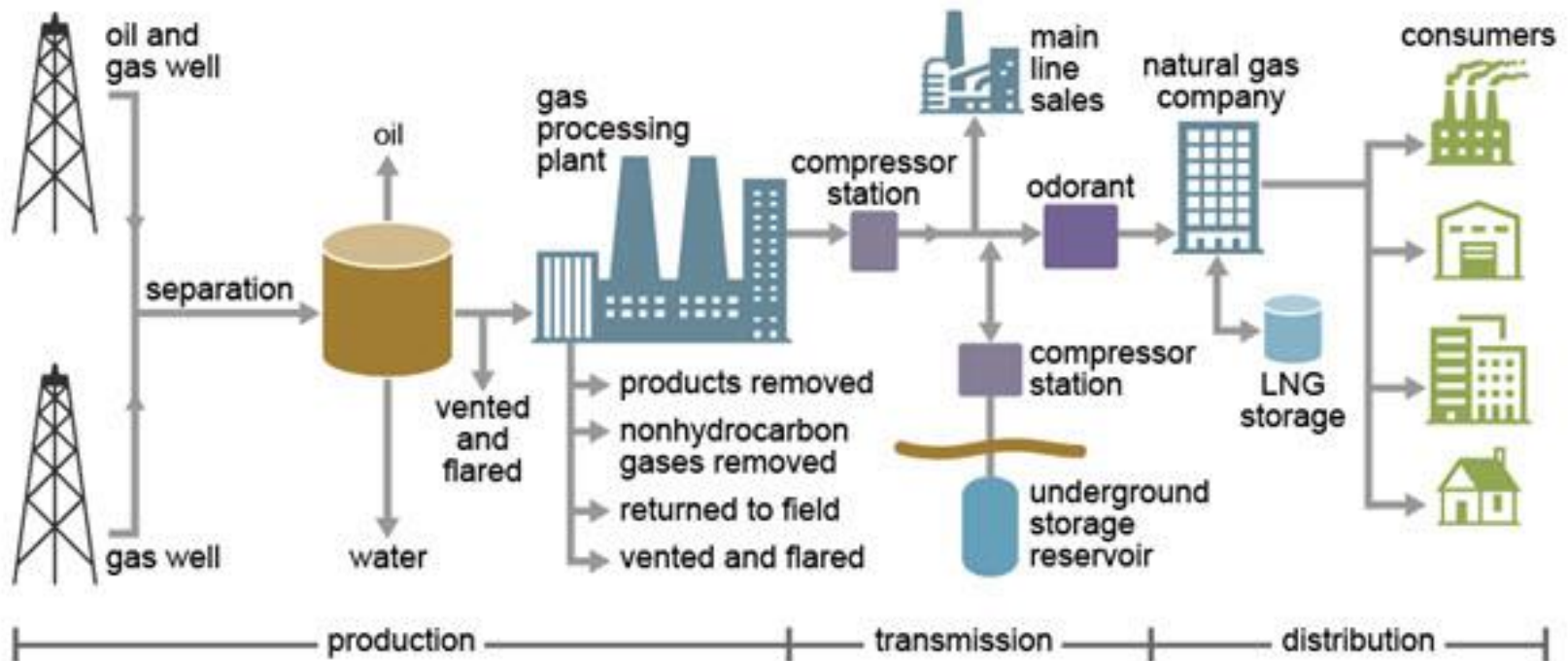
What Gas Utilities Do

Gas Utilities a/k/a Natural Gas Distribution Companies (“NGDCs”) or Local Distribution Companies (“LDCs”)

- Distribute natural gas: Own, operate and maintain natural gas distribution pipeline, meters and other infrastructure, i.e., the network, used to deliver natural gas from the “city gate” to homes and businesses. There are approximately 80,000 miles of distribution pipeline operated by Pennsylvania gas utilities.
- Interact with customers: Provide bills, respond to service issues, educate customers on safety & energy efficiency, & administer “universal service” programs to assist low-income customers.
- Serve as “Suppliers of Last Resort”: Purchase gas supplies for customers who choose not to purchase their natural gas from a competitive natural gas supplier (assured of cost recovery, but do not earn a profit on this service).
- All of the above functions are subject to regulation by the Pennsylvania Public Utility Commission.

Natural Gas Network

Natural gas production and delivery



Other Players in the Gas Industry

- **Gas Producers**
 - Own, control, manage or lease wells that produce gas.
 - Sell into the wholesale market; supervised by FERC.
- **Interstate Pipelines**
 - Transport from the well to the city gate & sell gas for resale; regulated by FERC
 - Safety regulation by federal and/or state agencies
- **Intrastate Pipelines**
 - Transport from the well to the city gate and sell gas for resale; subject to PUC regulation of rates & service if serving the public
 - Safety regulation by federal and/or state agencies
- **Natural Gas Suppliers (“NGS”)**
 - Licensed by PUC to sell supply in competitive retail market.
 - Subject to some rules, but prices are not regulated.
 - Compete on basis of price or other factors.

Natural Gas – Demand



- Natural gas provides 34% of all energy consumed in the U.S. in 2020. Roughly 187 million Americans and 5.5 million businesses use natural gas.

Source: "Net-Zero Emission Opp. For Gas Utilities (2022)". AGA

- Pennsylvania is the second-leading natural gas producing state, supplying 20% of demand in the country.

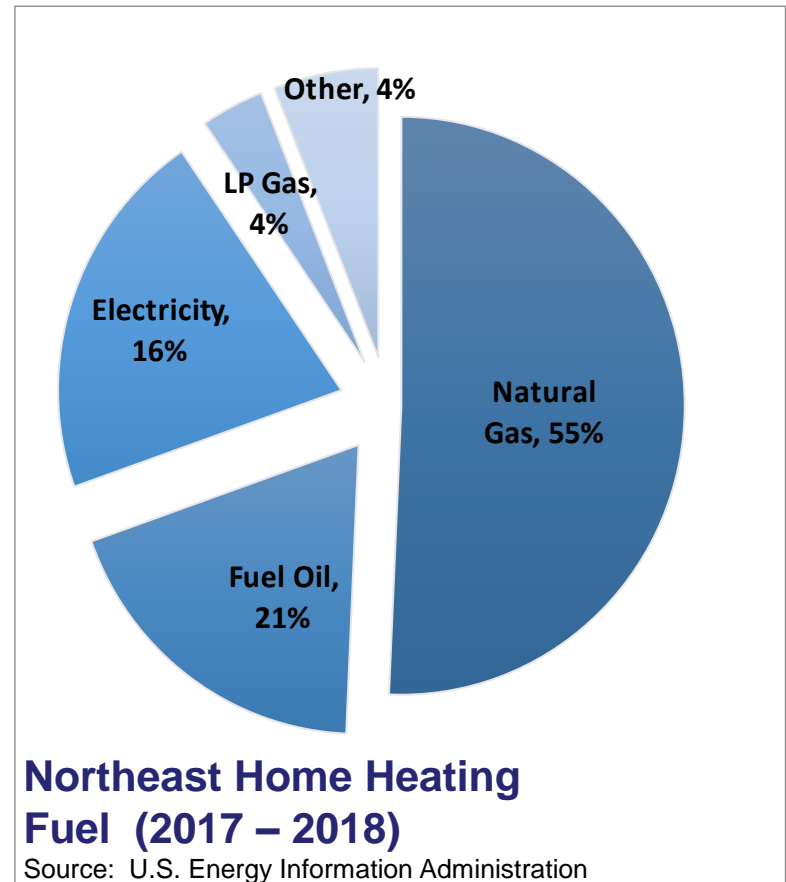
Source: U.S. Energy Information Administration – Pennsylvania State Energy Profile (2021)

- Over half the residents in Pa. heat their homes with natural gas, delivered reliably and safely through a modern network of pipelines.

Source: U.S. Energy Information Administration – Pennsylvania State Energy Profile (2021).

- Pa. LDCs have added over 213,000 new residential customers since 2008, showing a strong demand for natural gas service.

Source: U.S. Energy Information Administration – Pennsylvania Number of Natural Gas Consumers 1987-2020.



Natural Gas - Demand

- Natural gas is an essential commodity for a number of industry sectors in Pennsylvania including:
 - Electric generation where it is the leading fuel, used to generate over half of the total electricity in PA in 2021. (Source: U.S. EIA. *Pennsylvania State Energy Profile. (2021)*).
 - Gas-fired generators have the ability to ramp up production quickly, helping to compensate for the intermittency of renewable generation and to meet peak demand in both summer and winter.
 - Industrial sector as a fuel for process heating, in combined heat and power systems, and as a raw material (feedstock) to produce chemicals, fertilizer, and hydrogen. (Source: U.S. Energy Information Administration. *Natural Gas Explained, Use of Natural Gas (2022)*).
 - Commercial businesses to heat buildings and water and to cook, and for emergency back-up generation, critical for health care and public safety. (Source: U.S. Energy Information Administration. *Natural Gas Explained, Use of Natural Gas (2022)*).

Safety: Key to Operation of the Gas Delivery System

- Safety is the top priority for Pennsylvania natural gas utilities. Gas utilities act to safeguard their networks, continuously striving to make their practices as safe as possible. Safety is a priority in interactions with their customers, in the communities in which they operate, and in the day-to-day work among colleagues.
- Data collected by the National Transportation Safety Board demonstrate that natural gas pipelines are the safest method to transport fuel. The natural gas delivery system has the best safety record of all energy delivery systems.
- To keep the network safe, the natural gas industry in Pennsylvania complies with a comprehensive regulatory program directed by the U.S. DOT's Pipeline Hazardous Material Safety Administration and enforced by the Pa. PUC's Bureau of Pipeline Safety.

Safety: Key to Operation of the Gas Delivery System

- Ongoing monitoring, maintenance and safety measures performed by all natural gas utilities operating in Pennsylvania under the jurisdiction of the Public Utility Commission include, among others:
 - real time pressure monitoring;
 - leak surveying;
 - corrosion control;
 - assessment of pipeline integrity which encompasses pressure testing for new pipeline and maintenance or repairs for existing pipeline;
 - replacement of aging pipeline and facilities;
 - adding mercaptan (odorant to enable quick detection of gas leaks);
 - participation in the Pennsylvania One Call system; and
 - vegetation management on transmission pipeline corridors to make pipelines accessible for routine and emergency access.

The Importance of Natural Gas and its Delivery System

- Continued use of natural gas and its delivery system supports the reduction of greenhouse gas emissions. As John Kerry, Special Presidential Envoy for Climate, stated: "Natural gas is central to a smart and achievable policy to cut greenhouse gas emissions today. In the near term, that means pairing with renewables to clean up electricity. In the next decade, it also means abating emissions from gas itself." (Source: John Kerry. "John Kerry Responds on the Future of Natural Gas." Wall Street Journal. April 25, 2022.)
- Greenhouse gas emissions in Pennsylvania fell 17% from 2005 to 2018, due in large part to the shift to cleaner burning natural to produce electricity. (Source: Pa. Department of Environmental Protection. *2021 Pennsylvania Greenhouse Gas Inventory Report*. p. 4.)
- Gas utility strategies for further reduction in emissions include: use of renewable gas and hydrogen; using gas that is certified to have been produced and transported via best practices to reduce emissions; and carbon capture and sequestration.

The Importance of Natural Gas and its Delivery System

- Natural gas utilities have already reduced greenhouse gas emissions through energy efficiency improvements and by replacing aging pipes to reduce methane emissions.
- Replacing aging distribution infrastructure is also critical to maintain the health and safety of the gas utility “network” which serves Pennsylvanians. The General Assembly supported this effort through passage of Act 11 of 2012 which authorized the PUC to approve a “distribution system improvement charge” or DSIC.
- According to the EPA, methane emissions from natural gas distribution systems decreased 70% from 1990 to 2020 even as the total miles of distribution mains increased 39%. (Source: U.S. Environmental Protection Agency, *U.S Greenhouse Gas Emissions and Sinks, 1990-2020*.)

Thank you

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