

August 9, 2012

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Byron Coy, PE
Director Eastern Region
Pipeline and Hazardous Materials Safety Administration
820 Bear Tavern Road, Suite 103
West Trenton, NJ 08628

RE: CPF 1-2012-0004M

Dear Mr. Coy:

On May 2-4, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected PEI Power Corporation's (PEI) procedures for plastic transmission landfill pipelines located in Archbald, PA. As a result of that inspection, you have provided PEI a letter dated July 17, 2012 in which you assert there is an apparent inadequacy found in PEI's plans or procedures. Specifically, the alleged inadequacy is described below:

1. **§192.605 Procedural manual for operations, maintenance, and emergencies**
Each operator shall include the following in its operating and maintenance plan:
(1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

PEI's manual of written procedures was inadequate because it failed to include the recordkeeping requirements prescribed in §192.709. During the inspection, PEI representatives readily admitted that no procedures existed for maintaining maintenance records. No procedures for maintaining records were presented during the inspection. PEI was called two days after the inspection and still had not found any procedure that addressed maintaining records.

UGI Penn Natural Gas, Inc. (UGI PNG), who performs as a sub-contractor for UGI Energy Services, Inc. (UGIES) with whom PEI has contracted to operate the line, has provided the following regarding their plans to address this issue.

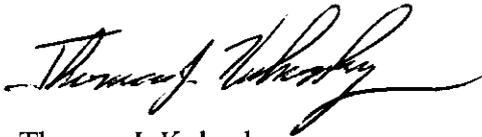
UGI PNG has reviewed the PHMSA letter. UGI PNG procedural manuals which are maintained per the requirements of §192.605 have also been reviewed. The inadequacy cited is specific to record keeping requirements prescribed in §192.709. UGI PNG believes the language in §192.709 prescribes what records need to be maintained, and the duration of retention but that it does not prescribe that a written procedure for recordkeeping as part of operating manuals is required. UGI PNG maintains the records required by §192.709 and can produce these records for review.

Though we disagree that the code requires it, UGI PNG agrees to add language to our manuals that documents the record keeping processes used to capture and maintain the

records required in §192.709. We trust this will adequately address concerns about the lack of procedures for record keeping. The addition of this language will be completed and submitted to PHMSA by September 15, 2012.

PEI trusts that this response adequately addresses the inadequacy issues cited in your letter. If there is anything further we can provide related to this issue, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas J. Kukosky". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Thomas J. Kukosky
Director of Operations
PEI Power Corporation

Cc: Bruce Davis, UGI-PNG