



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

January 25, 2016

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

Re: Docket No. 4590 - Gas Infrastructure, Safety, and Reliability Plan FY 2017 Proposal and the Gas Expansion Pilot Program

Dear Ms. Massaro,

Enclosed for filing with the Commission, please find the comments of the Division of Public Utilities and Carriers ("Division") in connection with the above-entitled matter. These comments are focused on the programmatic aspects of the Plan. Our comments on the revenue requirement associated with the Plan will be addressed in a separate submission.

On September 18, 2015 the Narragansett Electric Company d/b/a National Grid ("National Grid") submitted its proposed FY 2017 Gas Infrastructure, Safety, and Reliability Plan to the Division. The Division met with the Company at a technical conference on October 6, 2015 to review a draft of the Company's proposed FY 2017 ISR Plan. The Company developed the proposed Gas ISR Plan in compliance with Rhode Island General Law § 39-1-27.7.1, which provides for an annual infrastructure spending plan for each fiscal year. The statute also includes a reconcilable allowance for the anticipated capital investments and other spending relating to maintaining safety and reliability of the gas distribution system. The Division has reviewed the proposed budget of \$86.05M (\$85.48 million in capital expenditures and \$0.57 million in O&M expenditures), and will comment on each of the six (6) topics identified below.

- (1) Gas main and gas service replacement
- (2) Public works projects
- (3) Mandated programs
- (4) Reliability programs
- (5) Special Projects
- (6) Natural Gas leak trends

1. **Gas Main and Gas Service Replacement**

The Gas Main and Gas Service Replacement program is a continuous effort to replace existing miles of leak-prone gas mains. The program also encompassed replacing high-pressure, bare steel inside gas services, but this program was completed in 2015.

Regarding the gas main replacement program, the Company forecasts spending \$49.63 million in FY 2017 on its main replacement program to replace approximately 54 miles of leak-prone gas main in FY 2017. The Division supports the 20-year replacement program.

2. **Public Works Projects**

The Public Works Projects category finances the replacement of existing infrastructure, in coordination with another utility project taking place on the same street. By working together with another entity the Company benefits by reducing its overall cost of installation. The Division has consistently advocated that the Company take advantage of such public works projects to reduce its gas main installation costs.

For FY 2017, the proposed plan incorporates \$12.56 million in spending which includes \$1.33 million in reimbursable projects. The Division supports the Public Works budget that provides for the replacement of approximately ten (10) miles of leak-prone gas main consisting primarily of cast iron main.

3. **Mandated Programs**

The Mandated Programs category is broken down into seven (7) subprograms: Reactive Main Replacement, Corrosion, CI Joint Encapsulation, Pipeline Integrity Programs, Meter Purchases, Service Leak Repairs, and Non-leak Other. The Division has one comment related to the subprogram Pipeline Integrity Programs - IMP. This new program includes the reconstruction of warning signage for three (3) high-pressure pipeline crossings under the Providence River. The Company purports that the existing sign refurbishment and installation of a second sign is necessary to ensure the safety of the Company's facilities underneath a navigable waterway to comply with the **Pipeline Safety Code of Federal Regulations CFR 49 Part §192.317 Protection from hazards**. The proposed expense associated with the existing sign refurbishment and the installation of a second new sign is approximately \$400,000 including an easement for electric service lighting to the second new sign location. The Division is concerned with possible duplicative spending on this signage if the existing pipelines are replaced in the future. The location of a new pipeline(s) may not be installed in the same location as the older ones, requiring the proposed refurbished sign and the newly installed second sign to be either moved or replaced entirely at an additional expense. The Division, with

ratepayer interests in mind, needs assurance this will not be the case. As an example of prior duplicative spending the Division references the multi-regulator stations in Westerly, Rhode Island on Canal Street where the project was abandoned and relocated up the street due to the first facility being located in a flood zone.

4. **Reliability**

The Reliability category is broken down into eight (8) subprograms, System automation and control, Pressure regulating facilities, Instrumentation and Regulation (I&R) Reactive Program, Gas Planning, LNG facilities, Valve installation/replacement, Allens Ave Project, and Capital tools and equipment. The Division supports the proposed FY 2017 budget for spending in the Reliability category at \$9.25 million.

5. **Special Projects**

The Division agrees with the Company's decision to prioritize limited capital resources and suspend the gas expansion program for one year. As a result, for FY 2017, the Company is proposing no additional spending for the pilot program.

6. **Natural Gas Leak Trends**

The Division, in the interest of safety, is concerned with the recent natural gas leak trends found in the Company's Risk Assessment Compliance Filing RIPUC Docket No. 4540, 2014 System Integrity Report/Trend Based Integrity Analysis, submitted to the Commission on October 23, 2015.

- 1.) The chart on page 13 shows "type 3" leaks in Rhode Island have gone up over the last 9 years, with a reported 3,087 for 2014, almost three times the number reported in 2005.
- 2.) The chart on page 44 shows service line leaks in Rhode Island have gone up from 567 in 2012 to 838 in 2014. Of the 838 leaks reported in 2014 the chart on page 48 shows a total of 72% of these leaks were Type 1, or Grade 1 leaks, the most hazardous leak category due to the close proximity to a residence or commercial foundation.
- 3.) The chart on page 53 shows Rhode Island ranks the highest compared to the other National Grid Gas Company's located in New York and Massachusetts at 4.4 leak repairs per 1000 services.

The Company addresses the gas service line leak trends above on page 4 of 9 in the Risk Assessment Compliance Filing as shown below.

“National Grid has recognized the need to enhance the targeting of areas where leak prone services are prevalent to provide for further service leak reduction. This has been incorporated in the most recent procedure revision (Attachment 1-2 ENG04030) and is scheduled for implementation on 12/15/15.”

Procedure Section 5.2(a)(2) Evaluation/Prioritization of Steel Main Segments for Replacement references adding additional service leak rate data to the risk model to help determine which gas mains will be replaced first. The procedure states,

“All repaired corrosion leaks on services for last 10 years. (In order to consider service leaks in main prioritization calculation, there should be main leaks.)”

This procedure the Division believes will fall short of offsetting the gas service line leak trends discussed above. An additional concern the Division has is with the overall summary found on page 63 of the 2014 System Integrity Report/Trend Based Integrity Analysis. The summary seems to contradict the Company’s statement in page 4 of 9 in the Risk Assessment Compliance Filing as shown above. The summary states,

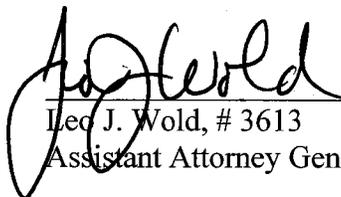
“Distribution Engineering has reviewed all of the findings in the annual Trend-Based Distribution System Integrity Analysis (System Integrity Report)...and finds leak receipts and repairs went up in 2014...There are no immediate causes for concern that would warrant changes to DIMP. Some anomalies were found and either explained as non-systemic or set up for continued research and/or monitoring.”

There are approximately 50,000 unprotected steel gas service lines left in Rhode Island. As leak prone gas mains are replaced for the next twenty (20) years these unprotected steel gas services will ultimately be replaced, unfortunately the leak rate trend at present appears to be accelerating at a more aggressive rate. The Division’s position going forward will be to focus on a separate more aggressive unprotected steel gas service replacement program.

Without waiving the aforementioned concerns the Division supports Company's proposed FY 2017 ISR Plan.

Respectfully submitted,

Division of Public Utilities and Carriers
By its attorneys,



Leo J. Wold, # 3613
Assistant Attorney General

cc: Service List