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Three Empire State Plaza, Albany, NY 12223-1350
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May 25, 2017

Mr. Paul Haering
Senior Vice President of Engineering and System Operations
Central Hudson Gas & Electric Corporation (CHGE)
284 South Avenue
Poughkeepsie, NY 12601

Subject: Negative Revenue Adjustment (NRA) for 2015 Gas Safety Violations Metric (Metric)

Dear Mr. Haering,

The purpose of this letter is to inform you of the determination of the NRA for the Gas Safety Metric established in the Joint Proposal adopted by the Commission in Case 12-M-0192 for calendar year 2015.¹ Central Hudson will incur, based on the violations from the annual field and record audits, an NRA of 1/2 basis point for each High Risk (HR) violation up to the first 25, 1 basis point for each HR violation above 25, 1/9 basis point for each Other Risk (OR) violation up to the first 25, and of 1/3 basis point for each OR violation above 25. Only violations that exist after June 26, 2013 are applied in the Metric.

On February 29, 2016, the New York State Department of Public Service (DPS, Department, or Staff) sent to you the Final Report for the Department's 2015 Audit of CHGE's 2015 operations and maintenance field activities and construction activities (2015 Field Audit). No violations were found.

On October 18, 2016, the Department sent to you the Final Report for the Department's 2016 Audit of CHGE's 2015 Records (2015 Records Audit). In the Final Report, the DPS identified 14 HR violations², 6 OR violations, and 7 Area of Concerns. In the violations identified, CHGE failed to adhere to the requirements of 16 NYCRR Part 255 – Transmission and Distribution of Gas and 16 NYCRR Part 261 – Piping Beyond the Meter.

On November 16, 2016, CHGE submitted the 30-day letter responding to the 2015 Records Audit findings. In the 30-day letter, CHGE contested findings on three bases. First, Central Hudson accepted the findings but contested them on the basis that they should have been cited only as Area of Concerns; second,

¹ Case 12-M-0192, Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy group, Inc. by Fortis Inc. and Related Transactions, ORDER AUTHORIZING ACQUISITION SUBJECT TO CONDITIONS, issued and effective June 26, 2013, Joint Proposal at 27-30.

² Letter incorrectly quantified number of HR violations as 12.

Central Hudson claimed the citations were found for noncompliance under two code sections for the same record failure. Central Hudson's third basis for challenging the findings was that Central Hudson simply rejected the findings as violations.

Staff reviewed CHGE's response and has determined that 11 HR violations (rather than 14) and 3 OR violations (rather than 6) are to be applied to the 2015 Metric. For these violations, Staff rejected CHGE's arguments that the violations should be considered only as Area of Concerns and that the findings were not violations. Staff also did not apply 3 HR violations and 3 OR violations to the Metric based on the principle that violations involving multiple code sections should be applied to the NRA Metric only once

Attached are copies of the letters which provided you the Final Reports of the 2015 Field Audit (Attachment A) and 2015 Records Audit (Attachment B). Information such as addresses and account numbers have been redacted from the copies for security and/or privacy concerns. Explanations, such as "(NRA – HR#)" and "(NRA – OR#)" in bold, have been added to Attachment B to assist in your identifying the violations and where they were applied to the NRA.

The 11 HR violations and 3 OR violations result in an NRA of 5 and 5/6 basis points. The NRA was calculated at 11 HR violations at 1/2 basis point per violation and 3 OR violations at 1/9 basis point per violation and total to a negative revenue adjustment of \$87,500.

Staff acknowledges that CHGE, in the 30-day letter, reserved the right to petition the Commission to dismiss any violation that it feels is unwarranted. Note that all violations occurring after April 1, 2013, and not the subject of an NRA, are subject to enforcement actions under the Commission's PSL 25-a authority. If you have any questions regarding the NRA determination or any other gas safety concerns, please do not hesitate to call me at (518) 473-9994.

Sincerely,



Christopher Stolicky
Utility Supervisor (Safety)
Office of Electric, Gas, and Water

cc: K. Speicher
M. Moll
Secretary, Case 12-M-0192



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***** ATTACHMENT A *****

February 29, 2016

Mr. Paul Haering
Vice President of Engineering & Environmental Affairs
Central Hudson Gas & Electric Corporation (CHGE)
284 South Avenue
Poughkeepsie, NY 12601

2015 CHGE – Gas Operations and Maintenance Field Audit

Dear Mr. Haering,

Staff of the New York State Department of Public Service, Office of Electric, Gas & Water, have completed their 2015 field audits. The audits consisted of a sampling of gas operations and maintenance field activities to determine compliance with 16 NYCRR Part 255. No violations were noted.

Staff will continue to audit CHGE operations, maintenance, and emergency programs in the future. Cooperation with staff is appreciated. If you have any comments or questions I can be reached at (518) 473-9994 or Bill Wade at (518) 486-2820.

Sincerely,

Christopher Stolicky
Utility Supervisor (Safety)
Office of Electric, Gas, and Water

cc: M. Moll
K. Speicher



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***** ATTACHMENT B *****

October 18, 2016

Mr. Paul Haering
Vice President of Engineering & Environmental Affairs
Central Hudson Gas & Electric Corporation
284 South Avenue
Poughkeepsie, NY 12601

Re: 2016 Central Hudson Gas & Electric Corporation – Gas Operations and
Maintenance Record Audit

Dear Mr. Haering,

Enclosed for your review are the final 2016 Central Hudson Gas & Electric Corporation (CHG&E) record audit reports prepared by Staff of the New York State Department of Public Service, Office of Electric, Gas, and Water (Staff). The reports specifically outline instances of non-compliance where CHG&E failed to adhere to the requirements of 16 NYCRR 255 – Transmission and Distribution of Gas and 16 NYCRR 261 – Piping Beyond the Meter.

Findings were discussed in detail with CHG&E management during compliance meetings held on 4/27/2016 for Kingston/Catskill, 5/4/2016 for Poughkeepsie, 5/17/2016 for Newburgh, and 5/27/2016 for Fishkill. CHG&E was afforded five business days to provide documentation to cure record deficiencies identified in Staff's findings presented at the compliance meetings. The Violations Performance Measure in Case 12-M-0192 classifies violations as either High Risk or Other Risk. Attachment 1 contains the details of the 12 High Risk violations. Attachment 2 contains the details of the 6 Other Risk violations. Attachment 3 contains the details regarding Area of Concerns. Note that any violations occurring after March 30, 2013 may be subject to administrative enforcement actions by the Commission under the authority of Public Service Law §25-a.

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Please respond within 30 days of this letter detailing what actions have and/or will be taken by CHG&E to remediate noted violations and concerns, and to ensure future compliance. If you have any questions regarding these or any other gas safety concerns, please do not hesitate to call me at (518) 473-9994.

Staff will continue to audit CHG&E's operations and maintenance activities, emergency programs, construction activities and operator qualification programs during 2016. These audits will focus on both record and field activities. Continued cooperation with Staff is appreciated.

Sincerely,

Christopher Stolicky
Utility Supervisor (Safety)
Office of Electric, Gas, and Water

cc: K. Speicher
M. Moll

Attachment 1
High Risk Violations
Violation Specifics

Note: The use of the terms “violation(s)” and “occurrence(s)” in this attachment is for Pipeline and Hazardous Materials Safety Administration (PHMSA) reporting requirements. For the purpose of the Department of Public Service, “violation(s)” means “code section(s) violated” and “occurrence(s)” means “violation(s)” in this attachment.

Corporate

Record Audits

One violation of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.603 – General Provisions – 1 Violation, 1 Occurrence

One violation of 255.603(b), which states, “Each operator shall prepare and file a detailed written operating and maintenance plan for complying with all the provisions of this Part before operations of a pipeline system commence...,”

The following is cited as an example where this requirement was not met:

- Central Hudson Gas & Electric Corporation Gas Operating and Maintenance Procedure Number 350: Corrosion Control, Revision 1, 7/28/2006 – 16 NYCRR Part 255.459 states, “...Whenever an operator has knowledge that any portion of a buried pipeline is exposed, the exposed portion must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If external corrosion is found, the operator shall investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, approved indirect method, or both) to determine whether there is additional corrosion...” CHG&E O&M 350 does not include requirements to investigate the extent of external corrosion if found during an inspection. It is Staff’s understanding that this procedure has recently been changed to reflect this requirement (CHG&E O&M 350 Revision 2, effective 6/16/2016). (NRA – HR#1)

Catskill

Record Audits

Two violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

*** ATTACHMENT B ***

16 NYCRR 255.603 – General Provisions – 1 Violation, 2 Occurrences

One violation of 255.603, which states, “Each operator shall prepare and file a detailed written operating and maintenance plan for complying with all the provisions of this Part...” Additionally, “Each operator shall satisfactorily conform with the program submitted.”

The following are cited as examples where this requirement was not met:

– Retention of Records

CHG&E - Catskill failed to conform to O&M 1 General Information Regarding Gas Operating & Maintenance, Gas Safety Quality Assurance, and Records Updating, Revision 5, dated 12/17/14, Retention of Records, which states, “The minimum period of retention of records required by Public Service Law, Part 255 shall be at least three years...”

The following is an example where the Company’s procedure was not followed:

- [REDACTED] – Records indicate that the public building valve associated with this address was inspected on 9/18/14 and was marked as inaccessible. Repair order D127689 was automatically generated at that time. Staff requested the details of the repair and the Company could not provide this repair order. Furthermore, this same public building valve was inspected on 10/7/15 and again was marked as inaccessible with the remarks “unable to open valve box.” Repair order D134074 was automatically generated at that time. Staff once again requested the details of this repair order and the Company could not provide any records. The Company failed to maintain records for the minimum period of retention. (NRA – HR#2)

– Business District Leakage Survey

CHG&E - Catskill failed to conform to O&M 200 Distribution System Patrol and Leak Survey, Revision 5, dated 12/15/15, which states, the frequency of inspection for all mains in the business districts “must be performed at least once each calendar year at intervals not exceeding fifteen (15) months.”

The following is an example where the Company’s procedure was not followed:

- Compliance ID #495188 – Records indicate that this segment of pipe is located within a business district and was previously surveyed on 5/7/14 and 11/3/14, with no documentation of a survey conducted in 2015. The Company failed to conduct and/or document a leakage survey once each calendar year within a 15 month interval. (NRA assessed under 255.723(b)(1))

***** ATTACHMENT B *****

**16 NYCRR 255.723(b)(1) – Distribution Systems: Leakage Surveys and Procedures
– 1 Violation, 1 Occurrence**

One violation of 255.723(b)(1), which states, “A leakage survey with leak detector equipment shall be conducted at intervals not exceeding 15 months, but at least once each calendar year, in business districts within the operator’s gas franchise area including tests of the atmosphere of gas, electric, telephone, sewer, and water system manholes, at cracks in pavement, at the curblin, in the sidewalk, and at other locations providing an opportunity for finding gas leaks.”

The following is cited as an example where this requirement was not met:

- Compliance ID #495188 – Records indicate that this segment of pipe is located within a business district and was previously surveyed on 5/7/14 and 11/3/14, with no documentation of a survey conducted in 2015. The Company failed to conduct and/or document a leakage survey once each calendar year within a 15 month interval. (NRA – HR#3)

Fishkill

Record Audits

Two violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.603 – General Provisions –1 Violation, 1 Occurrence

One violation of 255.603, which states, “Each operator shall prepare and file a detailed written operating and maintenance plan for complying with all the provisions of this Part...” Additionally, “Each operator shall satisfactorily conform with the program submitted.”

The following is cited as an example where this requirement was not met:

- Distribution System Leak Survey

CHG&E – Fishkill failed to conform to O&M 200, Distribution System Patrol and Leak Survey, Revision 4, dated 10/21/2013, which states, “Five Years – Inspections must be performed at least once every five calendar years at intervals not exceeding 63 months.”

The following is an example where the Company’s procedure was not followed:

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- Compliance Identifier: 491421 – Records indicate that this pipe was installed on 12/8/1937 and then surveyed on 8/18/2015. There were no other prior surveys noted by CHG&E. CHG&E states that this was found during the data conversion to the GIS computer system and was immediately surveyed for leaks once it was found. The Company failed to conduct and/or document a leakage survey within a 63 month interval. (NRA assessed under 255.723(b)(2))

16 NYCRR 255.723(b)(2) – Distribution Systems: Leakage Surveys and Procedures – 1 Violation, 1 Occurrence

One violation of 255.723(b)(2), which states, “Leakage surveys of the distribution system outside of business districts, must be made as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months.

The following is an example where the Company’s procedure was not followed:

- Compliance Identifier: 491421 – Records indicate that this pipe was installed on 12/8/1937 and then surveyed on 8/18/2015. There were no other prior surveys noted by CHG&E. CHG&E states that this was found during the data conversion to the GIS computer system and was immediately surveyed for leaks once it was found. The Company failed to conduct and/or document a leakage survey within a 63 month interval. (NRA – HR#4)

**Kingston
Record Audits**

One violation of 16 NYCRR Part 255 and One violation of 16 NYCRR Part 261 were noted.

16 NYCRR 255.603 – General Provisions – 1 Violation, 1 Occurrence

One violation of 255.603, which states, “Each operator shall prepare and file a detailed written operating and maintenance plan for complying with all the provisions of this Part...” Additionally, “Each operator shall satisfactorily conform with the program submitted.”

The following is cited as an example where this requirement was not met:

- Relief Capacity Review

CHG&E - Kingston failed to conform to O&M 40 Inspection of Regulator Stations, Revision 4, dated 12/31/14, which states the Company shall “perform an annual office

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review to confirm adequate capacity of over-pressure protection equipment at each regulator station.”

The following is an example where the Company’s procedure was not followed:

- **██████████ Regulator Station** – Records indicate that the relieving equipment at this regulator station was reviewed on 6/22/15, but has no record of a previous inspection in 2014. The Company failed to conduct and/or document an annual review of the relief capacity at this station. **(NRA – HR#5)**

16 NYCRR 261.57(b) – Warning Tag: Class A Condition – 1 Violation, 1 Occurrence

One violation of 261.57(b)(1), which states, “(b) Class A conditions include, but are not limited to: (1) any leaking gas piping inside the building which cannot be stopped by temporary or permanent repair means.”

The following is cited as an example where this requirement was not met:

- **██ (C3-13390)** – Records indicate that this Class B warning tag was issued on 4/27/15 for “two valves on customer pipe need replacement.” The Company failed to properly classify this issue as a Class A condition due to leaking gas piping inside the building. **(NRA – HR#6)**

Newburgh

Record Audits

Two violations of 16 NYCRR Part 255 and One violation of 16 NYCRR Part 261 were noted.

16 NYCRR 255.603 – General Provisions –1 Violation, 3 Occurrences

One violation of 255.603, which states, “Each operator shall prepare and file a detailed written operating and maintenance plan for complying with all the provisions of this Part...” Additionally, “Each operator shall satisfactorily conform with the program submitted.”

The following are cited as examples where this requirement was not met:

– Distribution System Leak Survey

CHG&E – Newburgh failed to conform to O&M 200, Distribution System Patrol and Leak Survey, Revision 4, dated 10/21/2013, which states, “Five Years – Inspections must be performed at least once every five calendar years at intervals not exceeding 63 months.”

The following is an example where the Company’s procedure was not followed:

- Compliance Identifier: 524839, Section ID: 50110420 – Records indicate that this pipe was installed on 6/19/2009, and not surveyed again until 8/6/2015. The Company failed to conduct and/or document a leakage survey within a 63 month interval. **(NRA assessed under 255.723(b)(2))**

– Inactive service lines

CHG&E – Newburgh failed to conform to O&M 380, Deactivation/Reactivation of Gas Facilities, Revision 4, dated 1/29/2013, which states, “1) Prior to the 36th month of inactivity, the company conducted a survey customer shall be contacted by the Service Supervisor to determine future gas usage plans (this contact shall be documented on the service request screen). Identification of customers with inactive services that must be contacted can be obtained from the monthly computer-generated listings of meters inactive for 24 or more months. If the meter has been removed, the service must be tracked manually. 2). If there is no definite plan for future use or the customer cannot be contacted, the Service Supervisor shall retire the service promptly as described below. If the customer does have definite plans to re-establish gas usage, the service may remain inactive for an additional 36 months (or a total of six years).”

The following is an example where the Company’s procedure was not followed:

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- [REDACTED] – Records indicate that the date the service was deemed inactive on 8/4/2011. The company conducted a future use survey on 11/12/13 and determined that there was no plan for future use at that time. The company failed to retire the service promptly. (NRA – HR#7)
- Service Regulator, Vent, and Valve

CHG&E – Newburgh failed to conform to O&M 170: Combined Inspection of Company-Owned Gas Service Equipment, Revision 2, dated 2/3/11, which states “A combined inspection shall be performed on the following occasions: A) Each time a new service regulator and/or meter is installed and activated; B) Any time a meter is changed (however, in the case of a multiple meter installation, the inspection does not need to be performed unless the meter closest and to the right of the regulator is changed); C) Any time a service that has been inactive for a period of two or more years is reactivated; D) At least once every 20 years on the regulator in a multiple meter set. Note: the meter account closest and to the right of the regulator is used to document this inspection.”

The following is an example where Central Hudson’s procedure was not followed:

- [REDACTED] – Records indicate that this service regulator was inspected on 7/29/2015, but minimum load and operational load details were not recorded. The Company failed to conduct and/or document an operational load test inspection for this service regulator. (NRA – HR#8)

16 NYCRR 255.723(b)(2) – Distribution Systems: Leakage Surveys and Procedures – 1 Violation, 1 Occurrence

One violation of 255.723(b)(2), which states, “Leakage surveys of the distribution system outside of business districts, must be made as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months.

The following is cited as an example where this requirement was not met:

- Compliance Identifier: 524839, Section ID: 50110420 – Records indicate that this pipe was installed on 6/19/2009, and not surveyed again until 8/6/2015. The Company failed to conduct and/or document a leakage survey within a 63 month interval. (NRA – HR#9)

16 NYCRR 261.57(b) – Warning Tag: Class A Condition – 1 Violation, 1 Occurrence

One violation of 261.57(b)(4), which states, “(b) Class A conditions include, but are not limited to: (4) heat exchangers which are corroded or cracked beyond repair or blocked and which cause products of combustion to enter the warm air distribution system.”

*** ATTACHMENT B ***

The following is cited as an example where this requirement was not met:

- Tag Log # C8-19143, [REDACTED] – Records indicate that the Company issued a Class B warning tag on 4/24/2015. The Service rep noted a cracked heat exchanger. The Company failed to properly classify this condition as a Class A warning tag. (NRA – HR#10)

Poughkeepsie

Record Audits

One violation of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.603 – General Provisions – 1 Violation, 1 Occurrence

One violation of 255.603, which states, “Each operator shall prepare and file a detailed written operating and maintenance plan for complying with all the provisions of this Part...” Additionally, “Each operator shall satisfactorily conform with the program submitted.”

The following is cited as an example where this requirement was not met:

- Inactive Services

CHG&E - Poughkeepsie failed to conform to O&M 380 Deactivation/Reactivation of Gas Facilities, Revision 4, dated 1/10/13, which states,

“If an inactive service is steel that is not cathodically protected (as determined by a consultation between the Gas Foreman and Gas & Mechanical Engineering), it may remain inactive and hold natural gas at up to line pressure for as many as six years subject to the following conditions:

- 1) Prior to the 36th month (end of third year) of inactivity, the customer shall be contacted by the Service Supervisor to determine future gas usage plans (this contact shall be documented on the service request screen)...
- 2) If there is no definite plan for future use or the customer cannot be contacted, the Service Supervisor shall initiate a retirement service order and the gas foreman shall retire the service promptly...”

The following is an example where the Company’s procedure was not followed:

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- [REDACTED] – Records indicate that this steel service was deemed inactive on 9/27/10. A future use survey was conducted on 11/14/12 and the Company determined that there was no definite plan for future use. Records further indicate that this service was disconnected on 11/18/15. The Company failed to disconnect the service during the third year of inactivity. (**NRA – HR#11**)

Attachment 2
Other Risk Violations
Violation Specifics

Note: The use of the terms “violation(s)” and “occurrence(s)” in this attachment is for Pipeline and Hazardous Materials Safety Administration (PHMSA) reporting requirements. For the purpose of the Department of Public Service, “violation(s)” means “code section(s) violated” and “occurrence(s)” means “violation(s)” in this attachment.

Corporate

Record Audits

Zero violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

Catskill

Record Audits

Two violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.17(a) – Preservation of Records – 1 Violation, 1 Occurrence

One violation of 255.17(a), which states, “Notwithstanding the requirements of Part 293 or Part 733 of this Title, the minimum period of retention of records required by this Part shall be at least 3 years.”

The following is cited as an example where this requirement was not met:

- [REDACTED] – Records indicate that the public building valve associated with this address was inspected on 9/18/14 and was marked as inaccessible. Repair order D127689 was automatically generated at that time. Staff requested the details of the repair and the Company could not provide this repair order. Furthermore, this same public building valve was inspected on 10/7/15 and again was marked as inaccessible with the remarks “unable to open valve box.” Repair order D134074 was automatically generated at that time. Staff once again requested the details of this repair order and the Company could not provide any records. The Company failed to maintain records for the minimum period of retention. **(NRA assessed under 255.603)**

16 NYCRR 255.459 – External Corrosion Control: Examination of Buried Pipeline When Exposed – 1 Violation, 2 Occurrences

***** ATTACHMENT B *****

One violation of 255.459, which states, "...Whenever an operator has knowledge that any portion of a buried pipeline is exposed, the exposed portion must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If external corrosion is found, the operator shall investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, approved indirect method, or both) to determine whether there is additional corrosion..."

The following are cited as examples where this requirement was not met:

- Entity ID #20193938, [REDACTED] – Records indicate that this section of 4" steel main was exposed on 6/2/15 and slight external corrosion was found. The Company failed to conduct and/or document an adjacent pipe inspection to determine the extent of external corrosion. (NRA – OR#1)
- Entity ID #50193942, [REDACTED] – Records indicate that this steel service tee was exposed on 6/2/15 and slight external corrosion was found. The Company failed to conduct and/or document an adjacent pipe inspection to determine the extent of external corrosion. (NRA – OR#2)

Fishkill

Record Audits

Zero violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

Kingston

Record Audits

Two violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.459 – External Corrosion Control: Examination of Buried Pipeline When Exposed – 1 Violation, 1 Occurrence

One violation of 255.459, which states, "...Whenever an operator has knowledge that any portion of a buried pipeline is exposed, the exposed portion must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If external corrosion is found, the operator shall investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, approved indirect method, or both) to determine whether there is additional corrosion..."

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The following is cited as an example where this requirement was not met:

- Entity ID #50157257, [REDACTED] – Records indicate that this section of 4” steel main was exposed on 5/6/15 and slight external corrosion was found. The Company failed to conduct and/or document an adjacent pipe inspection to determine the extent of external corrosion. (NRA – OR#3)

16 NYCRR 255.743(c) – Pressure Limiting and Regulating Stations: Testing of Relief Device – 1 Violation, 1 Occurrence

One violation of 255.743(c), which states, “An annual review of the required capacity of the relieving equipment at each station shall be made and these required capacities compared with the calculated or experimentally determined recorded relieving capacity of the installed equipment for the operating conditions under which it works.”

The following is cited as an example where this requirement was not met:

- [REDACTED] Regulator Station – Records indicate that the relieving equipment at this regulator station was reviewed on 6/22/15, but has no record of a previous inspection in 2014. The Company failed to conduct and/or document an annual review of the relief capacity at this station. (NRA assessed under 255.603)

Poughkeepsie

Record Audits

One violation of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.726(a) – Inactive Service Lines – 1 Violation, 1 Occurrence

One violation of 255.726(a), which states, “All inactive service lines, including stubs, must be inspected, leakage surveyed and maintained according to the applicable provisions of this Part. Inactive steel service lines not under cathodic protection, including stubs, may remain under the conditions established by subdivision 255.727(d) for a period of not more than six years subject to the following conditions. (a) During the third year of inactivity, the operator must conduct a survey for potential future use and, if there is no definite plan for future use, disconnect the service at the main or in compliance with subdivision (d) of this section, purge the service and seal the open end.”

The following is cited as an example where this requirement was not met:

- [REDACTED] – Records indicate that this steel service was deemed inactive on 9/27/10. A future use survey was conducted on

*** ATTACHMENT B ***

11/14/12 and the Company determined that there was no definite plan for future use. Records further indicate that this service was disconnected on 11/18/15. The Company failed to disconnect the service during the third year of inactivity. **(NRA assessed under 255.603)**

Newburgh

Record Audits

Two violations of 16 NYCRR Part 255 and Zero violations of 16 NYCRR Part 261 were noted.

16 NYCRR 255.726(a) – Inactive Service Lines – 1 Violation, 1 Occurrence

One violation of 255.726(a), which states, “All inactive service lines, including stubs, must be inspected, leakage surveyed and maintained according to the applicable provisions of this Part. Inactive steel service lines not under cathodic protection, including stubs, may remain under the conditions established by subdivision 255.727(d) for a period of not more than six years subject to the following conditions. (a) During the third year of inactivity, the operator must conduct a survey for potential future use and, if there is no definite plan for future use, disconnect the service at the main or in compliance with subdivision (d) of this section, purge the service and seal the open end.”

The following is cited as an example where this requirement was not met:

- [REDACTED] – Records indicate that the date the service was deemed inactive on 8/4/2011. The company conducted a future use survey on 11/12/13 and determined that there was no plan for future use at that time. The company failed to retire the service promptly. **(NRA assessed under 255.603)**

16 NYCRR 255.744 – Service Regulators and Vents: Inspection – 1 Violation, 1 Occurrence

One violation of 255.744, which states, “(a) Each operator shall inspect each service regulator when it is installed, at the time of periodic meter change, and at the time a service which has been inactive for a period of two years or more is reactivated to service.” Additionally, “(d) The inspection of the service regulator shall include the following tests. (1) An outlet pressure test shall be taken under minimum load conditions. Minimum load condition, for purposes of this paragraph, shall mean no load or pilot load only. The pressure limits of this test shall be as established by this Part. (2) The operational pressure test shall be taken on the outlet side of the regulator with one or more appliances in operation. The acceptable limits of pressure shall be as established by this Part. (e) Each operator shall inspect each service regulator associated vent whenever the service regulator is inspected. This inspection shall include a test for the presence of gas, proper location of

*** ATTACHMENT B ***

vent terminus, proper size, and proper installation of a weather-insect resistant fitting and verification by an inside the building inspection that the vent line piping is continuous and is properly connected to the regulator. Immediate remedial action shall be taken if any of these items do not pass inspection.”

The following is cited as an example where this requirement was not met:

- [REDACTED] – Records indicate that this service regulator was inspected on 7/29/2015, but minimum load and operational load details were not recorded. The Company failed to conduct and/or document an operational load test inspection for this service regulator. **(NRA assessed under 255.603)**

Attachment 3

Area of Concerns

1. Cast Iron Replacement

During a review of the 2015 Cast Iron Replacement Audit, Staff found that the Company's "Possible Cast Iron Main Undermine Report" did not provide sufficient information for Staff to verify that an adequate amount of cast iron piping was replaced due to exposure, undermining, or excavations within the angle of repose.

16 NYCRR 255.756(b) states "For right angle crossings of cast iron mains, the length replaced shall be equal to at least the width of the excavation plus twice the distance from the top of the main to the bottom of the trench."

Additionally, 16 NYCRR 255.757(a) states "If an excavation is made parallel to any cast iron gas main...the cast iron main must be replaced where more than half the pipe diameter lies above a line projected at an angle above the horizontal equal to the angle of repose for the soil conditions being encountered, starting from the bottom of the excavation at the side nearest the main."

Currently, the Company's "Possible Cast Iron Main Undermine Report" requires that the third party excavator's trench dimensions be recorded only in cases where the cast iron main is exposed. Staff recommends that this field be mandatory in all instances, along with the addition of the measurements required to calculate the minimum length of cast iron pipe to be replaced. (E.g. main depth, main diameter, etc.)

2. Transmission Line Valves

During a review of the 2015 Transmission Line Valve Inspections, Staff found that the data recorded in the Company's FOS system did not provide adequate details of each inspection. The current system identifies valve inspections as satisfactory, "yes" or "no." CHG&E O&M 130 states all below grade valves are required to be inspected for key fit, alignment, and operability. Staff believes that the Company's FOS system or future record keeping software could be improved and that the results of each aspect of the valve inspection should be recorded.

3. Public Building Service Line Valves

During a review of the 2015 Public Building Service Line Valve Inspections, Staff found that the data recorded in the Company's FOS system did not provide adequate details of each inspection. The current system identifies valve inspections as satisfactory, "yes" or "no." 16 NYCRR 255.748(b) states "buried service line valves...shall be inspected at intervals not exceeding 15 months, but at least once each calendar year, for accessibility, key alignment and external leakage." Staff believes that the Company's FOS system or

future record keeping software could be improved and that the results of each aspect of the valve inspection should be recorded.

4. Odorization

During a review of the Odorization monitoring records, Staff found inconsistencies in regards to the documented sniff test locations. CHG&E O&M 250 states “[t]he level of odorant in the gas shall be monitored weekly in the Newburgh, Fishkill, Poughkeepsie, and Kingston Districts alternating between the following designated remote locations in each district...” The records provided by the Company show that a majority of these weekly sniff tests were either conducted in locations other than those specified by O&M 250 or the location field was simply left blank. Furthermore, the Catskill district is not included in this procedure. Staff believes these inconsistencies need to be corrected in order to ensure that the odorant is adequately monitored in the distribution system. Additionally, this may be an opportune time for CHG&E Staff to re-evaluate these sniff test locations to ensure that the inspections are conducted in areas where odorant is most vulnerable to drop off. Please explain what steps the Company will take to resolve these concerns in the future.

5. Service Regulator Inspections – Hope Plaza

During a review of the Service Regulator/Valve/Vent Inspections, Staff found an inconsistency in regards to periodic meter changes and multiple meter sets.

CHG&E O&M 170 states “A combined inspection shall be performed on the following occasions: B) Any time a meter is changed (however, in the case of a multiple meter installation, the inspection does not need to be performed unless the meter closest and to the right of the regulator is changed); D) At least once every 20 years on the regulator in a multiple meter set. Note: the meter account closest and to the right of the regulator is used to document this inspection.”

This area of concern was found during the review of the following accounts in a multiple meter set: [REDACTED]

[REDACTED]. Records indicate that the regulator at [REDACTED] is the account closest to the regulator. This meter was changed on 11/2/06 and a test of the minimum and operational loads was not conducted and/or documented. Upon further review, the most recent load tests were recorded during the inspections at [REDACTED] on 1/1/90 and at [REDACTED] on 10/28/13.

In accordance with CHG&E O&M 170, a load test should have been performed and documented during the meter change at [REDACTED] on 11/2/06 and that this meter account should have been used to document the inspections/load tests performed on 1/1/90 and 10/28/13. Please explain what steps the Company will take to resolve these concerns in the future.

6. Service Regulator Inspections – 2 Year Inactive & Periodic Meter Change

During the course of Staff's service regulator inspection audit, Staff requested records for service regulator inspections completed in conjunction with high pressure periodic meter changes and reactivation of high pressure services that had been inactive for more than 2 years. The Company could not separate the records as requested. Going forward, Staff would greatly appreciate it if the Company could separate service regulator inspections into the following categories: new installations, periodic meter changes, inactive (reactivation after 2 years of inactivity), and multi-meter sets.

7. Service Regulator Inspections – Multiple-Meter Sets

In the 2015 audit letter, Staff identified a number of deficiencies pertaining to multi-meter service regulator inspections (greater than 20 years). The Company acknowledged the deficiencies and indicated that a corrective action plan was underway, but no timeframe for completion was specified. Please provide an update on the status of this project, as well as an anticipated date when all multi-meter service regulator inspections will be back into compliance.