ORANGE AND ROCKLAND UTILITIES, INC.

GAS INFRASTRUCTURE AND OPERATIONS PANEL
UPDATE/REBUTTAL TESTIMONY – GAS

Q. Please state your names.

A. Our names are Flannan Hehir and Glenn Meyers.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. We previously submitted direct testimony on behalf of Orange and Rockland Utilities, Inc. (“Orange and Rockland,” “O&R” or “Company”) as the Gas Infrastructure and Operations Panel (“GIOP” or the “Panel”).

Q. What is the purpose of the Panel’s update and rebuttal testimony?

A. First, we are updating our direct testimony to reflect changes in the Company’s plans regarding the Gas Training Center (“GTC”).

Second, we are responding to the testimony of the following parties:

- Department of Public Service Staff (“Staff”) Gas Infrastructure and Operations Panel (“SGIOP”);
- Staff Pipeline Safety Panel (“SPSP”); and
- Staff Gas Programs and Supply Panel (“SGPSP”).

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UPDATE

Q. Will you be introducing any exhibits as part of your testimony?

A. Yes, we will be introducing one exhibit, GIOP-3, which provides the Company's responses to two of Staff's discovery questions.

Q. Please summarize the Company's operations and maintenance ("O&M") and capital updates for the Rate Year (*i.e.*, calendar year 2019)("Rate Year 1" or "RY1").

A. The Company projects the following decrease from the O&M expenses projected in direct testimony:

	Linking Period	**Rate Year 1**	**Rate Year 2**	**Rate Year 3**
O&M Change	($300k)	($275k)	($275k)	($275k)

The Company projects the following additional capital expenditures above what was projected in direct testimony:

	Linking Period	**Rate Year 1**	**Rate Year 2**	**Rate Year 3**
Capital Change	$200k	$1.8M	$300k	0

Q. Please explain the primary driver for the forecasted decrease in O&M expenses and the increase in capital spending.

A. In our direct testimony, we described the Company’s plan to lease a facility for gas training purposes. However, after the Company filed its initial gas rate case, the town of Goshen installed new sewer lines for a housing complex near the GTC. This gave O&R an opportunity to assess the possibility of connecting to the sewer line and expanding the GTC. The Company is now proposing additional capital funding in order to enhance the existing GTC at Goshen, instead of leasing a separate facility. This will allow the Company to maximize the use of its current facilities to provide a potential long-term cost effective solution. The Company plans to use this facility to provide New York Public Service Commission (“Commission”) and Northeast Gas Association (“NGA”) compliant training and testing to both employees and contractors.

Q. Please explain the improvements that the Company is making at the GTC.

A. Orange and Rockland is making the following improvements at the GTC:

- Replace the modular trailer with double wide trailers with bathrooms, an office area, internet capability, and incorporate current technology to facilitate training and testing;
- Build bathroom facilities in shop and modular classroom area;
- Build additional parking space;
- Enclose outdoor skills area to allow for classes during inclement weather; and
- Relocate the compressor outside to enhance training flexibility and efficiency.

This effort will also include coordination with the Town of Goshen to obtain approval for water and sewer main connections to GTC and survey/delineate wetlands for improvement feasibility. O&R has received conditional verbal approval and is currently in the process of developing scaled engineering drawings to submit to the Town with the permit application in order to receive final approval from the town for the sewer main connection.

Q. What are the projected capital expenditures associated with the GTC?

A. The Company is projecting additional capital expenditures of $1.8 million in RY1 and $300,000 in RY2 (*i.e.*, calendar year 2020). For additional information related to this planned work, please refer to the white paper attached to the Company's response to DPS-38-618 as DPS-38-618 Att-1 contained in Exhibit GIOP-3.

Q. Above, you indicate that there is a decrease in the O&M expenses from the Panel's direct testimony; please explain this decrease.

A. Orange and Rockland's original proposal was to lease a facility to address the Company's training needs. The Company projected additional O&M expenditures of $300,000 in each of RY1, RY2, and RY3 (*i.e.*, calendar year 2021) to pay for rent, utilities, and other associated costs of leasing a facility. The GTC capital updates would increase O&M by $25,000, leading to a net O&M reduction of $275,000 in each of RY1, RY2 and RY3, as compared to O&R's original projected additional O&M expenditures.

REBUTTAL

Capital

Q. Does the Company have any concerns with Staff's overall approach to adjusting the Company's Capital budget?

A. Yes. As discussed in greater detail below, Staff tended to focus its analyses on specific programs while ignoring the Company's performance on an overall basis. The Company operates a large gas distribution system in a dynamic environment. Consequently, our capital budget is constantly changing as planned projects are delayed/revised or new projects arise based on more urgent needs. Staff pointed out areas where we can make adjustments on smaller individual projects, but overall used a granular/static perspective in its review of the Company's capital budget proposal. In the last several years, O&R has completed prioritized projects and generally spent its established planned budgets on necessary projects. O&R employs a number of established processes to manage its capital work effectively (*e.g.*, capital optimization program (described in the GIOP's direct testimony), Capital Governance Committee, capital blankets, and quarterly reports to Staff). Suggesting reductions by focusing on specific projects or blankets, does not accurately reflect the Company's overall performance and constrains the flexibility needed to manage and execute on our commitment to provide safe and reliable service. Finally, should O&R underspend on its capital plan, the downward reconciliation would capture, defer and return any shortfall to the customer.

Q. Did Staff propose any specific adjustments to the Company's gas capital forecasts?

A. Yes, Staff proposed adjustments to several Company capital programs. Each of Staff's adjustments are discussed below.

Q. What is Staff's proposed adjustment to the Company's program relating to regulator upgrades?

A. The SGIOP disagrees with the Company's proposed budget to upgrade several of its regulator stations. Staff questions the Company's ability to complete all the proposed upgrade projects based on the Company's historic performance. The SGIOP proposes to eliminate any spending related to the South Mountain Road, Cedar Flats Road, or Crooked Hill regulator station upgrade projects in 2018 through 2021.

Q. Does the Company agree with Staff's adjustment?

A. The Company agrees in part. The South Mountain Road Regulator Station upgrade is dependent on the completion of the adjacent Little Tor Substation project, which has been delayed for an extended period of time due to permitting and community concerns regarding the new substation. We agree to delay this project in our current request. However, the regulator station will eventually require upgrading at the conclusion of the substation construction.

The Company disagrees with removing the Cedar Flats Regulator Station upgrade request. Because of changing priorities, the Company chose to perform the associated gas main upgrade first and then the regulator station upgrade, instead of our original plan of regulator station first and main upgrade second. Both projects are required for the continued reliability of the northern Rockland County gas distribution system.

For the Crooked Hill Regulator Station upgrade/replacement, we are proposing a one year delay in project funding, due to associated real estate issues.

Q. Does Staff propose any adjustments associated with new business?

A. The SGIOP proposes to eliminate all capital spending related to the Tuxedo Farms Development and the Tuxedo Farms Reinforcement projects for RY1 through RY3 because Staff finds it unlikely that significant work will occur over the next three years.

Q. Does the Company agree with Staff’s adjustment?

A. No, we do not. Based on the latest available information we believe this project can begin in 2019. The developer has approved site plans and an active application for gas service. In addition, the developer has cleared the property for the first phase and has installed water and sewer facilities clearly demonstrating a financial commitment to move forward with this project.

Q. Does Staff propose any additional adjustments associated with the Tuxedo Farms development?

A. The SGIOP also proposes to eliminate the capital budget for the Sloatsburg/Tuxedo Reinforcement project for RY1 through RY3 because Staff does not believe that significant work will occur over the next three years.

Q. Does the Company agree with Staff’s adjustment?

A. No. This funding and the planned project is required in order to provide reliability for all existing customers in the Sloatsburg gas distribution system, as well as all of the new Tuxedo Farms Development customers.

Q. Does Staff propose any adjustments related to the Company’s municipal work?

A. The SGIOP proposes to reduce the budget for services associated with municipal work to $115,300 per year and meter bars associated with municipal work to $12,300 per year for RY1 through RY3.

Q. What is Staff's rationale for this proposed reduction?

A. The SGIOP states that they developed this forecast using a three-year average of actual historic spending, which they claim would be more indicative of the Company's future spending.

Q. Does the Company agree with Staff's adjustment?

A. No, we do not. Municipal work is comprised of four sub-categories (Mains, Services, Meter Bars, Regulators). Meter Bars and Regulators are physically part of each gas service but are budgeted separately in accordance with Federal Energy Regulatory Commission ("FERC") accounting rules. Municipal work covers a wide range of activities and can vary from main only work (*e.g.*, relocation around new culvert) to a street widening, where main and service work is required. The Company last year, recognized the lower actual spending in total Municipal blankets and reduced the five year budget plan (2019-2023), below what we have previously budgeted (*i.e.*, total Municipal Blanket planned budget: 2017 - $3.35M compared to 2019 - $2.53M). Staff's recommendation to reduce two of these four Municipal sub-categories is a very granular perspective and does not reflect the actual work that we expect on a going forward basis.

Q. Does Staff recommend any adjustments to the Company's program to enhance the existing GTC at Goshen?

A. The SGIOP agrees with the Company's proposal to enhance the facility, but recommends that O&R provide additional support for the gas training center capital spending.

Q. What specific issues did Staff request additional information?

A. The SGIOP requested the Company include (1) a detailed cost breakdown, explaining how the costs for the facility were determined; (2) an allocation of costs to electric; and (3) an updated plant model reflecting these capital costs.

Q. Please explain the detailed cost breakdown of the Goshen GTC.

A. Provided below is the cost breakdown:

- Construction = $512,000;
- Electric Work = $76,000;
- Building Site Work = $1,399,000;
- Environmental Engineering = $35,000;
- Construction Management = $75,000;
- Facilities = $35,000; and
- Overheads = $243,000.

Q. What portion of these costs has been allocated to electric?

A. These costs have all been allocated to gas because these major capital improvements will predominately benefit gas training, with approximately 95% of the training conducted in Goshen being gas related.

Q. Has the plant model been updated to reflect these capital costs?

A. Yes. Please see the Company’s Accounting Panel update testimony for further details.

Q. Did Staff make any recommendations associated with the Company’s capital budget process?

A. The SGIOP expressed concerns over the amount the Company has deviated from its planned budget on a project-by-project basis. The SGIOP proposed that the Company be required to budget by category similar to Consolidated Edison Company of New York, Inc. (“Con Edison”) and track historic and forecast spending within each of these budget categories.

Q. Does the Company agree with Staff’s recommendation?

A. No, we do not. The Company’s overall capital expenditures have been in line with its budgets. As discussed in our direct testimony, the Company employs a Capital Optimization Process that provides the structure to select projects that align with the corporate strategy and maximize the strategic value per dollar spent given the Company’s regulatory and financial constraints. As changes in capital projects inevitably occur, this process allows the Company to substitute projects in a structured and systematic way so that higher priority projects are reviewed next for completion. It is an established process by which the entire Company manages the business and Staff has failed to demonstrate the need for its replacement.

Q. Did Staff make any recommendations related to a net plant reconciliation mechanism?

A. Yes, this issue is addressed in the rebuttal testimony submitted by the Company's Accounting Panel.

Q. Does Staff recommend any capital reporting requirements?

A. Yes. The SGIOP recommends that the Commission require O&R to continue filing quarterly capital expenditure reports, broken down by the proposed gas capital budget categories and its five-year investment plan annually with the Secretary.

Q. Does the Company agree with Staff's recommendation?

A. No, O&R disagrees with Staff's proposed gas capital budget categories as indicated above. We agree to continue to provide quarterly reporting as currently established. These reports provide transparency and demonstrate the Company's efforts to execute its capital plan.

Q. Does Staff make recommendations relating to any of O&R's project/program budgets for the year 2018?

A. Yes, the SGIOP recommends reducing a number of O&R's project/program budgets for 2018. For example, SGIOP proposed reducing the Company's 2018 capital budget for New Business Services by $801,200.

Q. Does O&R agree with Staff's proposed adjustments to the 2018 project/program budgets?

A. No, to the extent that Staff made proposals for these projects/programs affecting the costs in RY1-RY3, they have been addressed above. The 2018 budgets for these projects, on the other hand, were approved as part of the revenue requirement under the current Gas Rate Plan. These budgets should not be at issue in this proceeding, especially because it is likely that 2018 will be almost finished before the Commission issues a decision in this case.

<u>O&M</u>

Q. Did Staff also propose adjustments to the Company's O&M forecast?

A. Yes, they did.

Q. Does Staff agree with the method that O&R used to determine its Rate Year non-labor O&M expense?

A. The SGIOP recommends that the Historic Test Year O&M expenses be reduced by $1.03 million because the Company’s Historic Year O&M expense includes costs associated with system maintenance and monitoring during Rockland County’s blasting operations for the installation of a new sewer in Sloatsburg totaling $1.03 million. The SGIOP argues that because the Company estimates this work will be completed by December 2018, these costs should be normalized out of the Historic Test Year expense.

Q. Does the Company agree with Staff’s recommendation?

A. No, we do not. First, the Company does not see support for Staff’s total of $1.03 million in the Test Year associated with the blasting in IR DPS-29-561. While SGIOP does not specify the budget categories that the $1.03 million is associated with, Staff Revenue Requirement Exhibit SRRP-2 Schedule 11 page 1 shows two areas that SGIOP normalized the Test Year, (1) Leak Repair under Gas Operations - $365,000; and (2)

Ops – Engineering - $666,000, which appear to be the budget categories that Staff reduced. SGIOP does not discuss either of these budget categories in its testimony. In addition, while there was higher spending in some budget categories due to blasting activity in Sloatsburg, overall O&M budget overruns were mainly due to damage prevention initiatives. IR DPS-29-561 does not attribute increases with either of these budget categories with the Rockland County's blasting operations for the installation of a new sewer in Sloatsburg. Finally, regardless of the amount, not all of the expenses associated with the blasting were incremental or extraordinary. The largest portion (over 90%) of the incremental costs were for Company straight time labor during normal business hours. The Company did not add staff for this project. Because the Company used its existing workforce, no staffing reductions will occur after the blasting project is completed.

Q. Does Staff make any recommendations related to the Company's presentation of historic O&M expenses?

A. The SGIOP recommends that O&R track its O&M program costs by a clear budget category, such as by repair type or spending category to be able to present historic costs by repair or maintenance activity when subject to a review during a rate case.

Q. Does the Company agree with Staff’s recommendation?

A. The Company is reviewing its budget categories so that they provide the appropriate level of granularity necessary to manage the operation effectively and efficiently.

Q. Did Staff have any other adjustments to the Rate Year O&M expense?

A. The SGIOP recommends that because O&R has changed its plans regarding the training center lease, the $300,000 expense for the training center lease should be removed from the Rate Year O&M expense.

Q. Does the Company agree with Staff’s recommendation?

A. No. As discussed in the update portion of our testimony, it should be a net reduction of $275,000. While O&M costs related to the planned leasing of separate facilities is decreased by $300,000, there is also an increase of $25,000 associated with the upgrades at the Goshen facility. Specifically, this $25,000 O&M funding is required to cover costs associated with telecommunication charges for network connections and the ongoing maintenance of the Goshen facility.

Q. Did Staff make any recommendations related to planned gas O&M programs?

A. Yes the SGIOP recommends the rebates for residential methane detectors (“RMDs”) and the pipe integrity and risk consulting funds should be removed from the Rate Year O&M expense, resulting in a decrease to the Rate Year O&M expense of $240,000 and $75,000, respectively.

Q. Does the Company agree with Staff’s recommendation regarding RMDs?

A. No, and it should be noted that while the SGIOP states that these two decreases to Rate Year O&M expense are recommendations of the SPSP, the SGIOP appears to misstate SPSP’s recommendation regarding RMD funding. The SGIOP states “as recommended in the SPSP testimony, the rebates for residential methane detectors and the pipe integrity and risk consulting funds should be removed from the Rate Year O&M expense", but SPSP does not recommend removing the O&M expense for RMD funding.

Q. How does the SPSP propose O&R fund the RMD program?

A. As discussed below, while the SPSP recommends altering O&R's rebate program for RMD and providing RMD for no cost, the SPSP proposes that the RMD program be paid for with the O&M funding originally requested for O&R's proposed rebate RMD program, plus any negative revenue adjustment ("NRA") allocated for gas safety related programs.

Q. Does the Company agree with Staff's recommendation for funding the RMDs?

A. The Company disagrees with dedicating any NRA allocated for gas safety related programs to a RMD program. Rather, the Company continues to support its original proposal to fund the program with $240,000 in O&M. As noted in the Panel's direct testimony, O&R can best determine the appropriate programs to allocate

NRAs (to the extent that O&R incurs them). The O&M levels originally proposed to fund discounted RMDs are appropriate. At a discount of $20 for each RMD and an annual funding level of $240,000 per year for three years, approximately 36,000 RMDs could be distributed over a three-year rate plan. This initial deployment should more than cover the proposed target group of low-income, multi-unit residential customers.

In addition, as Staff points out, additional research is currently being performed to further improve RMDs. Current RMD research aims to make RMDs more reliable and less subject to false alarms, in addition to having longer-life sensors, alarm limits that better match New York State odorization requirements, improved communications ability, and be battery powered.

The Company expects that as RMD technology evolves and improves, RMDs may become required as part of the New York State Building Code, making future utility deployment unnecessary.

Public safety may be better enhanced through other gas safety related programs such as additional leak prone pipe (“LPP”) replacement, rather that solely dedicating NRA resources to RMDs.

Q. Does the Company agree with Staff’s recommendation to disallow the pipe integrity and risk consulting O&M funds?

A. No, we do not. If Staff believes the effort to review API RP 1173 is worthwhile, the process by which the Company conducts its review should be within its discretion using O&M funds. We note that the Company has successfully employed consultants in similar past efforts. For example, the Company used consultants to review and critique its Transmission Integrity Management Plan (“TIMP”) and the Distribution Integrity Management Plan (“DIMP”). In 2018, after this effort, Staff favorably reviewed the Company’s revised DIMP. Based on the Company’s experience, a consultant with the necessary expertise is needed to assist in the development of these more complex programs. As demonstrated in the DIMP review, Company personnel were fully engaged and remain responsible and accountable for the execution of the plan.

Q. Did the SGIOP concur with any other SPSP recommendations?

A. Yes, the SGIOP also concurred with the SPSP's recommendation that instead of hiring a consultant for the enhancements to work procedures, the Company should instead keep this expertise in-house, which would reduce the O&M expense by $125,000. The SGIOP indicates it would be supportive of the inclusion of a reasonable cost to perform this work in-house, if the Company proposes such in its rebuttal testimony.

Q. Does the Company agree with Staff's recommendation that instead of hiring a consultant for the enhancements to work procedures, the Company should instead keep this expertise in-house?

A. No, we do not. In the case of the work procedure review, having an outside consultant review our procedures is vital to the process. The consultant can provide an informed, independent perspective reflecting experience often gained in different parts of the country. The consultant can facilitate the Company’s incorporation of best practices consistent with federal and state requirements. Also, consultants can deliver a dedicated and experienced staff who can assist the Company in developing and revising procedures in a timely manner. In all cases, any recommended changes are reviewed and ultimately approved by the Company. This review has added to our workload (*e.g.*, interpreting and incorporating the feedback into procedures) and the Company may need a dedicated engineer to help expedite the reviews and maintain existing procedure and standards.

<u>Gas Safety</u>

Q. Throughout this section of your testimony, you indicate that the Company “agrees” with some of the proposals made by Staff. Please explain what the Company means by its agreement.

A. The Company’s agreement is solely for the purpose of minimizing the number of issues in controversy. This should not be taken to mean that the Company agrees with the need for negative revenue adjustments associated with performance measures.

Q. Does Staff discuss the Company's LPP replacement performance?

A. Yes, the SPSP states that the data for the miles of LPP removed from the O&R system in 2017 is not yet available. However, the Company updated DPS-197 with the total miles of LPP replaced in 2017. Staff also states that based on O&R's supplemental response to DPS-487, O&R did not meet the Company's 2016 LPP removal target of 21 miles and is subject to a six basis point ("BP") NRA.

Q. Do you agree with this assessment?

A. No, we do not. Pursuant to Appendix 16 of the Joint Proposal approved by the Commission in O&R's last gas base rate case (Case 14-G-0494), the Company's minimum target for LPP replacement in 2016 was 20 miles. O&R has met its minimum target of 20 miles for LPP for 2016. In addition, the Company has met the targets to receive the positive revenue adjustment ("PRA") of four pre-tax BPs by replacing 23.79 miles of LPP. The

SPSP incorrectly states the removal target at 21 miles. As explained in the Company’s response to Staff interrogatory DPS-1-198, contained in Exhibit GIOP-3, any Ineffectively Coated Steel installed between 1962 and 1971 that is found to have no or inadequate corrosion protection, or has other field conditions that raise the replacement priority of the main is considered LPP.

Q. What does Staff propose regarding ineffectively coated steel main installed between 1962 and 1971 that is on the O&R system?

A. The SPSP proposes that the approximately 385 miles of “ineffectively coated steel” should not be counted as LPP at this time.

Q. Do you agree with the SPSP?

A. No, we do not. Ineffectively coated steel that has been identified as LPP should be counted towards the LPP targets. The SPSP (p.13) states the following regarding the Company’s risk assessment model:

> The model uses several weighted factors such as **material type**, diameter, pressure, **date of installation**, leak history, etc. to determine a

> ranking. The risk-based prioritization model ranks pipe segments for retirement so that the pipe that presents the **greatest risk** to the public is retired from service before lower-risk pipe. This allows the Company to provide the greatest level of safety to the public by focusing its resources on pipe segments with the highest risk profile. Although there are commonalities between the State's distribution companies, it's important to note that the model has been tailored to O&R's system and may not be appropriate for other LDCs. A uniform approach cannot accommodate the unique characteristics that must be considered for each system. (emphasis added)

SPSP states in its testimony, "overall risk reduction should remain a driver of the removal program." The Company includes this vintage of main in the prioritization process so the riskiest pipe is replaced sooner, as Staff expects. Therefore, ineffectively coated steel pipe should be counted towards LPP targets. Ineffectively coated steel installed between 1962-1971 was installed before code required cathodic protection on steel distribution systems. Although the Company at the time installed cathodic protection systems to the majority of this vintage main, field practices (*e.g.*, coating service tees) were not as consistent prior to code requirements. Therefore, the Company continues to monitor this vintage and replaces sections that become a priority.

Q. Regarding LPP replacement, does Staff agree with the Company’s proposed 22 miles of main replacement per year and a PRA for the Company replacing LPP above the target of 22 miles?

A. The SPSP agrees with the Company’s proposed 22 miles of main replacement and that a PRA should be earned by O&R should it remove additional miles of LPP, but proposes that the Company earn two BP for each additional full mile that O&R replaces above 24 miles.

Q. Do you agree with the SPSP?

A. In part, the Company agrees that two BP for each full mile above the target is appropriate, however, in order to effectively encourage the desired behavior, the positive incentive should be awarded beginning with the first mile above the target of 22 miles and not starting above the 24 mile target that Staff proposed.

Q. Does Staff make any additional recommendations related to LPP replacement?

A. The SPSP states that it expects that O&R will continue to use its risk assessment model to rank segments of pipe for removal so that the pipe that presents the greatest risk is removed first. The SPSP also recommends that O&R should be given the flexibility to complete opportunistic removals, such as neighborhood approaches, or in conjunction with other entities such as municipal repaving projects.

Q. Do you agree with the SPSP regarding need for flexibility in O&R's approach to LPP replacement?

A. Yes.

Q. Does Staff make any additional recommendations regarding LPP?

A. The SPSP recommends that if additional LPP is identified on the O&R gas distribution system, that O&R accelerate proposed LPP replacement removals in order to remove all LPP by 2031.

Q. Do you agree with the SPSP's recommendation?

A. The Company agrees in part. If the Company identifies an additional population of LPP, it will develop a replacement plan for the pipe. However, only after sufficient review and analysis, can the Company establish a completion date.

Q. What else does Staff propose related to LPP replacement?

A. The SPSP recommends that O&R’s onsite inspection efforts be commensurate with its LPP removal target, so that the quality of pipe going into service meets workmanship and installation standards.

Q. Do you agree that onsite inspection efforts should be commensurate with LPP removal targets?

A. Yes, the Company has had a long standing practice (*i.e.*, for over 20 years), of fully inspecting each gas main replacement project and will continue to do so to verify compliance with workmanship and installation standards.

Q. Does the SPSP make any reporting requirement recommendations?

A. Yes, the SPSP recommends that O&R submit a quarterly report to the Secretary of the Commission detailing its LPP removal progress. The SPSP recommends that at a minimum, the report should include material type, mileage, project location, rank of the segments removed at the time of removal using the risk-based model, project cost, and a forecast of the scheduled LPP removal projects and their rank on risk-based removal model for the upcoming quarter. The SPSP also recommends that the report should include a reconciliation of proposed versus actual removals.

Q. Do you agree with Staff's proposed reporting requirements?

A. No, we do not. O&R currently submits an annual report which we believe is the appropriate reporting frequency. Because the Company adjusts the scheduling and processing of main replacement work throughout the year, submitting a quarterly report would serve no useful purpose and would place an undue administrative burden on the Company.

Q. What does Staff propose with respect to the leak backlog target?

A. The SGSP recommends that the Company achieve a level of less than 50 total leaks and less than 20 repairable leaks in the leak backlog by the end of each Rate Year.

Q. Does the Company agree with Staff's proposed targets?

A. Yes.

Q. Does Staff recommend any NRA for the leak backlog targets?

A. Yes, the SPSP recommends that O&R be subject to a 12 BP NRA for the repairable leak target and a six BP NRA for the total leak backlog.

Q. Does the Company agree with Staff's proposed NRAs?

A. The Company agrees in part. The Company agrees to the 12 BP NRA for the repairable leak target, and the 6 BP NRA for total leak backlog, however, as discussed below, O&R does not agree with Staff's proposal regarding "successful elimination" of a leak or the timeframe for achieving the target at the end of the year.

Q. Did Staff agree with the Company’s proposal that prior to the end of the calendar year a ten-working day threshold be established for achieving the leak backlog targets?

A. No, the SPSP recommends that the last week of the year, or five working days, be used as the basis for achieving these targets.

Q. Does the Company agree to Staff’s proposal?

A. No, we do not. The Company has consistently maintained a low backlog throughout the entire year for the past two-three years. This risk of missing the target due a spike in leak activity, for one week of the year, diminishes the Company’s consistent high performance maintained throughout the year.

Q. Does Staff recommend any additional criteria related to the leak backlog?

A. Yes, the SPSP proposes that only “successful elimination” of a leak will be considered a valid leak repair. Staff explains that “successful elimination” of a leak is defined as either having made multiple attempts, two or more, to confirm that zero-percent gas-in-air readings have been maintained, or a recheck has been completed per the regulations.

Q. Does the Company agree to Staff's proposal?

A. No, we do not. As discussed below, O&R believes that having a year-end target that includes "successful elimination" serves no useful safety purpose and is punitive to better performing local distribution companies ("LDC").

Q. What does Staff propose for Type 3 leaks, which do not require a recheck?

A. The SPSP proposes that rechecks be performed for all Type 3 leak repairs and O&R should include this in its procedures.

Q. Does the Company agree with Staff's proposal?

A. No, we do not. Rechecks on Type 3 leaks are not required by code and would not increase gas safety.

Q. How will Staff's proposal related to "successful elimination" of a leak impact the year-end backlog targets?

A. Staff proposes that a leak will not be removed from the backlog until it has been validated as a "successful elimination."

Q. Does the Company agree with Staff's proposal?

A. No, we do not. For LDCs that maintain a low total and repairable leak backlog throughout the entire year, having a year-end target demonstrating "successful elimination" serves no useful safety purpose and is punitive towards those better performing LDCs.

Q. Does Staff recommend any PRA for O&R related to the leak backlog?

A. Yes, the SPSP proposal is summarized in the table below.

Year End Total Leak Backlog	Positive Revenue Adjustment
10 to 19	2 BP
1 to 9	4 BP
0	6 BP

Q. Does the Company agree with Staff's proposal?

A. No, we do not. The Company continues to support the PRA the Company proposed in direct testimony.

Q. What are Staff’s recommendations with respect to Damage Prevention targets for damages due to mismarks, damages due to Company and Company contractors, and overall damages?

A. The SPSP agreed to O&R’s proposal to consolidate the damage prevention measure by eliminating the mismark and Company and Company contractor damage targets, and maintain just the total damage target and recommended the inclusion of a PRA.

Q. What did Staff recommend with respect to O&R’s damage prevention metric?

A. The SPSP recommends the total damage prevention target with associated PRAs and NRAs as follows: for a total damage performance rate per 1,000 one-call notifications greater than 2.50, O&R would incur a NRA of 27 BPs; for a rate between 2.25 and 2.50, O&R would incur a NRA of 15 BPs; for a rate between 2.00 and 2.25, O&R would incur a NRA of 5 BPs; for a rate between 1.75 and 2.00, O&R would not incur a revenue adjustment; for a rate between 1.25 and 1.75, O&R would earn a PRA of 5 BPs; and for a rate 23 less than 1.25, O&R would earn a PRA of 10 BPs.

Q. Does the Company agree with Staff's proposal?

A. No, we do not. The Company continues to support the proposal presented in the Panel's direct testimony.

Q. What is Staff's position on O&R's proposal for the elimination of hand damages from the damage prevention metric?

A. The SPSP states that for those hand damages where notification was provided, they are included in the total damage prevention rate. For those hand damages where notification was not provided, they are not included in the total damage prevention rate.

Q. Does the Company agree with Staff?

A. No. Staff describes the current criteria by which hand damages are included in performance measure reports. The Company is proposing a change from the current criteria. The Company would continue to report hand damages as described. However, hand damages should not be included for purposes of calculating NRAs. The

Company, and many other LDCs, are actively promoting safe excavation practices, which include hand digging around gas facilities. Including hand damages in the damage prevention performance measures, subject to NRAs, however, is contradictory to safe excavation practices and does not accurately represent the Company's performance.

Q. Does Staff make any additional recommendations related to damage prevention?

A. Staff states that O&R should consider developing best practices, in conjunction with trade associations or other organizations focused on protecting underground facilities such as the Common Ground Alliance.

Q. Does the Company agree with Staff's recommendation?

A. Yes, we do.

Q. Does Staff recommend any change to the NRA for O&R's emergency response performance?

A. The SPSP recommends that the current BP exposure be revised as follows: failure to meet the 30, 45, or 60-minute target would trigger a NRA of nine, six, or three BPs, respectively.

Q. Does the Company agree with Staff’s proposed NRA?

A. Yes, we do.

Q. Does the Company agree with Staff’s emergency response performance PRAs?

A. The Company agrees in part. Staff proposed that if O&R responds to greater than 90, 92, or 94 percent of its gas leak, odor, and emergency reports within 30 minutes, the Company should earn an associated PRA of two, four, or six pre-tax BPs, respectively.

Q. Does Staff propose a PRA for the Company’s performance for responding to leaks for 45 and 60-minute response time performance?

A. No. The SPSP states that because the 30, 45, and 60-minute response time performance are all related, improvement to the 30-minute performance would also mean improvements to both the 45 and 60-minute response times.

Q. Does the Company agree with Staff’s proposed PRA for emergency response performance?

A. No, we do not. The Company continues to support the original proposal presented in the Panel's direct testimony.

Q. What does Staff claim with respect to the average number of High Risk and Other Risk violations it has identified between 2012 and 2016?

A. The SGSP claims that Staff has identified an average of 54 High Risk violations and 353 Other Risk violations in this time period.

Q. Is Staff's claim consistent with the Company's understanding of violations identified by Staff over this time period?

A. No, it is not. The Company takes issue with Staff's use of averages because they are misleading and do not accurately depict the Company's recent performance. Since violations and occurrences are viewed as one and the same, a single violation with many occurrences could significantly increase the average. Without the benefit of supporting explanatory details, the view of performance could be very distorted. For example, if the average was taken over the past three years (similar to the budget analysis) the average for Other Risk violations drops from 353 to 44, due to violations in one code section, with multiple occurrences in 2012. Further, we disagree with Staff’s claim based on our understanding what is considered “High Risk” and “Other Risk”. The Company does not agree with Staff’s definition of high risk and other risk. The Company proposes that the Commission re-examine how it defines safety violations as either “High Risk” or “Other Risk”. The risk classification of a violation should depend more on the specifics of the infraction, than on its predetermined section within the Code. A good example is where the same violation could sit in both the High and Other categories. This happens, for example, when the violation is an Other risk per Code, but High because it is also a procedural violation. Again, the perception of performance could be very skewed given the current methodology. Therefore, the Company is proposing that Staff, in consultation with the New York State LDCs, reexamine the existing general categorization of “High/Other Risk” violations to determine if it is practicable to establish objective criteria to measure the degree to which the safety of an employee or the public was compromised, when determining the severity of safety violations.

Q. Please explain Staff’s contention regarding any NRAs the Company has incurred as a result of failing to meet its 2016 targets under this performance measure.

A. The SGSP contends that the Company incurred a 4 23/36 BPs NRA based on the Company’s performance during calendar year 2016.

Q. Does the Company agree?

A. No. The Company responded to Staff on June 8, 2018 regarding the NRA based on its performance during the 2016 calendar year. Based on the additional information the Company provided, the Company maintains that six “Other” violations should be removed, thereby, reducing the negative revenue adjustment to 3 35/36 BPs.

Q. Please address Staff’s assertions that although O&R has a lower total number of violations in 2016 when compared with that of other LDCs, that they are concerned that any number of violations could indicate a lack of Company control, issues with internal quality assurance, or a Company culture that is willing to accept a level of non-compliance with the minimum pipeline safety regulations as the cost of doing business; and that if left uncorrected could lead to adverse impacts on public safety.

A. The Company is committed to pipeline safety and regulatory compliance and strongly disagrees with this statement. The Company’s commitment is demonstrated by the efforts both planned and already underway to enhance the Company’s Quality Assurance/Quality Control processes.

Q. Did Staff agree to O&R’s proposed modifications to O&R’s performance targets associated with the Commission’s pipeline safety rules and regulations contained in 16 NYCRR Parts 255 and 261?

A. Staff agreed with the concept of modifying how “High Risk” and “Other Risk” violations are accounted for; agrees with a violation cap of 10 BPs for a single regulation; and agrees with remediation plans to be filed and adhered to for instances where there are 10 BPs or more violations for a single regulation. The SPSP does not agree with the elimination of NRAs associated with procedural violations for instances where an adjustment has already been applied for the same regulatory requirement.

Q. Does the Company agree with Staff’s position regarding an NRA for procedural violations for instances where an adjustment has already been applied for the same regulatory requirement?

A. No, we do not. Allowing the same set of circumstances to count as both a procedural and a regulatory violation effectively results in double counting. It is neither appropriate nor does it serve any useful purpose to penalize the Company twice for the same infraction.

Q. Please explain the modifications that Staff proposed for record audit violations.

A. The SPSP proposed that for record audits:

- The first five high risk violations would not be subjected to a NRA;
- From the sixth to the 20th high risk violation, O&R would incur one-half of one BP per violation;
- For each high-risk violation greater than 20, O&R would incur a single BP per violation;
- For the first 15 other risk violations, O&R would not be subjected to a NRA; and
- For each other risk violation greater than 15, O&R would incur one-fourth of one BP NRA per violation.

Q. Does the Company agree with Staff’s proposed modifications for record audit violations?

A. The Company agrees in part. The Company agrees with Staff’s proposed framework, but continues to support the originally proposed ranges in the Panel’s direct testimony for high and other risks for the reasons stated therein.

Q. Please explain the modifications that Staff proposed for field audit violations.

A. The SPSP proposed that for field audits:

- O&R would incur a NRA of one-half of one BP for each of the first 20 high risk violations;
- For each high-risk violation in excess of 20, O&R would incur a NRA of a single BP per violation; and
- For all other risk violations, O&R would incur a NRA of one-fourth of a BP per violation.

Q. Does the Company agree with Staff’s proposed modifications for field audit violations?

A. No, we do not. Field audits and record audits should be treated consistently. For field audits, similar to record audits, there should be a violation cap of 10 BPs for a single regulation.

Q. Did Staff agree with O&R’s recommendation for a ten violation NRA cap for each regulation.

A. The SPSP recommends capping the total record audit violation count at ten for each of the code sections identified in Exhibit___(PSP-2). If O&R incurs more than ten record audit violations of a single code section, the Company should be required to file a remediation plan that explains how it will address and resolve the compliance issues.

Q. Does the Company agree with Staff’s proposal?

A. Yes, we do.

Q. Does Staff indicate the content and filing time frames for the remediation plan?

A. Staff proposes that the plan should include dates by which all cited violations will be brought into compliance or, where appropriate, when remedial actions will be put in place to mitigate recurrence. The filing should be made within 90 days of when the Company receives the Pipeline Safety Staff’s audit letter.

Q. Does the Company agree with Staff’s proposal for the remediation report?

A. Yes, we do.

Q. Did Staff agree to cap the field audit violation count at ten for each of the code sections identified in Exhibit___(PSP-2)?

A. No. The SPSP does not support a cap of field audit violations.

Q. Does the Company agree with Staff’s position?

A. No. The Company continues to support a ten violation NRA cap for each regulation, similar to that of a records audit.

Q. Did Staff address the need for O&R to file a remediation report for field audit violations of a single code section?

A. Yes. The SPSP recommends that the Company file and execute a remediation plan when it incurs more than ten field audit violations of a single code section.

Q. Does the Company agree with this proposal?

A. No, we do not. The Company continues to support a ten violation NRA cap for each regulation, similar to that of a records audit.

Q. What does Staff propose with respect to the Company's NRA exposure for the gas regulations performance measure and for the Company's overall NRA exposure?

A. Staff does agree to reduce the negative revenue adjustment exposure cap under this performance measure from 100 to 75 BPs per year. However, and as described above, Staff shifts those 25 BPs to other measures so that the overall BP exposure remains at 150 BPs.

Q. Is this what the Company proposed?

A. Not exactly. It appears that Staff may not have understood the Company was proposing an overall reduction in the NRA exposure cap from the current level of 150 BPs to 125 BPs.

Q. Did Staff make any recommendations related to O&R's first responder training?

A. The SPSP supports O&R's continued efforts in its first responder training program, and further recommends that the Company adopt the principles of the Pipeline Emergency Responders Initiative ("PERI"), a training program used to prepare fire departments to prevent and manage pipeline incidents.

Q. Does the Company agree with Staff's recommendation to adopt PERI?

A. Yes, we do.

Q. How does Staff propose O&R reconcile the costs associated with adopting PERI?

A. Staff proposes that costs associated with PERI be deferred to future rate proceedings as the Company has not yet incurred any costs associated with the program.

Q. Does the Company agree with Staff's recommendation for the costs associated with PERI?

A. Yes, we do.

Q. Does Staff have any other recommendations with regard to first responder training?

A. Yes. The SPSP recommends that O&R provide and develop a program to train first responders on the use of Remote Methane Leak Detectors ("RMLDs") and continue its involvement in the steering committee for the research and development ("R&D") of residential methane detectors.

Q. Does Staff recommend how much O&R should budget for RMLDs?

A. The SPSP recommends that $100,000 be budgeted by O&R for the distribution and training on the use of RMLDs for first responders.

Q. Does the Company agree with this recommendation?

A. No, we do not. Although the Company has been involved in some R&D related to RMLDs, we are not currently trained or qualified to use these units and we do not own any RMLDs. Further, these units are not currently approved by the New York Department of Public Service for use as a leak survey tool. That being said, the Company will continue to be actively involved in the steering committees for research and development of RMDs, namely NYSEARCH (the R&D committee of the Northeast Gas Association) and the Gas Technology Institute-Operations Technology Development (GTI/OTD).

Q. Did Staff make any recommendation for O&R to change its Integrity Management Program ("IM Program")?

A. The SPSP encouraged O&R's IM Programs to use Inline Inspection going forward.

Q. Does the Company agree with Staff's recommendation for O&R to utilize Inline Inspection for its IM Program?

A. The Company agrees in part. The Company has been actively involved in R&D to further develop Inline Inspection technology, specifically for use in so called "unpiggable" pipelines. The Company will continue to be actively involved in R&D on this issue and will look for additional opportunities to pilot this developing technology.

Q. Please describe Staff's recommendations relating to meter locations.

A. Staff recommends that O&R be required to install all meters and services in a readily-accessible location, and be protected from corrosion and other damage, including any vehicular damage that may be anticipated.

Q. Does Staff recommend what O&R should do when a meter is not accessible?

A. The SPSP proposes that should O&R encounter any meters or services which are not readily-accessible, it should take immediate and continuous action to remedy these conditions.

Q. Does the Company agree with Staff's interpretation of the term "accessible" under 16 NYCRR Sec. 255.353 (a) to include instances where a customer fails to provide access to a meter located inside a premise?

A. No. The traditional interpretation of “accessible” under 16 NYCRR Sec. 255.353(a) precluded gas meter installations where the utility cannot access the meter because of a physical barrier such as behind a wall or under a porch. The Company addresses these types of meter accessibility issues by working with customers to remove physical barriers and/or move the meter to make gas meters accessible. The Company has complied with this code section. The SPSP’s proposed interpretation expands the traditional meaning of accessible to include meters that cannot be routinely accessed due to a customer either denying access or a customer’s inability to provide access as a result of their unavailability.

Q. Do state or federal regulations preclude the installation of meters inside customer premises?

A. No, both the state and federal regulations related to meter placement have and continue to allow the installation of meters inside a building, including inside apartments. The SPSP’s expanded interpretation of “accessible” based on a gas customer preventing a utility company from gaining access to meters is unreasonable. Under Staff’s interpretation, whether or not meters located in apartments are “accessible” will depend on the behavior of individual customers. As customers in apartments change, a meter that was previously “accessible” could later be deemed “inaccessible” if the new customer is unavailable to provide access. Staff’s proposed interpretation would in effect eliminate the installation of gas meters and services inside buildings.

Q. In an emergency how does the Company currently obtain access to a building when the customer either denies access or is unavailable?

A. When the Company is investigating a leak and needs access to a building that the owner either is denying access or is unavailable to provide access, the Company works with local emergency responders to gain access.

Q. Staff states that from 2012 to 2016 87,238 CCF of natural gas was used by 1,351 inactive accounts. Staff is proposing that because these volumes are accounted for, they should not be reflected as Lost and Unaccounted For ("LAUF") gas. Instead, Staff proposes that these volumes be treated as "Company use" gas, without any associated increase in the costs for these additional volumes on a going forward basis and that customers receive a refund for the 2012-2016 period. Does the Company agree?

A. No. For the reasons explained by the Company's Gas Rate Panel, these volumes should continue to be recovered through the LAUF mechanism and there should be no refund due customers.

Q. Staff says that because it is the Company's responsibility to properly address these inactive accounts, customers should not pay for these volumes. Do you agree?

A. No. Staff's proposal would have the Company pay for all of these gas costs, including where the Company is properly addressing inactive accounts. That is, Staff's testimony recognizes various situations where accounts remain inactive for reasons outside the Company's reasonable control, such as the Company's inability to gain access to the premises, accounts being referred to field operations for physical disconnection, and the legal replevin process used to secure access to the customer's premises. Not only does Staff's proposal not provide for recovery in these situations, Staff's proposal provides no recovery for gas through the meter of an inactive account from the time an account becomes inactive through shut-off irrespective of the time it takes to shut off the meter and the Company efforts in seeking to do so. Expecting the Company to manage this gas cost to $0 is inherently arbitrary and unreasonable.

Q. Does the Company have established procedures for addressing inactive accounts?

A. Yes. The Company currently has established procedures in place that include, among other provisions, timeframes that address inactive accounts. Moreover, O&R has been working with and will continue to work with Staff to further improve its procedures. The Company should continue to have the ability to recover gas costs related to its management of inactive accounts pursuant to such current and any superseding procedures as a normal business cost. There is no reasonable basis for considering costs incurred by a utility for actions pursuant to and in accordance with such a procedure to be non-recoverable.

Q. Does Staff support O&R's proposal to sell discounted RMDs at half price, or $20 per unit?

A. No, the SPSP proposes the development, use, and integration of RMD units into O&R's service territory at no cost to customers. Further, Staff recommends that the Commission direct O&R to file, within 90 days of its Order addressing this rate filing, an implementation plan that includes, at a minimum, deployment strategies, the specific RMDs to be distributed, and the per unit costs associated with the selected RMDs. Staff also recommends that O&R should target deployment of RMDs in low-income, multi-unit residential areas.

Q. Does the Company agree with Staff's recommendation for RMDs?

A. The Company disagrees with the Staff recommendation that these RMDs be distributed at no cost to customers. Distributing RMDs that are discounted by approximately 50% makes better economic sense than giving away RMDs at no cost. First, twice as many discounted RMDs can be distributed than free ones for the same O&M expense. Second, customers would feel more “invested” in the RMDs if they paid a nominal amount for the units and are more likely to use them as intended. Third, because this would be entirely a customer-based program, there would be a smaller chance of fraud if there was a nominal co-pay. The Company agrees with filing a RMD deployment plan with the Commission and targeting low-income, multi-unit residential customers.

Q. Did Staff support O&R’s proposal for one full-time equivalent training specialist to manage the OQ program.

A. Yes.

Q. Did Staff make any additional recommendations for O&R’s OQ program?

A. Yes. The SPSP recommends that should the Commission issue an order approving operators’ best practice for effective OQ programs, O&R should adopt these practices. Within 60 days from the issuance of the Commission order, O&R should develop and file a plan with the Commission showing how it will incorporate their best practices to train, test and qualify its employees and contractor personnel and to evaluate the effectiveness of its OQ program.

Q. Does the Company agree with this recommendation?

A. No. In the event that the Commission issues an order regarding LDC OQ programs, the Company anticipates the Commission will establish its own requirements and timelines for compliance. Therefore and in the absence of such an order, it is premature and unnecessary for Staff to propose timelines/requirements in a rate proceeding applicable to a single LDC. Moreover, the Company cannot commit to 60 days without knowing the details of what the best practices will be. The Company also would propose a collaborative effort with other utilities to develop these best practices, so that it is a best fit for the Company. Best practices for other utilities may not necessarily be a best practice for O&R.

Q. Does Staff make any other recommendations regarding O&R’s OQ program?

A. Yes. The SPSP states that the OQ program should include a number of items including:

- Provisions so that each employee and contractor personnel are tested for knowledge, skills and ability for every covered task they will perform;
- Provisions to evaluate an individual if there is reason to believe that individual is no longer qualified to perform a covered task based on performance by an individual contributing to an incident or accident and other factors affecting the performance and/or completion of covered tasks; and
- A documented process providing that only qualified individuals are performing covered tasks, and capturing all qualifications of those individuals in one uniform, easily accessible

system to simplify the verification of qualifications in the field at any given moment in time.

Q. Does the Company agree with these additional recommendations?

A. The Company agrees in part with these recommendations. While the Company agrees that demonstrating knowledge, skill, and ability is essential to a strong OQ program, any requirements that are established should be based on the qualifications necessary to carry out the task in question. The Company agrees that where performance of an individual does not meet the standards of the OQ program with respect to performing covered tasks, evaluation of that individual is appropriate. In the event of a significant incident or accident, the Company reviews the incident, and determines root causes and contributing factors. Where the qualification of an individual is identified as an issue, the Company will take corrective action. The Company follows the NGA written plan, which does not require that only qualified individuals are performing covered tasks. Individuals may perform tasks for which they are not qualified if they are under the supervision of a qualified individual and working within the span of control prescribed for that task. O&R is in the process of migrating to Industrial Training Services, which will provide for easier access to qualifications while in the field.

Q. Does the Company agree with the SPSP recommendation that O&R’s plastic fusion remediation plan be funded with shareholder funds?

A. Because the Commission has already issued an order on May 18, 2018 in Case 14-G-0212 addressing this specific issue, Staff’s recommendation is moot.

Q. Does Staff make any recommendations regarding API RP 1173?

A. The SPSP recommends that O&R should implement all elements of API RP 1173. The Company has started to review the elements of API RP 1173 for our needs but as a “recommended practice”, it is not practical or prudent for Staff to recommend implementation of all elements at this time.

Q. Does Staff support the Company’s proposal to retain a consultant to assess the impacts of new regulations and/or compliance requirements on its natural gas system?

A. No, the SPSP states that while dedicated consulting support may provide an immediate impact, the long-term effects of having dedicated staff may have an even greater impact on O&R’s safety culture. As discussed above, the SGIOP stated that it was supportive of the inclusion of a reasonable cost estimate to perform this work in-house, if the Company proposes such in its rebuttal testimony.

Q. Does the Company agree with this recommendation?

A. The Company agrees in part. As noted previously, the Company has used consultants successfully in the past for review of its TIMP and DIMP. Since API RP 1173 has a potentially large overarching scope and impact on the Company, the use of a consultant will help develop a baseline assessment and then frame out a plan for implementation. The plan could likely include increasing internal staffing to maintain the focus on this effort and addresses Staff’s concerns. For the nominal amount requested in the SGIOP, the Company’s approach is the most practical and efficient way to proceed.

Q. From the SGPSP testimony on Renewable Natural Gas Interconnection Procedures, does the Company agree with Staff’s concern that any renewable natural gas (“RNG”) being considered for interconnection into the Company’s T&D system needs to be of adequate quality to ensure that there are no adverse effects to the Company’s T&D system or to customer end-use appliances?

A. Yes, the Company agrees with this concern. Gas quality is perhaps the most critical issue regarding the utilization of RNG. Without proper gas quality, RNG could potentially cause damage to the integrity of piping, fittings, and associated equipment on the O&R transmission and distribution systems, in addition to causing damage/compromised operation of customer-owned gas distribution equipment. It is vital that appropriate RNG quality standards are developed, implemented, and monitored for any potential RNG gas supply interconnections into the O&R gas system. It should be noted that each type of RNG (landfill gas, sewer treatment gas, processed animal waste gas, etc.) has its own set of unique gas quality issues, which may be very different from those of interstate pipelines.

Q. Does the Company agree with the SGPSP’s recommendation that it be required to evaluate its service territory to perform an inventory of landfills, water treatment facilities, and shut-in natural gas wells and then perform a benefit-cost analysis to determine the suitability of these as potential sources of gas supply?

A. No, the Company does not agree. The Company does not have expertise in the benefit-cost analysis of potential RNG projects. It is the Company’s understanding that the New York State Energy Research and Development Authority (“NYSERDA”) has been performing RNG economic analysis and might be better suited for this endeavor.

Q. Does the Company agree with Staff’s recommendation that it develop RNG interconnection standards to help facilitate any potential RNG development projects?

A. Yes, the Company agrees that it should develop RNG interconnection standards. The Company recognizes that RNG has the potential to provide an additional, albeit small, source of gas supply to the O&R gas system. The Company has demonstrated its interest in exploring RNG when we hosted the kickoff meeting and participated as a founding member of the NGA RNG Working Group in September 2016. Over the following year, the group met and corresponded on a number of occasions, with the end result being the development of the “Interconnect Guide for Renewable Natural Gas (RNG) in New York State.” It is our intention to use this document as a guide and we are in the process of benchmarking other utilities in order to develop O&R specific standards as a supplement to this guide.

Q. From the SGPSP testimony on Gas Research and Development Programs, does the Company agree with Staff’s recommendation that the Company should file a plan to spend the balance of the Gas Research and Development over-collections?

A. Yes. As was required under the current Gas Rate Plan, the Company filed a Gas R&D Plan in January 2016 to spend this balance and has been actively involved in a number of R&D initiatives since then, as noted in Staff testimony. It is the Company's intention to provide a Gas R&D Plan update to the Commission on spending the remaining Gas R&D balance.

Q. Does the Company agree with the SGPSP's recommendation that the Company should provide detailed quarterly Gas R&D updates to the Commission?

A. No, the Company does not agree with providing quarterly Gas R&D updates to the Commission. We believe that annual Gas R&D updates should be sufficient to provide the Commission with a status of the O&R Gas R&D program. Because of the cyclical nature of R&D projects, the number of individual projects, and the specific meeting and billing schedules of NYSEARCH and GTI/OTD, quarterly updates do not provide more meaningful information than annual updates.

Q. Does this conclude your rebuttal and update testimony?

A. Yes, it does.