



John Finnigan
Lead Attorney
128 Winding Brook Lane
Terrace Park, Ohio 45174
(513) 226-9558
jfinnigan@edf.org

September 13, 2016

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Cases 16-G-0058 and 16-G-0059 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of KeySpan Gas East Corp. d/b/a Brooklyn Union of L.I. and The Brooklyn Union Gas Company d/b/a The Companies NY for Gas Service

Dear Secretary Burgess:

Attached for filing in the above-referenced proceeding is the Environmental Defense Fund's *Statement in Support of the Joint Proposal*.

Very Truly Yours,

/s/ John Finnigan

John Finnigan

cc: ALJ David Van Ort
All Parties of Record

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission as to
the Rates, Charges, Rules and Regulations of
KeySpan Gas East Corp. d/b/a Brooklyn Union
of L.I. and The Brooklyn Union Gas Company
d/b/a The Companies NY for Gas Service**

**Cases 16-G-0058 and
16-G-0059**

**STATEMENT IN SUPPORT
OF THE JOINT PROPOSAL
BY ENVIRONMENTAL DEFENSE FUND**

Dated: September 13, 2016

TABLE OF CONTENTS

	Page
PRELIMINARY STATEMENT	4
OVERVIEW OF THE JOINT PROPOSAL	5
ARGUMENT	5
THE COMMISSION SHOULD ADOPT THE JOINT PROPOSAL WITHOUT MODIFICATION.....	5
CONCLUSION	7

PRELIMINARY STATEMENT

The Environmental Defense Fund (“EDF”) is a non-profit advocacy organization dedicated to resolving environmental problems using scientific and economic solutions. EDF’s interest in these cases is premised on an overarching goal of reducing methane emissions. EDF has been heavily engaged throughout the United States in reducing methane emissions stemming from distribution system pipeline leaks. In this case, EDF has sought to advance its objective of finding improved ways for gas utilities to cost-effectively and efficiently reduce methane emissions from their distribution systems.

The Companies operate two leak-prone natural gas distribution systems in New York - KeySpan Gas East Corporation d/b/a The Companies (“KEDLI”) and The Brooklyn Union Gas Company d/b/a The Companies NY (“KEDNY”, together with KEDLI, the “Companies”). EDF intervened to structure new methodological approaches to improve the Companies’ ongoing leak abatement efforts and its pipeline replacement program, which is aimed at reducing the levels of leak prone pipe (“LPP”) on their system. Specifically, EDF’s objective was to provide analysis and recommendations to ensure that the Companies operate their gas main replacement programs in a cost-effective and environmentally friendly manner, by replacing the leakiest pipes first after considering safety factors.

EDF hereby submits its Statement in Support of the Joint Proposal that was filed with the New York State Public Service Commission (“Commission”) on September 7, 2016, in these cases. EDF actively participated in the numerous rounds of settlement negotiations that led to the Joint Proposal. EDF is a signatory to, and strongly supports, the Joint Proposal that was negotiated and filed herein. For the reasons set forth below, EDF urges the Commission to adopt the Joint Proposal, without modification, in this proceeding.

OVERVIEW OF THE JOINT PROPOSAL

The Joint Proposal was executed, and is supported, by the Companies, the New York State Department of Public Service Staff (“Staff”), and all active parties in this case except for the Public Utility Law Project (“PULP”). The Joint Proposal governs the Companies’ provision of retail gas service for the three-year period from January 1, 2017 through December 31, 2019. The Joint Proposal provides for three years of gas delivery revenue and rate increases as follows:

KEDLI: RY1: \$112 million (m); RY2: \$19.6 m; and RY3: \$27 m.

KEDNY: RY1: \$272 m; RY2: \$41 m; and RY3: \$48.9 m.

The Joint Proposal contains numerous other provisions relating to the terms and conditions of the Companies’ retail gas service. EDF’s focus in the settlement negotiations was on structuring mechanisms to enhance the overall effectiveness of the Companies’ leak abatement efforts and LPP replacement programs. The Companies agreed to adopt certain procedures relating to their leak abatement efforts and LPP replacement programs, discussed in more detail below, which will significantly reduce the levels of LPP on their systems and help minimize leaks to the benefit of ratepayers, the environment and the efficiency of the gas distribution systems as a whole.

ARGUMENT

THE COMMISSION SHOULD ADOPT THE JOINT PROPOSAL WITHOUT MODIFICATION

The Joint Proposal is broadly supported by many parties with diverse interests. PULP is the only active party opposing the Joint Proposal. The Joint Proposal is in the public interest and should be adopted by the Commission, without modification, in this proceeding.

From EDF’s perspective, the most important provisions of the Joint Proposal relate to enhancements to the Companies’ leak abatement efforts, and the methodologies that the

Companies agreed to adopt in implementing their LPP replacement programs that will significantly reduce methane emissions from the Companies' systems in a cost-effective manner.

Under the Joint Proposal, KEDLI will remove 115, 135, and 155 miles of LPP in RY1, RY2, and RY3, respectively, and KEDNY will remove 55, 60, and 65 miles of LPP in RY1, RY2, and RY3, respectively. The Companies will use a risk ranking algorithm to prioritize portions of LPP for replacement. The Companies will consider methane emission flow rate data in addition to these risk assessments in order to prioritize their LPP replacement programs. The Companies will also consider leak flow rate data in prioritizing Type 3 leak repairs, and develop the means to quantify leak flow rate so that this data can be used to prioritize leak repair and pipe replacement programs on an ongoing basis. The Companies also agreed to work with EDF to develop methane leak pilot programs at no cost to ratepayers that are aimed at enhancing the efficiency and overall effectiveness of the ongoing leak abatement and pipe replacement efforts, and to report on the results of these programs in the Companies' next rate filings. These programs will produce significant benefits to ratepayers by reducing greater volumes of leaked gas per dollar spent on leak abatement and pipe replacement efforts, and additionally, will serve to maximize environmental benefits by lowering greenhouse gas emissions.

Natural gas leakage from gas distribution pipelines is widespread throughout the U.S. Methane, the principal component of natural gas, is a potent greenhouse gas that, pound for pound, traps 84 times more heat than carbon dioxide over the first 20 years it is released, and is therefore a significant contributor to climate change. Leaks vary widely in magnitude such that the larger leaks are often 10-fold to 100-fold larger than the smaller leaks, so that a relatively small number of large leaks are responsible for the majority of methane emissions and natural gas leaked from distribution systems. The best approach to replacing LPP is to triage the leaks, focusing repair and replacement efforts first on safety needs and then on the largest leaks or leakiest pipeline stretches, as appropriate.

Natural gas distribution utilities focus on safety considerations in replacing LPP, as they rightfully should. But utilities have not focused enough on replacing the leakiest pipes first, within the different categories of LPP targeted for replacement based on safety considerations. New technologies have recently emerged that would allow utilities to do so. These new advanced leak detection and quantification technologies enable the collection of leak flow rate data (*i.e.*, the volume of methane released per second from an individual leak) that can be spatially attributed to particular sections of infrastructure on a utility's gas distribution system. This allows utilities to identify and replace their leakiest pipes first, after considering safety factors, thereby maximizing leakage reduction per dollar expended on such efforts.

As part of a unique collaboration with Google Earth Outreach and Colorado State University, EDF has developed a methodological approach for the surveying of leaks from distribution pipelines, allowing for the relative frequency and size of leaks to be mapped. By combining such data on leak flow rate with data on the location and type of utility infrastructure, gas utilities can identify highly leaky sections of their infrastructure that can be prioritized for repair or replacement, after taking into account safety factors. Public Service Electric & Gas, New Jersey's largest utility, is already implementing this methodological approach by using leak flow rate data as a factor in sub-prioritizing a three year, \$905 million pipeline replacement program.¹

National Grid is one of the leading utilities in the country in considering the benefits of these new technologies and the scope for their integration into operations. National Grid and EDF previously worked together to map the frequency and relative size of methane leaks on National Grid's gas distribution systems in Boston and Staten Island. The Companies and EDF are now working together to develop pilot programs to develop spatially-attributed leak data for prioritizing LPP replacement and leak repairs in KEDLI and KEDNY's service areas. The Companies will implement these pilot programs during the three-year term of this rate plan and will report back to the Commission on the program results when the Companies seeks approval of their next rate plans.

¹ <http://www.state.nj.us/bpu/pdf/boardorders/2015/20151120/11-16-15-2F.pdf>

These pilot programs are intended to demonstrate a new, cost-effective method for utilities to achieve significant methane emission reductions by operating their pipe replacement programs more efficiently. This would not only save ratepayers money but would also significantly reduce greenhouse gas emissions, and more broadly, the Companies would advance the State of New York's greenhouse gas emission reduction goals.

CONCLUSION

For all the foregoing reasons, EDF urges the Commission to adopt the Joint Proposal, without modification, in this proceeding.

Respectfully submitted,

/s/ John Finnigan

John Finnigan
Lead Attorney
Environmental Defense Fund