

Before the
New York State Public Service Commission

In the Matter of

Case 16-G-0058 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of KeySpan Gas East Corp. dba Brooklyn Union of L.I. for Gas Service

Case 16-G-0059 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company dba National Grid NY for Gas Service

June 10, 2016

Prepared Rebuttal Testimony of:

Gas Infrastructure Panel:

John Gawronski
David Berger

On Behalf of:

The City of New York

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**
3 **ADDRESS.**

4 A. My name is John Gawronski. I am a consultant in natural gas, hazardous liquids,
5 steam pipeline systems infrastructure, security and safety. My business address is
6 9890 Spring Run Boulevard, Bonita Springs, Florida 34135.

7 A. My name is David Berger. I am a consultant on matters related to gas system
8 infrastructure, security, and safety and hazardous liquid pipelines. My business
9 address is 31 Buccaneer Lane, East Setauket, New York 11733.

10 **Q. HAVE YOU PREVIOUSLY PROVIDED DIRECT TESTIMONY IN**
11 **THESE CASES?**

12 A. Yes.

13 **Q. WHAT IS THE SUBJECT OF YOUR REBUTTAL TESTIMONY?**

14 A. We provide rebuttal to certain aspects of the Staff Gas Safety Panel (“SSP”)
15 Testimony and a comment on part of the Staff Gas Infrastructure and Operations
16 Panel (“SGIOP”).

17 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

18 A. Our rebuttal testimony is summarized as follows:

19 1. The SSP embraces the Companies’ risk assessment model for prioritizing the
20 replacement of leak prone pipe (“LPP”), without placing any additional

- 1 emphasis on replacing LPP in floodplains (SSP, pp. 13-14).¹ We believe this
2 is a mistake – LPP in the floodplains is the pipe that is most prone to failure and
3 should be replaced first.
- 4 2. The SSP also recommends a positive incentive for LPP replacement that
5 exceeds the annual minimum targets (SSP, p. 21). We disagree that any positive
6 incentive should be adopted. However, if a positive incentive for LPP
7 replacement is adopted, it should incorporate cost efficiency measures,
8 including the SGIOP’s recommended cost per foot caps for LPP replacement
9 (SGIOP, pp. 114-115), and be further measured by results (*e.g.* effective
10 replacement of LPP, as demonstrated by reduced leak rates and expedited
11 replacement in the floodplains).
- 12 3. The City has some concerns with the Staff Gas Rates Panel (“SGRP”)
13 recommendation that the Companies provide a proposal in their rebuttal
14 testimony to convert S.C.1-A customers who have inside meters to master-
15 metered accounts.

¹ As noted in our direct testimony, (Direct, pp. 14-15), the City’s definition of current and future floodplains is fully explained in the Testimony of City witness Susanne DesRoches.

1 **LPP REPLACEMENT IN THE FLOODPLAINS**

2 **Q. WHAT IS STAFF'S POSITION ON LPP REPLACEMENT?**

3 A. The SSP supports a more aggressive LPP replacement program and recommends
4 minimum removal targets of 55, 60 and 65 miles for KEDNY in 2017-2019, and 115, 135
5 and 155 miles for KEDLI during those same years (SSP, p. 19). Staff also recommends
6 that the Companies rely on their risk assessment models to prioritize areas where LPP is
7 most at risk (SSP, pp. 21-22).

8 **Q. IS THE STAFF RECOMMENDATION ACCEPTABLE?**

9 A. Not entirely. While we agree with the annual minimum targets for LPP removal
10 and agree that the risk assessment model should be utilized, the SSP testimony does not
11 even mention the additional risk of LPP in floodplains due to WOF (weather-related and
12 outside forces) factors. As we stated in our direct testimony, LPP in floodplains presents
13 an additional risk of failure and associated dangers (KEDNY Direct, pp. 19-22; KEDLI
14 Direct, pp. 21-22). For example, 45 miles of the 55 miles of LPP located in the KEDNY
15 flood zone is cast iron or non-protected steel that operates at low pressure, which makes it
16 very vulnerable to water intrusion during flooding. Because of this additional risk, the
17 removal of LPP in current and future floodplains should be expedited.

18 **Q. PLEASE CONTINUE.**

19 A. By accepting the Companies' LPP proposals, Staff implicitly accepts their 20 year
20 plan for LPP replacement in floodplains. We disagree with that proposition. As we
21 explained in our direct testimony, the Companies' replacement model does not adequately

1 increase the priorities for the replacement of mains located in the floodplain. Although we
2 do not have the data necessary to re-run the prioritization model, it is our belief that, upon
3 properly reflecting the additional risks, the replacement period for LPP in floodplains
4 would be decreased, perhaps significantly. Because of the increased risk of water intrusion
5 in the floodplains, we recommend that LPP replacement in the floodplains should be
6 completed in not more than 10 years. For KEDNY, this means an average of 5.5 miles of
7 LPP in floodplains would need to be replaced each year (KEDNY Direct, p. 27); for
8 KEDLI, the average annual replacement rate in the Rockaway floodplains would be 2.7
9 miles (KEDLI Direct, pp. 22-23). The LPP replaced in the floodplains would be counted
10 as part of the annual minimum removal targets recommended by the SSP.

11 **Q. IS YOUR RECOMMENDATION TO PRIORITIZE LPP IN THE**
12 **FLOODPLAIN CONSISTENT WITH THE TREATMENT OF LPP IN OTHER**
13 **UTILITY SERVICE TERRITORIES?**

14 A. Yes. Con Edison's Post Sandy Enhancement Plan, dated June 20, 2013, explains
15 on pages 50-51 Con Edison's determination to develop a LPP replacement program
16 following Superstorm Sandy that prioritized LPP in flood-prone areas due to the additional
17 risk posed by flooding to leak-prone low-pressure systems. As a result, Con Edison
18 prioritized LPP replacement in flood-prone areas so that all such LPP would be replaced

1 in 12 years – well ahead of the 20-year schedule Con Edison has for all LPP.² The
2 prioritization of LPP removal in the floodplain in another utility service territory supports
3 our recommendation for the Companies to prioritize and replace LPP in the floodplain
4 within 10 years.

5 **POSITIVE INCENTIVE MECHANISM FOR LPP REPLACEMENT**

6 **Q. WHAT IS THE SSP'S POSITION ON INCENTIVES FOR LPP**
7 **REPLACEMENT?**

8 A. The SSP recommends negative and positive incentive mechanisms for LPP
9 replacement. The incentive mechanisms provide the Companies with the option to choose
10 either annual or cumulative (three year) measurement periods.

11 **Q. DO YOU AGREE WITH THE SSP INCENTIVE PROPOSALS?**

12 A. We agree that there should be a negative adjustment mechanism if the Companies
13 fail to achieve, at their option, either the annual or three year cumulative removal targets.
14 We are opposed to a positive adjustment mechanism for LPP replacement.

15 **Q. PLEASE EXPLAIN YOUR OPPOSITION TO A POSITIVE ADJUSTMENT**
16 **MECHANISM.**

² We filed testimony on behalf of the City in the current Con Edison gas rate case recommending that replacement of LPP in the floodplain be accelerated further so that Con Edison replaces all such pipe in no more than 10 years, consistent with our recommendation in these cases. *See* Case 16-G-0061, In the Matter of Consolidated Edison Company of New York, Inc., Prepared Direct Testimony of New York City Gas Infrastructure Panel (filed May 27, 2016) at 16-17.

1 A. As we stated in our prefiled direct testimony, the Companies should not be
2 rewarded for doing what they should be doing anyway – providing safe, reliable service.
3 Moreover, the Companies already have an incentive to increase the pace of LPP
4 replacement in that the expenditures associated with the program are added to rate base,
5 and the Companies earn a return thereon. In this regard, it is worth noting that the Staff
6 Gas Rates Panel (“SGRP”) is supportive of the Companies’ proposed Gas Safety and
7 reliability Surcharge, which means that they will be able to recover a return on investment
8 and all expenses associated with the cost of LPP replacement that exceeds what is in base
9 rates (SGRP, pp. 72-73). Finally, we are informed by counsel that Staff’s revenue
10 requirement in these cases yields increased base rates for KEDNY’s and KEDLI’s firm
11 customers of 37.2 and 21.6 percent, respectively. In this context, it is particularly difficult
12 to understand why the Companies need to have positive rewards offered to them for
13 providing a safer system.

14 **Q. IF THE COMMISSION ADOPTS A POSITIVE INCENTIVE**
15 **MECHANISM, WHAT CHANGES SHOULD BE ADOPTED?**

16 A. As we noted in our direct testimony, the Companies should not be given a blank
17 check to earn reward points under a positive LPP replacement incentive mechanism
18 (KEDNY Direct p. 44; KEDLI Direct, p. 46). Accordingly, in addition to creating
19 performance criteria that reward the Companies for exceeding the LPP removal targets
20 inside and outside the floodplains, the rewards should also be dependent on the cost-
21 efficiency of the effort. For example, the mechanism should incorporate cost efficiency

1 measures, including the SGIOP's recommended cost per foot caps for LPP replacement
2 (SGIOP, pp. 114-115), and be further measured by results such as effective replacement of
3 LPP, as demonstrated by reduced leak rates, and expedited replacement of LPP in the
4 floodplains. We provide a number of recommended criteria to measure cost efficiency in
5 our direct testimony (KEDNY Direct, pp. 35-38; KEDLI Direct, pp. 35-40).

6 **Q. CAN YOU COMMENT ON THE SGIOP UNIT COST CAP FOR LPP**
7 **REPLACEMENT?**

8 A. Yes. The SGIOP recommends that the Commission should adopt unit cost per foot
9 caps for LPP replacement effort as a means of controlling costs and limiting customer
10 impacts (SGIOP pp. 114-115). However, the SSP does not explicitly adopt the SGIOP unit
11 cost per foot caps in its testimony addressing the positive incentive mechanism for LPP
12 replacement. We recommend that, to the extent that the SSP's recommendation for a
13 positive LPP replacement incentive is adopted, the performance criteria should include
14 measurements of cost efficiency, including the SGIOP unit cost per foot figures.

15 **RESIDENTIAL NON-HEAT METERING**

16 **Q. WHAT IS THE SGRP PROPOSAL?**

17 A. The SGRP recommends that the Companies develop proposals for the conversion
18 of residential non-heat customers that have separate interior gas meters to master meters
19 owned by the building owners, who then would charge the tenants for gas usage as part of
20 their rent.

21 **Q. WHAT IS THE SGRP'S MOTIVATION?**

1 A. Based on its testimony, it appears that the Panels' motivation is to reduce the
2 Companies cost of reading and inspecting meters, and thereby reduce customers' bills.

3 **Q. WHAT ARE THE CITY'S CONCERNS?**

4 A. First, the City respects the SGRP's goal of reducing customer bills. However, it is
5 concerned with developing a program that would move customers away from individual
6 meters and separate bills, which provide important usage information that encourages
7 conservation. Indeed, the program suggested by the SGRP is likely to discourage
8 conservation at a time when the Commission is trying to encourage energy efficiency. We
9 believe that before any such program is adopted, the negative impact on energy
10 conservation must be addressed.

11 **Q. DO YOU HAVE ANY OTHER CONCERNS?**

12 A. Yes. The SGRP proposal would shift the responsibility for gas billing to the
13 landlord, and the utility and the Commission would lose control over how these gas
14 customers are billed for gas usage. Thus, in addition to discouraging conservation, the
15 SGRP proposal opens the door to potential overbilling or even gouging of gas customers
16 by landlords. Again, before any program is adopted, the potential for overbilling for gas
17 usage by unscrupulous building owners should be resolved to the Commission's
18 satisfaction.

19 **Q. DO YOU HAVE ANY FINAL COMMENT?**

20 A. Yes. The SGRP suggests that the Companies should receive a positive incentive for
21 converting customers to master-metered accounts. Assuming for purposes of argument

1 that, after further consideration, a conversion program is adopted, for the reasons set forth
2 above and in our direct testimony we do not support a positive incentive for these
3 conversions.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes, it does.