BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Corning Natural Gas Corporation
Case 16-G-0369
October 2016

Prepared Testimony of:
Staff Gas Safety Panel

William D. Wade
Utility Supervisor

Brett T. Mahan
Utility Engineer 3

Valerica Oreifej
Utility Engineer 2

Office of Electric, Gas, & Water
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350
Panel Credentials

Q. Members of the Panel, please state your names, employer, and business addresses.

A. William D. Wade, Brett T. Mahan and Valerica Oreifej. Our business address is Three Empire State Plaza, Albany, New York 12223, respectively.

Q. Mr. Wade, what is your position at the Department?

A. I am employed by the New York State Department of Public Service as a Utility Supervisor in the Pipeline Safety Section of the Office of Electric, Gas, & Water.

Q. Please state your educational background and professional experience.

A. I graduated summa cum laude from Union College, Schenectady, New York with a Bachelor of Science degree in Civil Engineering in 1979. I also received a Master of Engineering degree from Union College in 1983 and a Bachelor of Arts degree in Secondary Education from Trinity College, Burlington, Vermont, in 1990. I joined the Department of Public Service in 2003, coming from the New York Department of Transportation
where I held a civil engineering position. My professional experience includes twenty-six years in engineering, seven and a half years in business, and three and a half years in education. My engineering experience includes project, facilities, process, and quality engineering positions with General Electric and IBM. My business experience was with MKW Enterprise Incorporated, a specialty valve supply company that I co-founded in 1992 and was sold in 1999. At MKW, I oversaw the day to day operations and was responsible for the company's finances and accounting. My educational experience involved teaching mathematics and engineering to students at both the high school and college level.

Q. Please describe your duties with the Department of Public Service.

A. My duties with the Department of Public Service have been the analysis of various regulatory concerns, including rate design, the forecast of gas delivery volumes and revenues, depreciation rates, rate base, capital budgets, operation and maintenance expenses, unbundling, revenue
decoupling, and energy efficiency. Currently I supervise two groups of engineers who audit pipeline operators for compliance with applicable state and federal codes to ensure pipeline safety.

Q. Have you testified before the Commission in other proceedings?
A. Yes. I provided testimony with respect to rate design, sales and revenue forecasts, depreciation rates, and rate unbundling in Cases 03-G-1671, 04-G-1047, 05-G-0935, 05-G-1494, 06-G-1332, 07-G-0141, 08-E-0539, 08-G-1398, and 09-G-0795, and 10-E-0362.

Q. Mr. Mahan, by whom are you employed and in what capacity?
A. I am employed by the Department of Public Service as a Utility Engineer in the Pipeline Safety Section of the Office of Electric, Gas, & Water.

Q. Please summarize your education and work experience.
A. I graduated from Clarkson University in 1998 with a Bachelor’s degree in Civil Engineering. I have been employed by the Department of Public
Service since March 2004. I have an extensive knowledge of the Federal and State gas safety pipeline codes and the operations of the major gas utilities in New York State. My duties include supervising the field staff in the Syracuse office, reviewing proposed pipeline designs, reviewing proposed updates to utility operations and maintenance procedures, and reviewing proposed changes to Federal and State gas pipeline safety codes. In addition, I perform record and field audits of local distribution companies (LDCs) and interstate pipelines to ensure compliance with Federal and State gas pipeline regulations. I also inspect construction activities at LDCs and interstate pipelines to ensure compliance with Federal and State regulations. I have also participated in a job rotation program in the Gas Policy Section, where I participated in the review of utility winter gas supply planning.

Q. Have you previously testified before the Commission?

A. Yes. I have testified as part of the Gas Safety Panel in the following rate cases: Corning
Q. Ms. Oreifej, what is your position at the Department?
A. I am employed by the Department of Public Service as a Utility Engineer 2, in the Pipeline Safety Section of the Office of Electric, Gas, & Water.

Q. Please summarize your education and work experience.
A. I graduated from Polytechnic Institute “Traian Vuia” Timisoara, Romania in 1988 with a Master’s Degree in Civil Engineering. After my graduation I worked as a Hydraulic Engineer with The Execution and Utilization of Works in Land Reclamation Agency in Timisoara, Romania. In
1998 I was promoted to the Agency of State Domains as a Transaction Inspector for the Western Region of Romania, in which capacity I oversaw and authorized operations encompassing transactions/transfers of holdings, properties, facilities and lands under state’s ownership to the private sector. I joined the Department in November 2001. During my employment with the Department I have been responsible for reviewing and analyzing various rate and regulatory issues such as electric, gas and water utility applications for rate increases, which include the review of historic operating and maintenance expenses, capital projects, depreciation schedules, additions and retirements to utility plant in service, reviewing sales forecast and revenue reconciliations. I have also conducted field inspections of water companies to assure equitable rates and adequate service, reviewing surcharge petitions, transfers, abandonments and other various tariff filings. I joined the Pipeline Safety Section in May 2014. My current duties include reviewing proposed revisions to gas utility operations and maintenance
procedures, reviewing proposed changes to
Federal and State gas safety pipeline codes,
enforcement of probable violations relating to
16 NYCRR Part 753, and confirming compliance
with safety-related Commission orders.

Q. Have you previously testified before the
Commission?

A. Yes. I have testified before the Commission in
numerous proceedings related to electric, gas,
steam, and water utilities. The most recent
cases in which I testified are: United Water New
Rochelle, Inc. and United Water Westchester,
Inc., Cases 13-W-0539, 13-W-0564 and 14-W-0006,
Consolidated Edison Company of New York, Inc.,
(Con Edison or the Company) Cases 13-E-0030,
13-G-0031, and 13-S-0032, New York State
Electric and Gas Corporation and Rochester and
Gas Electric Corporation, Cases 15-G-0284 and
15-G-0286, St. Lawrence Gas Company, Inc.
Case 15-G-0382, and Con Edison, Case 16-G-0061.

Scope of Testimony

Q. Panel, what is the purpose of your testimony?

A. The purpose of our testimony is to address
Corning Natural Gas Corporation’s (Corning) safety performance measures in the areas of infrastructure enhancement, leak management, damage prevention, emergency response, and violations of the pipeline safety regulations, the Company’s proposed additional gas operations positions, Fire Department First Responders training program and Corning’s compliance with Commission Order in Case 11-G-0280 relating to its annual reporting requirements on leakage survey performed on its 1950s vintage pipe, residential methane detection program and positive revenue adjustments.

Q. Is the Panel presenting any Exhibits?
A. Yes. We are presenting two Exhibits.

Q. Would you please describe the Exhibits?
A. Exhibit __ (GSP-1) includes the Company’s responses to Staff interrogatory requests (IRs). Exhibit __ (GSP-2) details the requirements of 16 NYCRR Parts 255 and 261 that identifies risks into high and other risk categories.

Q. What is the purpose of gas safety performance measures?
A. The performance measures help to ensure that
Local Distribution Companies (LDCs) maintain their focus on important safety areas and to ensure service reliability. The performance measures for each LDC are derived from the Company’s actual historic performance levels, our knowledge of the Company, and our experience with other LDCs across the state.

Q. What gas safety performance measures does Corning currently have in place?

A. Currently, Corning has infrastructure enhancement, damage prevention, emergency response, leak management, and violation performance measures.

Q. Is the data used for these measures reported by the Department to the Commission?

A. The Infrastructure Enhancement or Leak Prone Pipe Replacement metric is tracked by Staff but not formally reported to the Commission. However, the other four metrics are presented by the Pipeline Safety Section of the Office of Electric, Gas and Water in the Gas Safety Performance Measures Report annually to the Commission.

Q. Please describe the Department’s Gas Safety
Performance Measures Report.

A. The Gas Safety Performance Measures Report summarizes data and analyzes performance in four areas of gas safety: Damage Prevention, Emergency Response Times, Leak Management, and Violations. It also contains data from subsets of those areas, resulting in a more thorough analysis, and is used as a tool to track, monitor, and identify LDCs’ performances in areas widely considered high-risk. When an LDC’s performance varies notably from the statewide performance in a particular performance area, that LDC is recommended to institute incremental changes to improve performance. The most recent report can be obtained on the Commission website under Case 16-G-0254 - In the Matter of Staff's Analysis of Local Distribution Company Performance related to the Gas Safety Measures.

Infrastructure Enhancement

A. Leak Prone Pipe

Q. What is meant by infrastructure enhancement?

A. By infrastructure enhancement, in this testimony
we mean the Company’s efforts to remove leak
prone pipe (LPP).

Q. What is LPP?
A. Generally, LPP is pipe constructed of steel that
is unprotected, cast iron, wrought iron, or some
vintages of plastic that can become brittle in
time. According to the response to IR DPS-236,
Corning’s population of leak prone pipe consists
of bare unprotected, bare protected and coated
unprotected steel pipe.

Q. What is meant by the term unprotected?
A. For the purpose of this measure, unprotected
means that the pipe lacks adequate cathodic
protection, which renders it susceptible to
corrosion. Corrosion is an electrochemical
process requiring the presence of four
conditions or elements: an anode, a cathode, a
metallic connection between the anode and the
cathode, and an electrolyte. The anode is where
the oxidation reaction occurs, while the cathode
is where the reduction reaction occurs. In a
reduction reaction, electrons are gained by an
atom or molecule, and there is an increase in
negative charge. In the process of corrosion,
the metal loses its bonding electron causing a metal particle to fall off the pipe surface. Cathodic protection is a method by which steel pipelines are protected from corrosion by making the surface a cathode. Unprotected pipe often has no surface coating or inadequate coating, rendering efforts to cathodically protect the pipe ineffective and uneconomical. Such unprotected pipe is also commonly referred to as bare steel pipe.

Q. How does the LPP removal program add to the safety of the gas system?
A. Leaks on underground piping can create safety risks to the public and can potentially lead to gas-related incidents. Leak prone pipes generally leak at a higher rate than coated and cathodically protected steel or plastic pipes. The removal of LPP reduces these safety risks.

Q. Explain the importance of removing unprotected or bare steel pipe.
A. Data collected by the Department of Transportation, Office of Pipeline Safety, shows that corrosion is one of the leading causes of leakage and that bare steel pipe is most
susceptible to corrosion. This information is publicly available on the Department of Transportation, Pipeline and Hazardous Materials and Safety Administration’s (PHMSA) website at https://primis.phmsa.dot.gov/comm/FactSheets/FS Corrosion.htm. Unprotected or bare steel pipe are more prone to leakage because they are more susceptible to corrosion. Removal of these pipes reduces risks associated with leakage.

Q. What are other benefits associated with removing LPP?

A. The removal of LPP should drive down the number of active leaks, lead to a decline in leakage rates on the distribution system, and reduce overtime and operating and maintenance costs associated with responding to leak calls and monitoring leaks.

Q. Please describe the LPP removal safety performance measure.

A. This component serves to ensure that Corning continues to proactively remove this type of pipe from operation. It encourages the Company to proactively remove LPP beyond the level of pipe it would otherwise replace to meet the
requirements of the Commission’s pipeline safety regulations found in 16 NYCRR Part 255. The LPP removal safety metric also encourages the Company to remove pipe resulting from customer complaints or as a result of municipal or state construction projects that interfere with existing infrastructure.

Q. How does Corning currently prioritize the removal of LPP?

A. According to the response to IR DPS-227, the Company ranks segments of steel pipe based on leak history, material, population density, facility cover, operational issues, prior enhancements and municipal requirements. Each year the engineering department reviews the reports, related corrosion data and excavation reports and then determines what segments will be replaced. In most cases, the segments are grouped by neighborhood, streets or sub-developments.

Q. Do all gas utilities in New York State use the same model?

A. No. Each utility has unique characteristics and geography that must be considered with varying
Q. Does the Panel have any recommendation regarding Corning’s prioritization model for its LPP replacement?

A. Yes. We recommend that Corning include in its risk ranking model the entire pool of leak prone services to be replaced.

Q. What are Corning’s current minimum rate case targets for LPP?

A. Corning’s current minimum LPP targets are 8.6 miles in calendar year (CY) 2015, 8.6 miles in CY 2016 and 33 miles for the period 2015-2017. Beginning 2018 and thereafter the LPP targets that were approved by the Commission and agreed upon by the Company and other parties in Extension Case 11-G-0280 will increase to 10.6 miles per calendar year.

Q. For the period 2013 through 2015, how many miles of LPP on average has Corning removed?

A. According to the response to IR DPS-215, Corning has replaced 11 miles of pipe on average for the previous three years, with 11.20 miles, 10.60 miles, and 11.40 miles of leak prone pipe.
replaced in CYs 2013, 2014, and 2015, respectively.

Q. Does the Company propose any changes to the current metric and the associated negative revenue adjustments (NRAs)?

A. The Company did not propose any changes to the current metric and the associated NRAs.

Q. Does the Panel have any recommendation with regard to the current LPP target?

A. We recommend that the Company continue with the approved targets of 10.6 miles per each calendar year of 2018, 2019, and 2020, respectively.

Q. At the proposed removal rate, how long will it take the Company to replace all of its leak prone mains?

A. According to the response to IR DPS-215, there are approximately 113 miles of remaining leak prone main within Corning’s system to be replaced. At this removal rate, Corning should be able to replace all of its leak prone mains in approximately ten years. We also recommend that if Corning is not able to replace all LPP as forecasted over a 10-year period, the Company should file a petition prior to December 31,
2025 explaining how many miles it replaced each year, the cost associated with these replacements, and the number of remaining miles to be replaced.

Q. Is there a NRA associated with the LPP target?  
A. Yes. The Company would incur a NRA of six pre-tax basis points, if it fails to meet this target.

B. Leak Prone Services

Q. What are Corning’s current minimum rate case targets for leak prone services (LPS)?  
A. Corning’s current minimum rate case targets for LPS are 325 in CY 2015, 325 in CY 2016, and 1125 LPS replacements for the period 2015 through 2017, and 375 LPS replacements in CY 2018 and beyond.

Q. Is there a NRA associated with the LPS target?  
A. Yes. The Company would incur a NRA of two pre-tax basis points if it fails to meet this target.

Q. Did the Company propose any changes to the LPS target and the associated NRA?  
A. The Company did not propose any changes to the
Q. What is the Company’s current performance?
A. According to the PHMSA annual report, the Company replaced 631 services in 2015.

Q. How many remaining LPS are currently in the Corning system?
A. According to the response to IR DPS-215, there are 3029 remaining LPS within the Corning system, 1710 of which are bare unprotected, 27 coated unprotected, and 1292 unknown or other services.

Q. Does the Panel have any recommendation with regard to the leak prone services?
A. Yes. We recommend the removal of the LPS replacement metric with the expectation that an approximate reduction of 30% (or 900) of remaining services associated with leak prone main replacement to be reported in PHMSA CY 2018 report. Also, the Company estimates that it would replace approximately 300 of its LPS per year. These replacements should occur concurrent with the main replacement efforts.

Q. What does the Panel recommend with regard to the associated NRA for failure to meet the LPP
target?
A. We recommend adding the NRA of two pre-tax basis points of LPS to the current NRA of six pre-tax basis points of total LPP target. The total NRA for LPP and LPS combined in any one year is eight pre-tax basis points owed to customers.

Q. Will the targets and the NRA expire after the Rate Year?
A. No. The LPP targets and associated NRA should remain in effect until changed by the Commission.

**Damage Prevention**

Q. What does the Panel mean by Damage Prevention?
A. All LDCs, including Corning, respond to and perform repairs caused by excavation damages to their underground facilities. Any damage to a pipeline can result in the uncontrollable release of natural gas and could potentially lead to an incident. Damage prevention refers to the Company’s ability to prevent damages to their systems.

Q. Please describe the performance measures related to the prevention of excavation damage.
A. In order to encourage the Company to continuously strive to improve their performance, targets for damage prevention that are within the Company’s control have been established in rate case proceedings to measure and accelerate the Company’s progress in minimizing damages to their underground pipeline facilities. Damages within the Company’s control include those caused by Company mismarks, damages caused by the Company and Company contractors, and total damages per 1,000 one-call tickets.

Q. What is a one-call ticket?

A. The Commission’s pipeline safety regulations contained in 16 NYCRR Part 753 - Protection of Underground Facilities, require excavators to make a toll-free call to a one-call notification system and provide notice of their intent to perform excavation work. The Dig Safely New York one-call notification systems cover Corning’s service territory. The one-call notification systems collect pertinent information from the excavator and transmit it to the member utilities, including LDCs that may
be affected by the excavation work. These utilities then mark the location of their affected facilities so the excavator can take precautions to avoid damaging them. Each incoming call to the One Call Centers will generate outgoing notices to the member utilities such as the gas, electric, telephone, cable, water, and sewer companies. A notice received by the utility is referred to as a one-call ticket.

Q. What is a mismark?

A. A mismark occurs when an LDC fails to accurately mark the location of its underground facilities in response to the one-call ticket. Consistent with the requirements of 16 NYCRR Part 753 and for the purpose of this performance measure, a mismark is considered any instance where the markings are off by more than two feet. It also includes any instances where the utility fails to mark its facilities in response to a properly served one-call ticket.

Q. What damages are considered damages by the Company and Company contractors?

A. These are damages caused by Company personnel or
Q. Are there any other categories of damages?

A. Yes. Third-party excavator error damages are historically the largest component of total damages, partially because of the effort needed to educate third-party contractors in safe and best excavation practices. Most excavators are well aware of the existence of the one-call system and the requirement to notify it of planned excavation work. Many excavators are not as well versed in the additional requirements such as tolerance zones and verifying locations of underground facilities with hand-dug test holes, maintaining the marks throughout the full work period, maintaining clearances when using powered equipment, et cetera. There is no target specifically for third-party excavator damages. However, third-party excavator damage is a major component of the total damage category; therefore, the Company should seek to minimize these damages.

Q. How does prevention of excavation damage benefit public safety?
A. Damages often cause interruptions of service to customers, building evacuations, and road closures. Explosions and fires are less frequent, but have occurred. Fatalities and injuries due to excavation damages are also a possibility. Therefore, reducing these types of damages improves public safety.

Q. What is the Company’s historical performance as it relates to damage prevention?

A. Based on the Company’s reported figures for the period 2011 through 2015, the Company averaged, per 1,000 one-call tickets, 0.22 damages due to mismarks, 0.13 damages due to Company and Company contractors, and 2.70 total damages. In 2015, Corning performed at the following levels: 0.00 for damages due to mismarks; 0.19 for damages due to Company and Company contractors; and 0.77 for total damages per 1,000 one-call tickets. The Company’s historical performance is documented in the most recent Gas Safety Performance Measures Report, filed on June 21, 2016 in Case 16-G-0254.

Q. What was the statewide performance level for damages due to mismarks, damages due to the
Company and Company contractors, and total damages per 1,000 one-call tickets in 2015?

A. In 2015, the statewide performance level was, per 1,000 one-call tickets, 0.42 damages due to mismarks, 0.09 damages due to Company and Company contractors, and 1.87 total damages.

Q. How has the Company performed in comparison to the statewide performance?

A. The five year average, 2011 through 2015, shows that in the areas of damages due to mismarks, Corning outperforms the statewide level; however, Corning underperformed in comparison to 2015 statewide levels for the Company and Company contractors and Corning overall damages metrics.

Q. Has Corning proposed to update or change its damage prevention targets and the associated NRAs?

A. Corning did not propose any changes to the damage prevention targets and the associated NRAs.

Q. What does the Panel recommend with regard to the damage prevention targets?

A. We recommend that Corning be required to
maintain 0.26 for damages due to mismarks, 0.20 for damages due to Company and Company contractors, and 1.87 for the total damages. In recognition of the Company’s current performance as it relates to the total damage area, we recommend that a three year approach be implemented to allow the Company to progressively work towards this level. The targeted levels we recommend for the total damage area are as follows: 2.3 in 2018, 2.1 in 2019, and 1.87 in 2020, respectively. The Company’s reporting of its performance on these measures should be in compliance with that of the aforementioned December 2015 Gas Safety guidance.

Q. Please explain how the Panel derived these targets.

A. Corning’s three year average, 2013 through 2015, of total damages is 2.3. As indicated earlier, although there is no target specifically for third-party excavator damages, the third-party excavator damage is a major component of the total damage category. The 2013, 2014, and 2015 data shows that the total number of damages due
to excavator errors has decreased by approximately 75% compared to the total number of damages due to excavator errors in 2011; thus reducing the total damages level to 1.89 and 0.77 in 2014 and 2015, respectively. Therefore, we believe setting the target at the 2015 statewide average of 1.87 would encourage the company to continue minimizing all damages, including the third-party excavator and mismatch damages.

Q. Are damages due to mismarks and Company and Company contractors within the control of the Company?
A. Yes.

Q. Are total damages within the control of the Company?
A. Not entirely. Specifically, damages caused by excavator failure to notify the one-call notification center, sometimes referred to as no-calls, and/or unsafe excavation practices are not totally within the control of the Company. However, the Company can minimize these damages by influencing excavator activity through outreach and education efforts, by continuing to
bill excavators for repair costs when the
excavator is at fault, and by referring problem
contractors to Department Staff for enforcement
purposes. In addition, current regulations
require that where the operator has reason to
believe damage could be done by the excavation
activities, the pipeline must be inspected as
frequently as necessary during and after the
activities to verify the integrity of the
pipeline.

Q. Are damages due to no-calls a component of the
overall damage measures?

A. Yes. Damages due to no-calls are simply
instances where the excavator fails to provide
notice of intent to excavate to the one-call
notification system, and thus, no one-call
ticket is generated. Such instances are part of
the total damages measure and provide an
indication of the general level of awareness
excavators have about the one-call notification
system.

Q. How does Staff assist utilities in meeting
damage prevention requirements?

A. Department Staff has been conducting an
enforcement program involving the collection of penalties for violations of the Commission’s damage prevention regulations for approximately 18 years. In 2007, this program was expanded by having gas LDCs report all instances of damage due to no-calls. Damages due to no-calls are the most straightforward violations of 16 NYCRR Part 753 to enforce. LDCs participation takes little effort and the result is more effective enforcement and eventual lower damage rates to underground pipeline facilities. This joint effort has led to an overall decline in damages in the State due to no-calls over the years, as explained in the most recent Gas Safety Performance Measures Report.

Q. Do the recommended targets for total damages per 1,000 one-call tickets include damages due to mismarks and due to Company and Company contractors?
A. Yes.

Q. Why does the Panel recommend including these categories in total damages, even though they have separate measures?
A. If it appears that damages due to mismarks and
Company and Company contractors will not be met in a given year, the Company will still have an incentive to maintain such damages as low as possible because of this combined total damages metric.

Q. Does the Panel recommend any changes to the associated NRA for failure to achieve these targets?

A. Yes. We recommend that the total NRA of 18 pre-tax basis points be maintained should the Company fail to achieve the recommended damage prevention targets. The breakdown should be as follows: four pre-tax basis points for total damages, seven pre-tax basis points for damages due to mismarks, and seven pre-tax basis points for damages due to Company and Company contractors.

Q. Should the NRA expire?

A. No. The damage prevention targets and the associated NRA should remain in effect until changed by the Commission.
Q. Please describe the emergency response performance measure applicable to Corning and other LDCs in the state.

A. This measure evaluates the Company’s response time to gas leak, odor and emergency calls generated by the public and non-Company personnel. Each gas LDC is required by the gas safety regulations to provide a monthly report of the total number of calls received, along with the associated response times in fifteen minute intervals during normal business hours, weekdays outside of normal business hours, weekends, and holidays. Statewide standards for the emergency response performance measures have been jointly established by Staff and LDCs within individual rate cases as follows: respond to 75% of all gas leak and odor calls within 30 minutes; respond to 90% of all gas leak and odor calls within 45 minutes; and respond to 95% of all gas leak and odor calls within 60 minutes.

Q. What is the significance of the emergency response performance measure?

A. Leaks on inside piping, improperly operated or
installed appliances, and gas migration into a building from leaks on outside buried piping present risks to the general public. The LDCs recognize this and dispatch personnel in response to calls reporting suspected gas leaks or odors on a priority basis. The LDCs are required to maintain a log of such calls and track the elapsed time between dispatching and arrival time of qualified service personnel responding to the scene. As the LDC’s response time lengthens, there is an increased potential of a serious incident or safety threat to the general public. Therefore, it is important that LDCs minimize their response times for responding to gas leaks or odors calls.

Q. What are the standards currently applicable to Corning?

A. Corning must respond to 75%, 90%, and 95% of all gas leak and odor calls within 30, 45, and 60 minutes, respectively.

Q. How does this compare with the standards applicable to other LDCs in the state?

A. Corning’s standards for the emergency response time metric are the same as other LDCs in New
Q. What is the Company’s historical performance associated with emergency response efforts?
A. The Company has met all the emergency response targets.

Q. Has the Company proposed any changes to its current emergency response time targets?
A. The Company did not propose any changes to its current targets.

Q. Does the Panel recommend making any changes to the current targets?
A. No. However, the Company’s reporting of its performance on these measures should be in compliance with the most recent Gas Safety guidance, letter dated December 11, 2015, issued by the Deputy Director of the Office of Electric, Gas, and Water.

Q. Is there a NRA associated with these targets?
A. Yes. Failure to meet the 30, 45, and 60 minute targets results in a NRA owed to the customers of six, four, and two pre-tax basis points, respectively.

Q. Does the Company propose modifying the basis points associated with the NRA?
Q. Does the Panel recommend any changes to the current basis points associated with the NRA?
A. No. For consistency with other utilities in the state we recommend that the existing NRA continue at the current level. Additionally, since the Company has met all the emergency response targets we believe the current targets and associated negative adjustments as currently structured to be effective.

Q. How long should this measure and the associated NRA remain in place?
A. The emergency response metric and associated NRA should remain in effect until changed by the Commission.

**Leak Management**

Q. What does the Panel mean by the term leak management?
A. Leak management refers to the Company’s ability to monitor and repair existing leaks on its natural gas system.

Q. Does Corning currently have safety related targets for leak management?
A. Yes. Corning currently has both total and repairable leak backlog targets.

Q. What is the difference between the total and repairable leak management targets?

A. Total leak management targets include Type 1, Type 2A, Type 2, and Type 3 leaks as defined by 16 NYCRR 255.811, 16 NYCRR 255.813, 16 NYCRR 255.815, and 16 NYCRR 255.817, respectively. Repairable leak management targets exclude Type 3 leaks because they are considered non-hazardous and are reasonably expected to remain that way.

Q. What are the Company’s current leak management targets?

A. The Company’s current repairable leak backlog targets are five leaks at year-end 2015, five leaks at year-end 2016, and five leaks at year-end 2017. Corning’s current targets for backlog of total leaks are: 175 at year-end 2015, 125 at year-end 2016, and 75 at year-end 2017.

Q. Is there an associated NRA for failure to meet these leak management targets?

A. Yes. Failure to meet the repairable leak backlog target would result in a NRA of eight
pre-tax basis points owed to customers. Failure
to meet the total leak backlog target would
result in a NRA of four pre-tax basis points
owed to customers. The maximum NRA for these
two metrics combined in any one year is 12 pre-
tax basis points owed to customers.

Q. Has Corning proposed to update or change its
leak management targets and the associated NRAs?
A. No. The Company did not propose any changes to
the current targets or the associated NRAs.

Q. What does the Panel recommend with respect to
leak backlog targets?
A. We recommend maintaining the approved repairable
(Type 1, Type 2A, and Type 2) leak backlog
target of 5 leaks at year-end, and the total
leak (Type 1, Type 2A, Type 2 and Type 3)
backlog targets of 75 for Rate Year-end 2017.
We recommend the following total leak backlog
targets: 65 for year-end 2018, 55 for year-end
2019, and 50 for year-end 2020, respectively.

Q. Why is this leak management target reasonable?
A. The Company’s leak backlog should be reduced by
the replacement of LPP on its system. According
to the response to IR DPS-309, Corning has
performed an average of 2.2 leak repairs per mile of leak-prone main from 2011 to 2015. Using this figure, Corning’s LPP replacement program in 2018 alone should lead to a reduction of about 30 leaks in backlog.

Q. What are other benefits of a reduction in the leak backlog?

A. Periodic monitoring is required for all leaks on natural gas systems. This monitoring ensures that these leaks have not become a further threat to public safety. Monitoring such leaks requires a physical visit to the location with required work to be performed by a qualified person. Reduction in the leak backlog could lead to a reduction in the amount of this work, and to the reduction of losses of natural gas which would result in less costs being borne by the ratepayers.

Q. What does the Panel recommend with regard to the associated NRA for failure to meet the leak backlog target?

A. We recommend maintaining the eight basis point NRA for repairable leak backlog and four pre-tax basis point NRA for total backlog leak target,
for a total of twelve pre-tax basis points should Corning fail to meet its target at the end of a given calendar year.

Q. How long should the leak management target and associated NRA remain in effect?
A. The leak management target measure and the associated potential NRA should remain in effect until changed by the Commission.

Violations of Safety Regulations

Q. Does the Panel have any concerns with Corning’s compliance with the Commission’s pipeline safety regulations?
A. Yes. We are concerned with violations of the Commission’s pipeline safety rules and regulations contained in 16 NYCRR Parts 255, 259, and 261.

Q. Do violations have an impact on public safety?
A. Yes. We have two categories which are based on the likelihood of risk to public safety resulting from a violation of the regulations. The two categories of violations are high and other risk. High risk refers to code requirements that, if not followed, lead to a
greater likelihood of an adverse impact on public safety with regard to loss of life or property and damage to the environment. The breakdown of code sections for high risk and other risk are provided in Exhibit __ (GSP-2).

Q. How are these violations discovered?

A. Department Staff conducts record and field audits of Corning on an annual basis. Staff also investigates incidents involving the Company’s natural gas facilities. Typically, when Staff discovers a violation of the Commission’s pipeline safety regulations, a compliance meeting is held with the Company detailing the code sections related to the violation.

Q. What is the purpose of the compliance meeting?

A. The compliance meeting is an opportunity for the Company to provide information to clarify any deficiencies found. Information clarifying these deficiencies might include providing further explanation to inquiries, providing records that were not available at the time of the audit, etc.

Q. How long does the Company have to provide this
information? 

A. The Company is required to provide this information within five business days of the compliance meeting. After the five business day period, Staff reviews the information and subsequently issues a formalized letter detailing the specifics of the violations as it relates to the regulations. 

Q. What are Corning’s current violations measure targets and the associated NRA? 

A. Corning’s current violation targets for CY 2016 and associated NRA are as follows: for each of the first 20 high risk violations Corning would owe one-half of a pre-tax basis point to customers. For each high risk violation in excess of 20, one pre-tax basis point would be owed to customers. Similarly, for each of the first 20 other risk violations Corning would owe one-ninth of a pre-tax basis point to customers. For each other risk violation in excess of 20, owe one-third of a basis point would be owed to customers. For CY 2017 and beyond, the increase to a higher basis point starts above 15 violations. The total basis points at risk is
Q. Has Corning proposed any changes to its current violation metric targets?
A. No. The Company did not propose any changes to the current violations target and associated NRA.
Q. For the past five years, 2011 through 2015, on average how many violations of the Commission’s pipeline safety regulations has Corning been cited for by Gas Safety Section Staff?
A. From 2011 through 2015, Staff has identified an average of 23 high risk violations and 26 other risk violations.
Q. Has Corning incurred any NRA based on its performance in 2015?
A. Based on violations identified in Staff’s audit reports, Corning’s performance during CY 2015 resulted in a four pre-tax basis point NRA exposure for the high risk category, which equates to $16,000 owed to customers. The Company did not incur any NRA for the other risk category for CY 2015. We recommend that the $16,000 owed to customers be used toward purchasing residential methane detectors in a
pilot program to be developed by the Company, as
discussed in more detail later in our testimony.

Q. Are there any other LDCs in the state subjected
to a violation performance measure?

A. Yes, The Brooklyn Union Gas Company d/b/a
National Grid’s, KEDNY’s, Consolidated Edison of
New York, Inc., Niagara Mohawk Power Corporation
d/b/a National Grid, Central Hudson Gas and
Electric Corporation, National Fuel Gas
Distribution Corporation, Orange and Rockland
Utilities, Inc., New York State Electric & Gas
Corporation, Rochester Gas & Electric
Corporation, and St. Lawrence Gas Company, Inc.
all are subject to a violation performance
measure.

Q. What is the difference between a violation and
an occurrence?

A. Historically, audit letters outline findings
which note a violation of a specific
requirement, and then associated it with the
total number of occurrences found. In these
letters, the term violation means the code
section violated and the term occurrences mean
the number of times the code section has been
violated. The term violation is commonly referred to in discussions and is widely understood within the pipeline industry to be each occurrence. Thus, for the purpose of this measure, there is no difference between a violation and an occurrence. These words are and can be used interchangeably. Staff considers both terms as an instance of non-compliance with the Commission’s pipeline safety regulations.

Q. What is this Panel recommending regarding the violation performance measure?

A. We recommend continuing at the 2017 violation target levels and associated NRAs as follows: for each of the first 15 high risk violations Corning would owe one-half of a pre-tax basis point to customers. For each high risk violation in excess of 15, one pre-tax basis point would be owed to customers. Similarly, for each of the first 15 other risk violations Corning would owe one-ninth of a pre-tax basis point to the customers. For each other risk violation in excess of 15, one-third of a basis point would be owed to customers. Staff’s goal
is to encourage the Company to reduce and eliminate the number of violations to zero. The NRA for each code section violated in a calendar year will be capped at ten occurrences.

Q. Capping the total violation count at ten for each of the code sections identified means that, if there are more than ten violations of any given code section, enforcement will not be pursued?

A. No. The Company should file with the Commission a plan for remediation for any code section that has more than ten violations to ensure that compliance issues are addressed and resolved. This plan should include dates by which all cited violations will be brought into compliance. This should be filed annually within 90 days of receiving Staff’s audit letter.

Q. Why is the violations performance measure needed?

A. First, the performance measure provides a financial incentive to maintain compliance with the Commission’s pipeline safety regulations. Second, it is critical for the Commission to be
able to enforce all violations of the pipeline safety regulations where potential exists for serious public harm. This NRA should be automatically enforced to prevent delay of financial impact to the Company. Note our proposal does not impact Commission authority to pursue a penalty action.

A violation metric would provide a continued incentive for Corning to maintain focus on improving its compliance with the pipeline safety regulations and its internal controls.

Q. Please provide an example of how this violation measure would work.

A. As an example, the field audit letter details a total of five occurrences of high risk and ten occurrences of other risk violations. The record audit letter for that same period details a total of 25 occurrences of high risk and 30 occurrences of other risk violations. The 30 high risk violations would result in a NRA of 22.5 pre-tax basis points (15 violations at half a basis point and 15 violations at one basis point) owed to the customers. The 40 other risk violations would result in an additional NRA of
ten pre-tax basis points (15 violations at 1/9 basis point and 25 violation at 1/3 basis point) owed to customers. The resultant of total exposure would be 32.5 pre-tax basis points.

Q. Would the violation performance measure targets and associated NRAs expire?

A. No. The violation measure target and associated NRA should remain in effect until changed by the Commission.

**Fire Department Training Program**

Q. How often does Corning perform emergency response drills or provide hands-on training to fire department first responders?

A. According to the response to IR DPS-266, Corning does not have the necessary resources to perform actual drills (emergency response/fire response) with its local fire companies. The Company indicated that, as an alternative, it offers annual training to groups of fire departments that accept the Company’s offer. The training sessions in natural gas safety, emergency response and gas facility knowledge are 2-3 hours in length and are offered annually in the
Q. Does the Panel have any recommendations with regard to the fire department training program?
A. Yes. According to 16 NYCRR Part §255.615(c) covering “Emergency Plans”, natural gas utilities are required to offer training annually to volunteer fire departments. Since fire departments play such an important role in natural gas emergency response, it is important that Corning improve its current training program by providing training that would cover scenarios where both the Company and the fire departments jointly interact. We recommend that the Company conduct drills, provide hands-on activities and facilitate workshops with a review of the processes and procedures that would be used during an incident.

Q. Does the Panel have any other recommendations?
A. Yes. We also recommend that Corning develop a plan to improve its fire department first responders training program, with a cost estimate and a proposal for cost recovery, in its rebuttal testimony. We also recommend that
Corning work with neighboring utilities that have a robust first responders training program for sharing their training facilities, including the on-line training. The goal of this on-line training would be to increase adoption of natural gas safety procedures, educate other safety professionals, and increase public safety.

**Additional Gas Operations Positions**

Q. Has Corning proposed any additional positions in the Rate Year?

A. Yes. Corning proposes to hire four additional employees in the Operations Department as follows: System Engineer, Training Technician, Quality Assurance/Quality Control/GPS Technician and General Laborer.

Q. Does this Panel agree with the Company’s proposal to hire four new employees?

A. Yes. We support the Company’s proposal to hire new employees in these positions for various reasons. As the Company’s witness Cook indicates in his pre-filed testimony on pages 15-17, the increase in workload due to safety
mandated work related to recording and tracking all plastic fusions, and additional leak surveys and corrosion inspections due to the recent change in service line definition. In addition, the increase in the LPP replacement program warrant additional personnel.

Residential Methane Detection Program

Q. Does the Company currently have a residential methane detection program?
A. Currently, the Company doesn’t have a residential methane detection program.
A. Are there any other utilities that have residential methane detector programs?
Q. Yes, The Brooklyn Union Gas Company d/b/a National Grid’s, KEDNY’s and Consolidated Edison of New York, Inc. have residential methane detector programs.
Q. Why is it important that utilities develop methane detector programs?
A. In the last two decades gas companies and research and development organizations have been performing various testing to develop and improve residential methane detectors. Similar
to smoke alarms and carbon monoxide detectors, residential methane detectors sense the presence of methane in the air and alerts nearby persons of its presence. Widespread adoption of residential methane detectors offers another layer of protection to enable the public to react quickly in an unsafe situation.

Q. Are residential methane detectors commercially available?

A. Residential methane detectors are commercially available; however, as indicated earlier, research and testing of the technology is continuing to ensure the detectors overall effectiveness.

Q. What does this Panel recommend in regards to residential methane detectors?

A. We recommend that Corning develop a plan/proposal related to the deployment of residential methane detectors within its service territory, detailing how many residential methane detectors will be installed, installation date and length of time, and a cost estimate with a proposal for cost recovery in its rebuttal testimony. As indicated earlier,
the NRA of $16,000 owed to customers from the violation metric should be used to offset the cost associated with this residential methane detector program.

**Reporting Requirements on Leakage Surveys Performed on 1950s Vintage Pipes**

Q. Please describe Corning’s annual reporting requirement on leakage surveys performed on its 1950s vintage pipe.

A. Commission Order in Case 11-G-0280 required Corning to continue performing annual leakage surveys on its 1950s vintage pipe with manufacturing defects, until such pipe is removed from the system or the Commission determines that such frequency of survey is no longer required. The Order also required Corning to complete its annual leakage survey no later than November 15 of each calendar year, and beginning December 2012, to file a report with a complete analysis to the Commission no later than December 1 of each calendar year.

Q. How many miles of 1950s vintage pipes does Corning have currently in its distribution
1 system?
2 A. According to the Company’s 2015 annual report, Corning currently has 71.2 miles of 1950s vintage pipe installed.
3 Q. Of the total 71.2 miles, how many miles have been found to have manufacturing defects?
4 A. Based on the response to IR DPS-314, there are 22.2 miles of pipe of various sizes at low and medium pressure that have manufacturing defects.
5 Q. Does this Panel have any recommendations related to the replacement of its 1950s vintage pipe?
6 A. Yes. We recommend that the Company make an effort to include the 1950s vintage pipe in its LPP replacement model as a priority.
7 Q. Has Corning complied with the Commission order regarding its annual reporting requirements of leakage surveys on the 1950s vintage pipes?
8 A. No. Corning has failed to file the 2012, 2013, and 2015 annual reports, by December 1 of each calendar year as required by the Commission order.
9 Q. Can Corning incur any penalty for non-compliance with the Commission order?
10 A. Yes. The Commission has the authority to pursue
a penalty action for non-compliance with its
Orders. In addition, under Public Service Law
§26 the Commission has the authority to commence
an action or special proceeding to bring
utilities in compliance with its Order.

Positive Revenue Adjustments

Q. Is the Panel recommending any positive revenue
adjustments (PRAs) in this proceeding?
A. Yes, we are recommending a PRA related to the
damage prevention metric.

Q. Please describe the recommended PRA related to
damage prevention.
A. The Company will be able to achieve a PRA of
four basis points for reducing the total damage
rate below 1.50 per 1,000 one-call tickets in
any calendar year. This target is below the
2015 statewide average of 1.87 damages per 1,000
one-call tickets.

Q. Why is there a need for a PRA for damage
prevention?
A. As explained earlier, the excavator error and
no-call damages are not entirely within the
Company’s control. The Company can minimize
these damages in several ways such as influencing excavator behavior through education and outreach efforts to excavators, continuing to bill excavators for repair costs when the excavator is at fault, inspecting pipelines as frequently as necessary during and after excavation activities to verify the integrity of the pipeline when the operator has reason to believe damage could be done by the excavation activities, and referring problem excavators to Department Staff for enforcement purposes. However, there may be excavators resistant to the Company’s current outreach and education efforts. We believe that the Company should seek new ways to reach these problem excavators and a positive revenue adjustment would provide an incentive for the Company to do so.

Q. Does that conclude your testimony at this time?
A. Yes.