

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

In the Matter of the Petition of Great Plains Natural Gas Co. for Approval of Proposed Revisions to its Natural Gas Tariff to Comply with Federal Pipeline Safety Regulations 49 C.F.R. § 192.383

ISSUE DATE: January 29, 2018

DOCKET NO. G-004/M-17-625

DOCKET NO. G-999/CI-18-41

In the Matter of a Commission Investigation into Natural Gas Utilities' Practices, Tariffs and Assignment of Cost Responsibility for Installation of Excess Flow Valves and Other Similar Gas Safety Equipment

ORDER APPROVING TARIFF CHANGES AND OPENING INVESTIGATION

PROCEDURAL HISTORY

On August 18, 2017, Great Plains Natural Gas Co. (Great Plains or the Company) filed a petition for approval of revisions to its natural gas tariffs to comply with federal pipeline safety regulations requiring installation of safety equipment in certain circumstances (the Petition).

On September 15, 2017, the Department of Commerce, Division of Energy Resources (the Department) filed comments recommending approval of the Petition.

On December 14, 2017, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Introduction and Background

Excess flow valves (EFVs), which are safety devices installed on natural gas distribution pipelines, have been a topic of recent federal legislation and regulations. EFVs can reduce the risk of explosions in distribution pipelines by automatically stopping excessive, unplanned gas flows. EFVs are installed where a service line that serves an individual home or business joins the distribution pipeline.

Following a fatal natural gas explosion in 1998 at a single-family home in South Riding, Virginia, the National Transportation Safety Board found that the explosion likely would not have occurred if an EFV had been installed.

In 2006, Congress passed the Pipeline Inspection, Protection, Enforcement, and Safety Act (2006 Act), which required the Department of Transportation to promulgate minimum standards for integrity management programs for distribution pipelines. The 2006 Act also mandated that those minimum standards require the installation of EFVs on all newly installed or replaced service lines serving single-family homes.¹

In 2009, the Pipeline and Hazardous Materials Safety Administration (PHMSA) within the Department of Transportation amended pipeline safety regulations, specifically 49 C.F.R. § 192.383, to include the EFV mandate from the 2006 Act (2009 Rule).²

In January 2012, President Obama signed the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (2011 Act) into law. The 2011 Act mandated that PHMSA require installation of EFVs on new and replaced lines beyond single-family homes if economically, technically, and operationally feasible.³

In October 2016, PHMSA again amended 49 C.F.R. § 192.383 to require that natural gas utilities install an EFV on an existing service line if a customer requests one, and left it up to the “operator’s rate-setter” to determine how the costs of installation should be allocated (2016 Rule). PHMSA also required natural gas utilities to notify customers of their right to request an EFV, including specific requirements for the notice. Lastly, PHMSA expanded the requirement to install EFVs to include new or replaced lines serving multifamily homes and small commercial customers.⁴

II. Positions of the Parties

A. The Company

The Petition outlines the Company’s proposed tariff changes for implementing the requirements in the 2016 Rule. Great Plains has already notified customers of the option to request installation of an EFV as required by the 2016 Rule, and now proposes tariff revisions to charge the actual cost of the installation to customers requesting installation of an EFV on an existing service line (requesting customers). When the Company installs EFVs during installation of new or replacement natural gas lines, it does not charge individual customers but rather includes those costs in rate base to be recovered from all customers.

The Company estimates the cost of a typical EFV installation on an existing service line to be approximately \$650. At the Commission meeting, the Company further explained that the main costs of installation are excavation costs. The Petition states that “estimates for cost and time frame for construction will be provided as requested on a case by case basis.” Great Plains proposes to also charge the requesting customer for the cost of the EFV itself, which is

¹ Pipeline Inspection, Protection, Enforcement, and Safety Act § 9, 49 U.S.C. § 60109(e)(3).

² See 74 Fed. Reg. 63929 (December 4, 2009).

³ Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 § 22, 49 U.S.C. § 60109(e)(3)(B).

⁴ 81 Fed. Reg. 70987 (October 14, 2016).

approximately \$30. At the Commission meeting, Great Plains indicated that it did not object to including the cost of the EFV infrastructure installed at a customer's request in the Company's physical plant for possible recovery in a future rate case, which is the practice of other Minnesota natural gas utilities. As of the date of the Commission meeting, no customer has requested installation of an EFV on an existing Great Plains line.

B. The Department

The Department conducted discovery to gather more information about the Company's compliance with 49 C.F.R. § 192.383. The Department verified that the Company's proposed tariff revisions comply with the rule. The Department also confirmed that Great Plains would not double recover EFV installation costs on existing lines because those costs were not included in the Company's last rate case,⁵ and that there is no risk of cross-subsidization because the customer covers the cost of installing EFVs on existing lines. After consideration of these factors, the Department recommended approval of the Petition.

III. Commission Action

A. The Petition

The Commission agrees with the Department that the Company's proposal complies with the requirements of 49 C.F.R. § 192.383. Accordingly, the Commission will approve the Petition subject to two modifications to the proposed tariff that the Commission concludes are needed, as explained further below.

First, the Company indicated at the Commission meeting that the actual cost of installation may exceed the \$650 estimate included in the customer notice. Thus, it is important to ensure that requesting customers are apprised of the actual cost of the installation in order to make a fully informed decision about whether to incur that cost. The Commission will require additional tariff language stating that at the time the customer requests the installation on an existing service line, Great Plains will provide the customer with a detailed explanation of the installation costs identifying specific line items and the per-hour rates that the customer would be charged.

Second, Great Plains proposes to charge requesting customers for the cost of the EFV itself, even though once installed the EFV is part of the Company's system. This is contrary to the practice of other Minnesota natural gas utilities that include the cost of the EFV in rate base. The Commission believes that including the cost of the EFV in rate base is the logical approach that is consistent with how the Company handles its other costs of physical plant. And as the Company's rate-setter, the Commission has the authority under 49 C.F.R. § 192.383 to decide issues of cost allocation associated with customer-requested EFV installation.⁶ The Commission will thus require Great Plains to cover the cost of the EFV and any other physical plant placed in service to accomplish the installation of the EFV. The Company may add these costs to its physical plant for possible recovery in a future rate case.

⁵ *In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-004/GR-15-879.

⁶ 49 C.F.R. § 192.383(d).

B. Commission Investigation

The Commission appreciates Great Plains for bringing the 2016 Rule to the Commission's attention with this filing. The 2016 Rule gives the Commission the authority to determine the proper allocation of costs associated with installing EFVs on existing lines for requesting customers.⁷ The Commission concludes that it needs more information to carry out its role under the 2016 Rule. The Commission also concludes that it needs more information about each natural gas utility's tariffs and customer notification practices relating to installation of EFVs for new, refurbished, and existing customer lines.

To that end, the Commission has opened a separate docket, Docket No. G-999/CI-18-41, for the purpose of investigating all gas utilities under the jurisdiction of the Commission in order to gain more information on the following topics:

1. Each natural gas utility's present tariffs and customer-notification practices as they relate to the installation of EFVs for new, refurbished, and existing customer lines;
2. Any similar gas-safety requirements that customers may request on the utility system between the main and the meter outlet into the customer's property;
3. The appropriate amount of installation costs that should be socialized among ratepayers or paid by a specific customer in light of recent changes to federal pipeline safety regulations;
4. Payment options for requesting customers along with how to appropriately address requests for EFV installations from low-income customers.

The purpose of this investigation is to determine the appropriate charge and tariff language for each natural gas utility under the Commission's jurisdiction.

ORDER

1. The Commission approves the Company's proposed tariff change with the following modifications:
 - a. At the time the customer requests the installation of an EFV on an existing service line, Great Plains will provide the customer with a detailed explanation of the installation costs identifying specific line items and the per-hour rates that the customer would be charged;
 - b. Great Plains must cover the cost of the EFV and any other physical plant placed in service to accomplish the installation of the EFV. The Company may add these costs to its physical plant for possible recovery in a future rate case.

⁷ *Id.*

2. Within ten days of the date of this order, Great Plains will make a compliance filing with redlined and clean versions of the updated tariff sheets.
3. The Commission has opened a separate docket, Docket No. G-999/CI-18-41, for the purpose of investigating all gas utilities under the jurisdiction of the Commission to gain more information on the following topics:
 - a. Each natural gas utility's present tariffs and customer-notification practices as they relate to the installation of EFVs for new, refurbished, and existing customer lines;
 - b. Any similar gas-safety requirements that customers may request on the utility system between the main and the meter outlet into the customer's property;
 - c. The appropriate amount of installation costs that should be socialized among ratepayers or paid by a specific customer in light of recent changes to federal pipeline safety regulations;
 - d. Payment options for requesting customers along with how to appropriately address requests for EFV installations from low-income customers.

The purpose of this docket is to determine the appropriate charge and tariff language for each natural gas utility under the Commission's jurisdiction.

4. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary



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