

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John A. Tuma	Commissioner

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

ISSUE DATE: July 31, 2019

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

ORDER ACCEPTING COMPLIANCE FILINGS, REQUIRING MERC TO SUBMIT ADDITIONAL INFORMATION, REQUIRING ANNUAL COMPLIANCE REPORTING, AND TAKING OTHER ACTION

PROCEDURAL HISTORY

Excess Flow Valves (EFVs) are safety devices installed on natural gas distribution pipelines. 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.

On August 20, 2018, the Commission issued an Order Finding that Excess Flow Valves Comply with Federal Regulations and Taking Other Actions (August 20 Order). The order required CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (CenterPoint), Greater Minnesota Gas, Inc. (GMG), Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., (Great Plains), Minnesota Energy Resources Corporation (MERC), and Northern States Power Company d/b/a Xcel Energy (Xcel) to take certain actions enumerated below.

By August 30, 2018, the five natural gas utilities had provided the information responsive to Ordering Paragraphs 2 and 9 of the August 20 Order.

By December 18, 2018, all natural gas utilities except GMG had submitted information to comply with Ordering Paragraphs 5 and 7 of the August 20 Order.

On January 2, 2019, the Commission issued a Notice of Comment Period on the following topics:

- Have the utilities complied with the August 20 Order?
- Does the information responsive to Ordering Paragraphs 5 and 6 of the August 20 Order adequately address the Commission’s concern about safety?

- Are the utilities’ plans to meet with customers pursuant to Ordering Paragraph 7 of the August 20 Order acceptable?
- Are there other issues or concerns related to this matter?

On February 28, 2019, the Minnesota Department of Commerce, Division of Energy Resources (the Department) filed comments.

On March 28, 2019, the five utilities filed reply comments.

On July 1, 2019, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Background

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 mandated that those minimum standards require the installation of EFVs on all newly installed or replaced service lines serving single-family homes.

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).

In January 2012, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (2011 Act) was enacted. 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.

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.

II. August 20, 2018 Order Requirements

The August 20, 2018 Order required the natural gas utilities to take the following actions (numbered by relevant ordering paragraph):

2. The utilities shall modify their EFV customer notices to clarify that once an EFV is installed, there is no cost to the customer to maintain it.

5. Within 120 days of this Order, the regulated natural gas utilities shall report the status of EFV installation, per customer class, throughout their service territories, recognizing that this might not be the entire service territory. The report shall include an estimate of the percentage of the utility's service territory that has EFVs installed, and the utility's plan and timeline for completing the installation of EFVs for the remainder of the utility's service territory.
6. Within 120 days of this Order, regulated natural gas utilities shall report the status of curb valve or manual shut-off valve installation, per customer class, throughout their service territories, recognizing that this might not be the entire service territory. The report shall include an estimate of the percentage of the utility's service territory that has curb valves or manual shut-off valves installed and the utility's plan and timeline for completing the installation for the remainder of the utility's service territory.
7. As part of the reports described above, each gas distribution utility that does not already have EFVs and manual service line shutoff valves on the entirety of its system shall establish a plan to identify and hold face-to-face meetings with the decision-makers of the following customers:
 - a. Within 120 days of this order, each gas utility must identify and provide a compliance filing that, at a minimum, identifies all the following customers within its service territory that do not already have EFVs (and are eligible under the Federal standards) or manual shutoff valves and are not within an area the utility plans to upgrade by 2025:
 - K-12 public districts with school buildings in the utility's service territory;
 - K-12 non-public schools with school buildings in the utility's service territory;
 - Public and private universities and colleges;
 - Hospitals; and
 - Multi-unit residential and nursing facilities.
 - b. Within 120 days of this order, each gas distribution utility is required to establish and file a plan to have face-to-face meetings with the decision-maker of the customers identified above, eligible under the federal standard for EFVs, regarding the purpose of EFV and manual service line shutoff valves, along with the utility's installation policy, and estimated costs. After receipt of this compliance filing, the Commission's Executive Secretary will establish a schedule for comments and Commission approval.
 - c. The utility may propose in this compliance filing another method for limiting the visits to non-public schools, universities and colleges, and multi-unit residential and nursing facilities based on a size metric. The gas utility may propose as part of the plan a recovery mechanism

for the additional requirements of this order which may include deferring costs to a regulatory account to be addressed in its next rate case or through its Gas Utility Infrastructure Cost Rider (GUIC) or another appropriate rider.

9. The utility may propose in this compliance filing another method for limiting the visits to non-public schools, universities and colleges, and multi-unit residential and nursing facilities based on a size metric. The gas utility may propose as part of the plan a recovery mechanism for the additional requirements of this order which may include deferring costs to a regulatory account to be addressed in its next rate case or through its GUIC Rider or another appropriate rider.

III. Comments of the Department

The Department reviewed the filings of the five natural gas utilities in response to the January 2, 2019 Notice of Comments. The Department concluded that all five natural gas utilities complied with Order Paragraphs 2, 5, 6, and 9 of the August 20 Order, but noted that the utilities provided different amounts of detail. The Department concluded that the percentage of eligible customers with EFVs currently installed range from a low of 20% to a high of 57%.

The Department also determined that with the exception of MERC, the natural gas utilities complied with Ordering Paragraph 7a. The Department also noted, however, that the information provided may not allow for a meaningful comparison. The Department requested that MERC provide a specific timetable to identify all customers within its service territory that do not already have EFVs (and are eligible under the federal standards) or manual shutoff valves as well as an estimate of the additional costs to identify such customers.

The Department also determined that the natural gas utilities' communication plans required in Ordering Paragraph 7b appear to be reasonable. The Department noted that only CenterPoint, MERC, and Xcel provided information in response to Ordering Paragraph 7c.

Finally, the Department requested that the natural gas utilities provide the following in reply comments:

- Xcel should provide a specific timetable for the proposed additional review and for different types of proposed communications as well as an estimate of the additional costs related to the proposed communication plan, broken down by communication method.
- CenterPoint, GME, and Great Plains should provide an estimate of the additional costs related to their proposed communication plans.

IV. Reply Comments of the Utilities

Xcel stated that its communication plan will be rolled out over the course of the next year. Xcel will begin discussion with its large customers in its "managed account meetings" starting in the second quarter of 2019, and expects to hold face-to-face meetings with all managed customers and non-managed accounts (i.e. schools, universities, and hospitals) by the end of the second quarter of 2020. Xcel stated that it anticipates total incremental costs to implement the

communication plan to be minimal, as all labor related to planning, facilitating, and executing the face-to-face meetings would be completed using existing resources. Xcel stated it expected direct mail communication costs to also be minimal and does not anticipate asking for cost recovery for such amounts.

CenterPoint estimated it has approximately 990 customers in the categories of schools, hospitals, multi-family homes, etc. The utility would incur approximately \$68,000 of additional costs to hold face-to-face meetings with customers assigned to key account managers for those customers over approximately 4 years. The utility estimated it would incur \$71,000 in additional costs to hold face-to-face meetings with its approximately 236 daycare and charter schools not assigned to a key account manager.

GMG stated that the cost of its proposed communications plan for schools and multi-unit residential facilities would be approximately \$500.

Great Plains stated that its estimate of additional costs related to their proposed communication plan to be immaterial with estimated internal labor costs of approximately \$50,000 for face-to-face meetings. Great Plains requested that the Commission consider allowing recovery of such costs through its Gas Utility Infrastructure Cost (GUIC) rider.

MERC stated that once it knows the number of face-to-face meetings necessary, the utility would need to hire third-party contractors to conduct the meetings. MERC also stated that it will provide an updated and refined cost estimate once it has identified which customers meet the federal requirements for installation of an EFV.

Finally, MERC asserted that its costs associated with complying with the August 2018 Order should be recoverable through its GUIC Rider. MERC argued that EFV costs meet the definition of “gas utility infrastructure costs” under Minn. Stat. § 216B.1635, as the costs are related to the modifications of existing gas facilities, including surveys, assessments, and other work necessary to determine the need for replacement or modification of existing infrastructure required by a federal or state agency.

V. Commission Action

The Commission finds that the compliance filings of CenterPoint Energy, GMG, Great Plains, and Xcel satisfy the Commission’s August 20, 2018 Order, and the Commission will accept them.

The Commission also finds that MERC has not yet fully complied with the August 20 Order, in that MERC has not provided the information requested in response to Ordering Paragraph 7a and 7b. In its reply comments of March 28, 2019, MERC stated that it would need an additional 120 days to respond to the Department’s request to identify which customers meet the eligibility requirements under the federal standards. The Commission will therefore require MERC to submit its compliance filing containing the required information by August 1, 2019.

To ensure continued progress by all of the natural gas utilities as to completion of the requirements discussed herein, the Commission will require each of the natural gas utilities to submit an annual compliance report listing its progress toward full compliance with Ordering Paragraphs 7a-c of the Commission’s August 20 Order.

Further, CenterPoint and MERC recommended that the Commission hold a planning meeting to discuss the opportunities and limitation of EFVs and curb valves before requiring further communication with customers. CenterPoint stated that it does not agree with the need to hold face-to-face meetings with decision makers of specific customers since most of the customers do not meet federal standards for EFVs when service lines are replaced. MERC asserted that such outreach to customers for whom installation is not technically feasible would unnecessarily increase costs and potentially create confusion and uncertainty.

The Commission notes that the Department has already addressed CenterPoint's concern, as Ordering Paragraph 7b by its terms only applies to service lines "found to be eligible" under the federal standards. However, the Commission agrees that further education of the public regarding these and other important safety features is advisable.

The Commission will therefore convene a planning meeting to discuss EFVs, curb valves, and related safety matters with the Minnesota Office of Pipeline Safety (MnOPS) to find ways to partner and coordinate on educating the public regarding expanding the use of these and other important safety devices on the gas distribution network. The convening of this planning meeting is in no way meant to allow for a delay in the utilities obligations to discuss EFVs and curb valves with the identified customers or any of the other obligations found in the Commission's August 20, 2018 Order.

Finally, the Department recommended that any recovery of incremental costs incurred by the natural gas utilities as a result of their communication outreach efforts be addressed in a future rate case, not through a rider. MERC and Great Plains disagreed with this recommendation, and argued that the Commission's August 20 2018 Order explicitly acknowledged the appropriateness of recovery of costs associated with the requirements of the order through a GUIC rider.¹

The Commission agrees with MERC, that the cost to communicate with affected customers fit squarely within the definition of "gas utility infrastructure costs" under the GUIC statute, as the costs are related to the modification of existing gas facilities, including surveys, assessments, and other work necessary to determine the need for replacement or modification of existing infrastructure required by a federal or state agency. The Commission, as a state agency, has required the gas utilities to undertake the outreach, assessments, and installation of EFVs and natural gas service line shutoff valves, which give rise to such costs. Accordingly, the Commission will allow recovery of prudently incurred EFV costs through GUIC rider filings.

ORDER

1. The compliance filings of CenterPoint Energy, GMG, Great Plains, and Xcel are accepted as complying with the Commission's August 20, 2018 Order.

¹ August 20 Order, Ordering Paragraph 7c.

2. As MERC has not yet fully complied with Ordering Paragraph 7a and 7b of the Commission's August 20, 2018 Order, MERC shall submit a compliance filing containing the required information by August 1, 2019.
3. The Commission shall convene a planning meeting to discuss EFVs, curb valves, and related safety matters with MnOPS to find ways to partner and coordinate on educating the public regarding expanding the use of these and other important safety devices on the gas distribution network.
4. CenterPoint Energy, GMG, Great Plains, MERC, and Xcel shall submit an annual compliance report no later than March 31st each year through the 2025 reporting period, listing its progress toward complying with Ordering Paragraphs 7a-c of the August 20, 2018 Order.
5. The Commission will allow recovery of EFV costs through GUIC rider filings.
6. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary



This document can be made available in alternative formats (e.g., large print or audio) by calling 651.296.0406 (voice). Persons with hearing loss or speech disabilities may call us through their preferred Telecommunications Relay Service or email consumer.puc@state.mn.us for assistance.