

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 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: August 20, 2018

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

ORDER FINDING THAT EXCESS FLOW VALVES COMPLY WITH FEDERAL REGULATIONS AND TAKING OTHER ACTIONS

PROCEDURAL HISTORY

On January 29, 2018, the Commission issued an Order Approving Tariff Changes and Opening Investigation.¹ The Commission's investigation sought to determine the appropriate charge and tariff language for each natural gas utility under the Commission's jurisdiction. The Commission requested Minnesota's natural gas utilities to provide the following information:

1. Each natural gas utility's present tariffs and customer-notification practices as they relate to the installation of excess flow valves (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; and
4. Payment options for requesting customers along with how to appropriately address requests for EFV installations from low-income customers.

On February 6, 2018, the Commission issued a Notice of Comment Period requesting comments on the above topics.

On February 15, 2018, United Natural Gas, LLC (United) filed a letter stating that its system is sufficiently new such that all its residential customers have EFVs installed, and that it will not participate further in the docket.

¹ *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, Docket No. G-004/M-17-625, and this docket.

By March 6, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) and the following utilities had filed initial comments:

- CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint)
- Great Plains Natural Gas Co. (Great Plains)
- Greater Minnesota Gas, Inc. (GMG)
- Minnesota Energy Resources Corporation (MERC)
- Northern States Power Company, d/b/a Xcel Energy (Xcel)

By April 18, 2018, the above gas utilities, except for Great Plains, filed reply comments.

On July 26, 2018, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Background

A. 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.

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.²

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).³

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.⁴

² Pipeline Inspection, Protection, Enforcement, and Safety Act § 9, 49 U.S.C. § 60109(e)(3).

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).

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.

B. Curb Valves

Another form of safety device that can be installed between the gas main and meter to interrupt the flow of gas is a manual service line shut-off valve (or curb valve). The difference between an EFV and a curb valve was described by CenterPoint in its April 6, 2018 comments as follows:

A curb valve is different from an EFV in that it does not engage automatically; it requires an operator to open an access hatch and manually close the valve. In rules effective April 2017, the Pipeline and Hazardous Materials Safety Administration (PHMSA) established a requirement that any new or replaced service line with a flow rate of over 1,000 [Standard Cubic Feet per Hour (SCFH)] be fitted with either an EFV or a curb valve, but it did not extend this requirement to lower-flow-rate service lines such as those for single-family residences. These service lines are still only required to have EFVs, and only required to have them when technically possible.

The PHMSA states that it does not allow manual valve installation for loads below 1,000 standard cubic feet per hour (SCFH), even when future anticipated loads may exceed that threshold.

Finally, 49 CFR § 192.385 requires operators to install either a manual service line shut-off valve or if possible (based on sound engineering analysis and availability), an EFV for any new or replaced service line with installed meter capacity exceeding 1,000 SCFH.

II. EFV Tariffs

A. Utilities’ Comments

All utilities except Great Plains initially stated that they do not have a specific EFV tariff. The Department requested that each utility submit in reply comments a proposed EFV tariff consistent with the tariff approved for Great Plains in Docket No. G-004/M-17-625.⁵ In reply comments, each utility adopted the tariff language approved for Great Plains.

B. Commission Action

The Commission has reviewed the proposed EFV tariffs of CenterPoint, GMG, MERC, and Xcel. The Commission finds that the tariffs comply with 49 C.F.R. § 192.383, and will approve them.

⁵ On January 29, 2018, the Commission approved Great Plains’ EFV Tariff in Docket No. G-004/M-17-625.

III. Customer Notices

Generally, 49 C.F.R. § 192.383(e) requires operators to notify customers of their right to request an EFV in the following manner:

- Each operator must provide written or electronic notification to customers of their right to request the installation of an EFV. Electronic notification can include emails, Web site postings, and e-billing notices.
- The notification must include an explanation for the service line customer of the potential safety benefits that may be derived from installing an EFV. The explanation must include information that an EFV is designed to shut off the flow of natural gas automatically if the service line breaks.
- The notification must include a description of EFV installation and replacement costs. The notice must alert the customer that the costs for maintaining and replacing an EFV may later be incurred, and what those costs will be to the extent known.
- The notification must indicate that if a service line customer requests installation of an EFV and the load does not exceed 1,000 SCFH, the operator must install an EFV at a mutually agreeable date.

A. Party Comments

Each utility submitted its customer notice, stating that it believed it complied with the 2016 PHMSA rule. CenterPoint stated that it annually distributes bill inserts to residential customers about the availability of EFVs. GMG stated that it notified its customers regarding the right to request installation of EFVs on their existing service lines via inserts included in its annual pipeline awareness mailings. GMG includes a message on its monthly bills alerting customers regarding the right to request EFV installation, describing the purpose of the device, and instructing them how to get additional information.

MERC and Xcel stated that they provide information regarding the installation of an EFV on their websites; MERC stated that it includes a similar message in its natural gas safety bill insert sent bi-annually. GMG did not provide a copy of its customer notification in its initial comments.

After review of the utilities' proposed customer notifications, the Department found that all utilities except Great Plains had omitted certain information required under the Federal regulations. The Department requested the utilities to provide an updated copy that fully complies with 49 C.F.R. § 192.383(e) in reply comments. The utilities did so.

B. Commission Action

The Commission finds that the utilities' updated customer notifications generally comply with the applicable regulations and the Department's recommendations. The Commission notes, however, that each utility with the exception of CenterPoint continues to have language in its customer notice to the effect that customers who request EFV installation may be responsible for costs associated with installation, replacing, or maintaining the EFV.

The Commission finds that CenterPoint's customer-notice language is more in line with the Commission's order in G-004/M-17-625. In that docket, the Commission socialized the cost of the EFV and any other physical plant placed into service to accomplish the installation of the EFV. Accordingly, the Commission will require each utility to modify its EFV customer notice to clarify that once an EFV is installed, there is no cost to the customer for maintenance.

IV. Customer Costs

A. Party Comments

The Department stated that the utilities agree that the costs of EFVs installed on new and replacement service lines should be socialized because their installation is required by PHMSA regulation. However, the utilities argue that the cost of installing EFVs on existing service lines should not be socialized because they are not required under the federal regulations.

Xcel clarified that this is because the costs directly attributable to the installation of an EFV *requested* by a customer are necessarily higher than the installation of an EFV in conjunction with the installation of new or replacement service. This is because the cost to access the service and restore surfaces is being taken on purely for the EFV. In contrast, when an EFV installation occurs in conjunction with a new service installation or service replacement, the installation of an EFV only generates marginal incremental costs for the part itself as well as some additional labor.

The Department agreed with the utilities, referencing the Commission's approval of Great Plains' tariff in Docket No. G-004/M-17-625 as consistent regarding the appropriate tariff language for the installation of an EFV on an existing service line.

B. Commission Action

The Commission agrees with the parties that, upon a customer's request, a customer shall pay only for the cost of excavation and surface restoration for the installation of an EFV. The costs of the EFV, the associated materials, and associated labor incurred in conjunction with the installation upon customer request shall continue to be borne by the utility, and ultimately socialized to rate payers.

V. Utility Payment Plans

All of the natural gas utilities agreed to offer a payment plan for residential customers who request that an EFV be installed on an existing service line. The proposed payment plans differ, with Great Plains and GMG offering payment plans of 12 and 24 months. MERC offers a repayment plan that equalizes payments over the course of one year. CenterPoint and Xcel did not initially have a payment plan, but have agreed to offer such plans. CenterPoint will offer a 3-month equal payment plan; Xcel's plan extends over a maximum of 12 months.

The Commission finds that each payment plan is acceptable.

VI. Commission Investigations, Required Reports, and Other Actions Regarding Installation of EFVs and Curb Valves

Having reviewed the information submitted by the parties, the Commission believes that it would be helpful to its overall understanding of the issues raised in this docket to receive additional information on the status of each utility's EFV and curb-valve installations. Further, the Commission will require that the gas distribution utilities establish a plan to inform and to meet with certain classes of customers, who might otherwise not be aware of the utility requirements for gas and curb valve installation imposed herein.

A. Required Investigation and Reports

First, the Commission will require that within 120 days of this order, the regulated natural gas utilities report on the status of EFV installation, per customer class, throughout their service territories. The report should recognize that this might not be the entirety of a utility's service territory. In its report, each utility should include an estimate of the percentage of the utility's service territory that has EFVs installed, as well as the utility's plan and timeline to complete the installation of EFVs for the remainder of the utility's service territory.

Second, the Commission also will require that within 120 days of this order, the regulated natural gas utilities 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 should 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.

Third, as part of the reports referenced above, each gas distribution utility that does not already have EFVs and manual service line shutoff valves on the entirety of its system should establish a plan to identify and meet with the customers identified below.

B. Customer Identification and Meetings

To better inform and alert certain groups of customers regarding the possibility and potential for EFV and curb valve installation, the Commission will also require gas distribution utilities to identify and meet with public and non-public schools, hospitals, and multi-unit residential and nursing facilities as set forth below.

1. Within 120 days of the order, each gas utility must 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 shut-off 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.
2. Within 120 days of the 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.
 3. 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 or another appropriate rider.

C. Compliance Filings and Notices

Finally, the Commission will require that the orders and future notices on the compliance filings in this docket be mailed to the Minnesota Association of School Administrators, Minnesota School Boards Association, Minnesota Association of Independent Schools, President of the University of Minnesota, Chancellor of the Minnesota State Colleges and Universities, the Minnesota Private College Council, Minnesota Hospital Association, Minnesota State Fire Chiefs Association, and League of Minnesota Cities.

The Commission will also require each gas utility to submit a compliance filing within ten days of the Commission's order containing its EFV tariff and customer notice as set forth in this order.

ORDER

1. The proposed EFV tariffs of CenterPoint Energy, Greater Minnesota Gas, Minnesota Energy Resources Corporation, and Xcel Energy are in compliance with 49 C.F.R.192.383, and are approved.
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.
3. Upon an EFV being installed upon a customer's request, the customer shall pay only for the costs of excavation and surface restoration related to the installation of the EFV.
4. The Commission finds each utility's proposed payment plan acceptable.
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 GUIC or another appropriate rider.
8. The Commission's orders and future notices on the compliance filings in this docket shall be mailed to the Minnesota Association of School Administrators, Minnesota School Boards Association, Minnesota Association of Independent Schools, President of the University of Minnesota, Chancellor of the Minnesota State Colleges and Universities,

the Minnesota Private College Council, Minnesota Hospital Association, Minnesota State Fire Chiefs Association, and League of Minnesota Cities.

9. Each gas utility shall submit a compliance filing within ten days of this order containing its EFV tariff and customer notice as authorized by the Commission.
10. 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.