



## Staff Briefing Papers

Meeting Date	October 24, 2019	Agenda Item *14
Companies	<b>Great Plains Natural Gas Co.; CenterPoint Energy; Minnesota Energy Resources Corporation; Greater Minnesota Gas; Xcel Energy</b>	
Docket Nos.	<b>G-004/M-19-280 In the Matter of Great Plains Natural Gas Company's Service Quality Report for 2018</b> <b>G-008/M-19-300 In the Matter of CenterPoint Energy's Natural Gas Service Quality Report for 2018</b> <b>G-011/M-19-303 In the Matter of Minnesota Energy Resources Corporation's Natural Gas Service Quality Report for 2018</b> <b>G-022/M-19-304 In the Matter of Greater Minnesota Gas' Natural Gas Service Quality Report for 2018</b> <b>G-002/M-19-305 In the Matter of Xcel Energy's Natural Gas Service Quality Report for 2018</b>	
Issues	Should the Commission Implement Annual Transmission and Distribution Integrity Management Plan Reporting Requirements for Five Gas Utilities as Proposed by the Office of the Attorney General?	
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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



**Relevant Documents**

**Date**

CenterPoint: Service Quality Report (19-300)	May 1, 2019
CenterPoint: Supplement to Report (19-300)	May 10, 2019
DOC: Comments (19-300)	June 14, 2019
OAG: Comments (19-280, -300, -303, -304, -305)	June 17, 2019
GMG: Reply Comments (19-304)	June 25, 2019
CenterPoint: Reply Comments (19-300)	June 27, 2019
Xcel: Reply Comments (19-305)	July 29, 2019
MERC: Reply Comments (19-303)	August 5, 2019

## **I. Statement of the Issues**

Should the Commission Implement Annual Transmission and Distribution Integrity Management Plan Reporting Requirements for Five Gas Utilities as Proposed by the Office of the Attorney General?

## **II. Background**

**On April 24, 2019**, Great Plains Natural Gas Company (Great Plains) submitted its annual gas service quality report for 2018.

**On May 1, 2019**, CenterPoint Energy (CenterPoint), Minnesota Energy Resources Corporation (MERC), Greater Minnesota Gas (GMG), and Xcel Energy (Xcel), individually, filed their annual gas service quality reports for 2018.

**On May 10, 2019**, CenterPoint filed a supplement to its report.

**On June 14, 2019**, DOC filed comments regarding CenterPoint's integrity-management plan report.

**On June 17, 2019**, the Office of the Attorney General – Residential and Antitrust Division (OAG) filed a single set of comments in response to each of the five utilities' annual reports.

**On June 25, 2019**, GMG filed reply comments in response to OAG.

**On June 27, 2019**, CenterPoint filed reply comments regarding OAG's proposal.

**On July 29, 2019**, Xcel submitted reply comments.

**On August 5, 2019**, MERC filed reply comments.

## **III. Introduction**

The Commission has required five Minnesota natural gas utilities<sup>1</sup> to file annual service quality reports for 2018, and Staff has prepared a separate Briefing Paper to address each of the five, individually. Those Briefing Papers focus on the content of the reports and their sufficiency, going toward the ultimate question as to whether the Commission should accept the reports.

Staff has also prepared a sixth Briefing Paper (this one) addressing an issue raised by OAG regarding future reporting. OAG submitted a single set of comments in all five individual

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<sup>1</sup> Xcel Energy, CenterPoint Energy, Minnesota Energy Resources Corporation, Greater Minnesota Gas, and Great Plains Natural Gas.

dockets, those comments recommending that, in the future, the utilities file substantially more information regarding transmission and distribution integrity-management plans (TIMP and DIMP). OAG also recommended that the reporting format be standardized across the utilities. OAG believes CenterPoint Energy's reporting of system integrity information is a good model for the other utilities.

In 2018, the five utilities submitted their annual service quality reports for the calendar year of 2017. In accepting those reports, the Commission required the utilities to include, in their 2018 calendar-year filings, integrity-management performance reports required by the U.S. Department of Transportation. Specifically, the Commission stated that the utilities must file:

... the utility's filing under 49 CFR 192.1007 (e): integrity management plan performance measures; monitoring results; and evaluation of effectiveness in a manner to establish a baseline for ongoing reporting.<sup>2</sup>

49 CFR 192.1007(e) states:

*(e) Measure performance, monitor results, and evaluate effectiveness.* (1) Develop and monitor performance measures from an established baseline to evaluate the effectiveness of its IM [Integrity Management] program. An operator must consider the results of its performance monitoring in periodically re-evaluating the threats and risks. These performance measures must include the following:

- (i) Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) of this subchapter (or total number of leaks if all leaks are repaired when found), categorized by cause;
- (ii) Number of excavation damages;
- (iii) Number of excavation tickets (receipt of information by the underground facility operator from the notification center);
- (iv) Total number of leaks either eliminated or repaired, categorized by cause;
- (v) Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) (or total number of leaks if all leaks are repaired when found), categorized by material; and
- (vi) Any additional measures the operator determines are needed to evaluate the effectiveness of the operator's IM program in controlling each identified threat.<sup>3</sup>

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<sup>2</sup> This language appears in each of the five Commission orders accepting the utilities' 2017 annual reports. See dockets 18-286, -312, -314, -316 and -317, all issued on April 12, 2019.

<sup>3</sup> [https://www.govregs.com/regulations/expand/title49\\_chapterI\\_part192\\_subpartP\\_section192.1007#title49\\_chapterI\\_part192\\_subpartP\\_section192.1007](https://www.govregs.com/regulations/expand/title49_chapterI_part192_subpartP_section192.1007#title49_chapterI_part192_subpartP_section192.1007) (italics in original).

All five utilities, as ordered by the Commission, submitted integrity-management information in their 2018 annual service quality reports.

In addition to the above stated filing requirement, CenterPoint filed TIMP and DIMP information pursuant to a Commission-approved Stipulation as part of CenterPoint's petition for approval of an Affiliated Interest Agreement between CenterPoint Energy Minnesota Gas (CPEM) and Minnesota Limited.<sup>4</sup> In part, that Stipulation states:

In order to provide additional information on its ongoing TIMP and DIMP investments, CPEM agrees to work together with the OAG and DOC to develop metrics and reporting requirements related to safety, reliability and cost effectiveness of CPEM's TIMP and DIMP expenditures and submit a report by April 1, 2019 on the result of those discussions. The Parties agree to explore various metrics and/or reporting requirements, including but not limited to: leak rate by pipe material; causes of leaks/incidents; quantification of system risk; quantification of reduction to system risk; unit cost by pipe material; comparison of budgeted costs to actual costs; and quantification of cost savings resulting from reduced leaks.<sup>5</sup>

CenterPoint responded to the Commission's TIMP/DIMP reporting requirement by way of its submission in its 2018 annual service quality report. It is CenterPoint's submission that is, in large part, the focus of OAG's proposal.

#### **IV. CenterPoint's TIMP/DIMP Metrics Report**

On May 1, 2019, CenterPoint stated that it had met with representatives of DOC and OAG, and it submitted Schedules 18a through 18j, stating:

- Schedules 18a – 18c report leaks by cause for above ground facilities (ABGF), mains, and services. Causes may include corrosion failure, equipment failure, excavation damage, incorrect operations, natural force damages, other miscellaneous causes, other outside force damage, or pipe/weld/joint failure.
- Schedules 18d and 18e report leaks by material type. Material types include bare steel, coated steel, copper (services only), plastic polyethylene, plastic polyethylene Aldyl A, PVC (services only), and other miscellaneous type.
- Schedules 18f – 18h report risk by cause for above ground facilities (ABGF), mains, and services. Risk types include corrosion, equipment, excavation, incorrect operation, natural forces, other miscellaneous, other outside force damage, or pipe/weld/joint failure.

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<sup>4</sup> CenterPoint filed its proposed TIMP and DIMP metrics in a letter in the Affiliated Interest docket (18-517) on April 1, 2019.

<sup>5</sup> Order approving the Stipulation, Docket 18-517, January 14, 2019, p. 5.

- Schedules 18i and 18j report risk by material type. Material types include bare steel, coated steel, copper (services only), plastic polyethylene, plastic polyethylene Aldyl A, PVC (services only), and other miscellaneous type.<sup>6</sup>

In a Supplemental Filing on May 10, 2019, CenterPoint submitted Schedules 18k-18m:

- Schedules 18k, 18l, and 18m ... report the unit cost installed by project, a comparison of budgeted costs to actual installed costs, and the average annual cost to repair leaks by facility.<sup>7</sup>

In its Reply Comments of June 27, 2019, CenterPoint filed a correction to Schedule 18l.

## V. OAG's Proposal

OAG believes that:

... the public interest would be served by requiring the utilities to include, in future reports, data about their efforts to ensure the integrity of their transmission and distribution systems, including system risks, number of leaks discovered, and the cost of investments made to improve the safety and reliability of the system. Further, to better enable stakeholders to evaluate service-quality performance, the Commission should require the utilities to provide a three-year historical average to benchmark each reporting category.<sup>8</sup>

OAG makes reference to the Commission's orders of April 12, 2019, where all five gas utilities were required to file with the Commission the distribution-system integrity data that they were required, under federal law, to submit to the U.S Department of Transportation, specifically "the utility's filing under 49 CFR 192.1007 (e): integrity management plan performance measures; monitoring results; and evaluation of effectiveness ..." <sup>9</sup> Referencing 47 CFR 192, OAG points to Subparts O and P which refer, respectively, to Transmission Integrity Management Plans (TIMPs) and Distribution Integrity Management Plans (DIMPs).<sup>10</sup>

OAG points to CenterPoint Energy's 2018 Service Quality Report as a model of TIMP and DIMP reporting that, it argues, the other four utilities should be required to duplicate. OAG summarizes the system integrity metrics that CenterPoint used:

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<sup>6</sup> CenterPoint *Report*, p. 15.

<sup>7</sup> CenterPoint *Report*, p. 15.

<sup>8</sup> OAG comments, pp.1-2.

<sup>9</sup> See the Commission's April 12, 2019, orders in Dockets 18-286, 18-312, 18-314, 18-316 and 18-317.

<sup>10</sup> [https://www.govregs.com/regulations/title49\\_chapterI\\_part192](https://www.govregs.com/regulations/title49_chapterI_part192)

<b>Table 1. CenterPoint's TIMP and DIMP Metrics for 2018*</b>			
<b>Metric</b>		<b>Variants</b>	
1	Leak Count by Facility Type and Threat	a.	Total Count by Cause—Above Ground
		b.	Total Count by Cause—Mains
		c.	Total Count by Cause—Services
2	Leak Count on Main by Material		N/A
3	Leak Count on Service by Material		N/A
4	Risk by Facility Type and Threat	a.	Total Risk by Cause—Above Ground
		b.	Total Risk by Cause—Mains
		c.	Total Risk by Cause—Services
5	Risk on Main by Material		N/A
6	Risk on Service by Material		N/A
7	Unit Cost Installed by Project (\$ per foot replaced unless otherwise noted)	a.	TIMP Transmission Pipeline Integrity
		b.	TIMP Transmission Pipeline Replacement
		c.	TIMP Remote Control Valves (per 12-inch valve installed)
		d.	DIMP Bare Steel Mains
		e.	DIMP Cast Iron Mains
		f.	DIMP Copper Service Lines (per service line replaced)
		g.	DIMP Inside Meters (per meter moved)
		h.	DIMP Legacy Plastic Pipe (per service line replaced)
8	Comparison of Budgeted Costs to Actual Installed Costs	a.	TIMP Transmission Pipeline Integrity
		b.	TIMP Transmission Pipeline Replacement
		c.	TIMP Remote Control Valves
		d.	DIMP Bare Steel Mains
		e.	DIMP Cast Iron Mains
		f.	DIMP Copper Service Lines
		g.	DIMP Inside Meters
		h.	DIMP Legacy Plastic Pipe
9	Average Annual Cost to Repair Leaks by Facility	a.	Leaks on Mains
		b.	Leaks on Services
		c.	Leaks on Meters
* Source: OAG Comments, pp. 3-4.			

In addition to recommending that the Commission require all five utilities, going forward, to report, in a standardized format, on the same metrics as CenterPoint has done in its 2018 report, OAG recommends that future reports should contain a three-year historical average for each reporting category.

OAG argues that such reports (1) would provide a valuable window into the utilities' efforts to ensure safety and reliability, (2) if standardized, would streamline review, and (3) would provide valuable insights when reviewing Gas Utility Infrastructure Cost (GUIC) riders.

## **VI. Responses to Proposal**

MERC, GMG, Xcel and CenterPoint responded to OAG's proposal. DOC did not offer a recommendation.

### **A. CenterPoint Reply**

CenterPoint notes only that it is committed to filing system-integrity information in its Affiliated Interest docket (18-517).<sup>11</sup>

### **B. MERC Reply**

MERC recommends the Commission reject OAG's proposal, arguing that OAG's proposed measures are not reasonable or necessary for the Commission to understand system-integrity performance.<sup>12</sup> MERC argues:

First, distribution integrity management and transmission integrity management programs are not one-size-fits-all but rather are utility-specific. The OAG's stated goal [of standardized reporting] ... is counter to the purpose and goal of federal distribution integrity management and transmission integrity management regulations, which require natural gas system operators to know their systems. ... The specific risks as well as any quantification of those risks, is unique to each natural gas utility system operator. ...

Second, MERC has already agreed to continue providing distribution integrity management performance metric data consistent with the Commission's previous Order and the Department's recommendations in this docket. Further, the Company has and will be providing significant data and information regarding its investments in distribution integrity management capital improvements and survey work as part of its Gas Utility Infrastructure Cost ("GUIC") rider true-up process that was approved in Docket No. G011/M-18-281. ...

Third, the recommended reporting would not further the OAG's stated goal of ensuring the investments in DIMP and TIMP are accomplishing their intended purpose of reducing risk at reasonable costs. Often the Company does not know the material or condition of pipe until it is exposed as part of other work. Similarly, where known main replacement is required as a result of obsolete materials, the number of affected services may not be known until the project begins. Additionally, unit costs for each project vary for a number of reasons including soil conditions, paving requirements, permit requirements, and others. ... [A] deeper evaluation of the underlying data is necessary and important to understanding trends in increasing or diminishing effectiveness. ...

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<sup>11</sup> CenterPoint Reply Comments, June 27, 2019, Docket 19-300, p. 1.

<sup>12</sup> MERC Reply Comments, August 5, 2019, Docket 19-303, pp. 5-9.



Finally, [contrary to OAG's assertion] ... MERC not only provided historic averages for each performance metric, but provided more extensive historic data for many of its metrics. ...<sup>13</sup>

### **C. Xcel Reply**

Xcel opposes OAG's recommendation.<sup>14</sup> Xcel believes that OAG's proposed metrics are similar to the metrics currently being developed in Xcel's ongoing GUIC docket.<sup>15</sup> Xcel believes the GUIC docket is the better place to develop those metrics. Xcel also makes reference to a 2016 Commission order that states:

Xcel shall develop metrics to measure the appropriateness of GUIC expenditures, to be included in future GUIC Rider filings, and provide stakeholders the opportunity for meaningful involvement. Each metric should include a reconciliation to the pertinent TIMP/DIMP rules, and/or if not tied to TIMP/DIMP requirement, the Company must identify what goal, benefit, and/or requirement it addresses.<sup>16</sup>

### **D. GMG Reply**

GMG does not support OAG's proposal.<sup>17</sup> GMG states that system-integrity metrics are provided to expert regulatory agencies charged with oversight of safety for natural gas lines – the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Minnesota Office of Pipeline Safety (MNOPS). Duplication of reporting may not be an effective use of resources. GMG believes the Commission would be better served by seeking information directly from MNOPS.

GMG is also concerned that the comparison of such metrics across utilities may lead to inappropriate comparisons of utility spending programs. GMG, with its less mature system, does not require replacements as do older systems with legacy materials.

GMG is most concerned that any Commission action regarding integrity management could lead to conflict with MNOPS or PHMSA.

In the event the Commission requires utilities to submit information as proposed by OAG, GMG believes that requirement be limited to CenterPoint and the utilities with GUIC riders related to TIMP and DIMP expenditures.

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<sup>13</sup> MERC Reply Comments, pp. 7-9 (footnote omitted).

<sup>14</sup> Xcel Reply Comments, July 29, 2019, Docket 19-305, pp. 2-3.

<sup>15</sup> Docket 18-692.

<sup>16</sup> Order in Docket 15-808, August 18, 2019.

<sup>17</sup> GMG Reply Comments, June 25, 2019, Docket 19-304, pp. 3-4.

## **E. DOC Position**

DOC offered no comment or recommendation regarding OAG's proposal. However, DOC reviewed and summarized the TIMP and DIMP information provided by CenterPoint in its annual service quality report.<sup>18</sup> DOC raised no concerns regarding CenterPoint's filing.

## **VII. Staff Analysis**

A general question for the Commission is to consider how much integrity-management information it wishes to see, and how often. In 2018, the five utilities submitted their annual service quality reports for the calendar year of 2017. In accepting those reports, the Commission required the utilities to include, in their 2018 calendar-year filings, integrity-management performance reports required by the U.S. Department of Transportation. Specifically, the Commission stated that the utilities must file:

... the utility's filing under 49 CFR 192.1007 (e): integrity management plan performance measures; monitoring results; and evaluation of effectiveness in a manner to establish a baseline for ongoing reporting.<sup>19</sup>

Note that the Commission did not indicate if those filings should be an ongoing requirement, although it did make reference to "ongoing reporting" and "ongoing monitoring."<sup>20</sup>

In addition to the above requirement, CenterPoint, as part of its Affiliated Interest Agreement petition, was required to:

... provide additional information on its ongoing TIMP and DIMP investments, CPEM agrees to work together with the OAG and DOC to develop metrics and reporting requirements related to safety, reliability and cost effectiveness of CPEM's TIMP and DIMP expenditures and submit a report by April 1, 2019 on the result of those discussions. The Parties agree to explore various metrics and/or reporting requirements, including but not limited to: leak rate by pipe material; causes of leaks/incidents; quantification of system risk; quantification of reduction to system risk; unit cost by pipe material; comparison of budgeted costs to actual costs; and quantification of cost savings resulting from reduced leaks.<sup>21</sup>

In response to the Commission's order CenterPoint provided information on the 29 metrics listed in Table 1, above. Further, CenterPoint provided a 3-year historical baseline for 2015-2017.<sup>22</sup>

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<sup>18</sup> DOC Comments, June 14, 2019, Docket 19-300, Tables 14-14(d), pp. 18-22.

<sup>19</sup> This language appears in each of the five Commission orders accepting the utilities' 2017 annual reports. See dockets 18-286, -312, -314, -316 and -317, all issued on April 12, 2019.

<sup>20</sup> Ibid.

<sup>21</sup> Order approving the Stipulation, Docket 18-517, January 14, 2019, p. 5.

<sup>22</sup> Docket 19-300, Tables 18a-18j in its report of May 1<sup>st</sup>, Tables 18k and 18m in its Supplemental Filing of May 10<sup>th</sup>, and its corrections to Table 18l in its Reply Comments of June 27<sup>th</sup>.

Here, too, it is unclear as to whether CenterPoint's reporting obligation is to extend beyond the immediate needs of the Affiliated Interest docket.

As such, the first question for the Commission (as raised by OAG) is whether it should require all five utilities to, on an annual basis, report TIMP and DIMP information as did CenterPoint for 2018. A second question is whether the Commission should require all five utilities to include their 49 CFR 192.1007(e) filings in future annual reports (note that this question is addressed in the other five companion Briefing Papers). A third question is whether the utilities should provide both (are they necessary or redundant?).

Although, uniformity in reporting can be valuable to the Commission and stakeholders, it is unclear as to the administrative burden such reporting will place upon the other four utilities. CenterPoint's 29 metrics were developed in consultation with DOC and OAG and may uniquely reflect the characteristics of CenterPoint's record-keeping systems. On the other hand, to the extent there is a significant administrative burden, that burden may be heaviest in the first year of reporting, declining as reporting processes are established. Further, to the extent reporting upon the 29 metrics is useful in future dockets (such as GUIC) parties may need do little or no additional work in those dockets.

### **VIII. Decision Options**

1. Deny OAG's request to require additional TIMP/DIMP reporting by Xcel, MERC, GMG and Great Plains.
2. Require CenterPoint to continue to file, annually as part of its service quality report, the TIMP/DIMP data addressing the 29 metrics developed in its Affiliated Interest docket (and reported in its 2018 annual service quality report), updating the three-year averages each year,

#### **AND**

Require Xcel, MERC, GMG and Great Plains to file, annually as part of their service quality reports, their TIMP/DIMP data addressing the 29 metrics developed in CenterPoint's Affiliated Interest docket (and reported in CenterPoint's 2018 annual service quality report), updating the three-year averages each year, and standardized to conform to CenterPoint's 2018 formatting.

3. Take other action.

Staff makes no recommendation.