



Department of Public Service

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Three Empire State Plaza, Albany, NY 12223-1350
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June 6, 2016

Hon. Thomas P. DiNapoli
New York State Comptroller
110 State Street-11th Floor
Albany, New York 12236

Dear Comptroller DiNapoli:

In accordance with the provisions of Section 170 of the Executive Law, the following are actions the Department of Public Service has taken, or will be taking, to implement the recommendations contained in the Office of the State Comptroller's (OSC) final audit report (2015-S-31) Pipeline Safety Oversight.

Recommendation #1:

Operator Qualifications: Ensure the qualifications for Operators' employees and contractors are accurately documented and supported in the Operators' or independent third parties' files.

Action Plan:

1. The Pipeline Safety Section (DPS) revised its audit procedures in 2015 to clarify that Operator Qualification (OQ) program evaluations will occur for each pipeline operator at intervals that do not exceed five years. DPS will audit written OQ programs and procedures, covered task training, testing and evaluations, and conduct on-site OQ field evaluations. The revised audit procedures also include documentation requirements that will comply with the program requirements found in PHMSA's "Guidelines for States Participating in the Pipeline Safety Program". Furthermore, wording has been added to audit procedures so that the review of methods used for qualification (completed tests, etc.) are considered during qualification verification.
2. In an attempt to balance the competing demands of test integrity and audit functions, DPS has worked with other states – Connecticut, Massachusetts, Maine, Pennsylvania, and New

Hampshire – to obtain a commitment from the Northeast Gas Association (NGA), that the qualifying tests upon which the Operators’ qualifying information is based, will be maintained in some manner, regardless of whether they were written tests or given electronically.¹ DPS and other Eastern Region States met with NGA in Albany on January 25, 2016 to impress upon NGA the need to retain this information. At this meeting, NGA disclosed that these tests are being maintained on a going forward basis (and most have been since January 1, 2016). DPS believes the NGA’s administration of a written test which includes specific proctoring requirements (including NGA personnel being present at testing locations) and test evaluation at each test location will ensure the tests’ integrity. The NGA’s oversight and administration of tests through a special computer-based testing program has further enhanced test integrity as participants cannot leave the test location with actual tests. Moreover, the NGA’s program offers instant verification of qualification dates by use of Quick Response (QR) codes and an electronic system to which Staff has been granted access. Use of standardized qualification programs such as those offered by the NGA has the ancillary benefit of reducing the time needed to qualify the mutual aide pool that many gas companies can use for obtaining additional crews to respond to severe events such as Hurricane Sandy by allowing companies to focus qualifications efforts on company-specific needs relating to company procedures and equipment to supplement qualifications gained through the NGA.

Recommendation #2:

Reporting of Incidents: Develop procedures to identify instances when Operators fail to report incidents as required and update the Manual to reflect those procedures.

Action Plan:

1. DPS has subscribed to a Google news feed, which provides staff with up-to-date information about all Operator activities that gain “media” attention in real time. The Google news subscription should satisfy the intent of this recommendation while avoiding the displacement of Department Staff resources better assigned to verified safety accidents.
2. DPS has revised its Pipeline Safety Staff Guideline Manual (SGM) to clarify that in the annual audit letters sent to all Operators, DPS Staff should include all incidents that met reporting criteria but were not reported by the Operators.
3. DPS has worked with gas companies to streamline off-hours reporting to take advantage of technology (e.g., email) that was not available when the requirement to notify DPS of accidents or incidents first went into effect. For example, we believe that accidents that meet the federal

¹ While most New York local distribution companies (LDCs) use the Northeast Gas Association Operator Qualification Program, NGA is not jurisdictional to the Department. Ultimately, the LDCs themselves have the obligation to maintain documentation supporting qualification for all persons performing covered tasks. Using third parties to administer operator qualification programs is acceptable. However, the LDCs are obligated to review any program used to make sure all requirements are met, including maintenance of proper documentation to prove qualification.

definition of “incident” should continue to be immediately reported telephonically². However, notification of accidents that meet reporting requirements in 16 NYCRR Part 255, but are less serious in nature, can be made through email reporting. The original intent of the requirement to report events that “could cause concern because of coverage by news media” was not to prompt an investigation, but to provide information on events that may cause public concern. We believe this change will strike the proper balance between notifications that are made for informational purposes and those that require DPS investigation. In addition, DPS has initiated a pilot program with National Grid in which excavation damage, including third-party damage to utility facilities, are reported on a 24 hour basis. As these are received, DPS staff will review them to determine whether an on-site investigation is necessary.

Recommendation #3:

Data Sources and Uses: Work with the Operators to identify all available sources of pipeline safety data, and then determine which analyses can best provide both DPS and the Operators with the most valuable information to help identify risks and improve pipeline safety.

Action Plan:

1. In 2003 DPS added, and the PSC has adopted, performance metrics developed using data that identify regulatory and procedural failures among the Operators. The metrics trigger associated utility negative revenue adjustments (NRAs) when gas companies fail to perform at acceptable performance levels. These metrics not only assure that distribution companies maintain established baseline expectations, but that Operators continue to make safety improvements. In addition, as of 2015, NRAs are in place that accelerate leak prone pipe replacements on a set schedule and impose consequences on gas companies for failure to decrease gas safety violations. Over \$100 million dollars of shareholder funds per year is now at stake for failure to meet these stringent metrics.
2. In addition to the development of the annual Performance Measure Report and Gas Rate Performance Metrics, DPS regularly analyzes contributing factors related to incident investigations throughout the State. While not a purely numerical data exercise, DPS assesses the lessons learned after each gas incident in any one distribution company’s service territory and applies them when investigating other gas companies. Physical evidence such as that observed during Superstorm Sandy and the 2012 Horseheads, New York explosion led the Commission to order immediate changes to operating procedures to address identified risks. For example, the Horseheads incident identified that areas where water and sewer infrastructure was installed after natural gas infrastructure had a higher possibility of unrepaired damage to natural gas service lines. As a result, Staff worked with the utilities to develop a statistically based approach to identifying communities where this phenomenon might exist. Following the explosion on Paige Street in Schenectady in 2014, Staff identified that the LDCs were leaving natural gas service on in abandoned housing, a practice known as

² No incident meeting reporting criteria found in 49 CFR Part 191 were found as not being reported, either in Staff audits or the OSC Final Audit Report.

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“soft-off”. Staff worked with the utilities to have the gas service to thousands of such properties in New York State shut off, greatly reducing the safety risk presented by natural gas service to premises with no customer of record.

3. Currently DPS pipeline safety audit functions and data collection is done through a combination of manual forms, emails, spreadsheets and Microsoft Access databases. The current workflow also involves a large number of manual processes associated with the planning, scheduling, inspecting, auditing, analysis and reporting on gas pipelines in New York State. In order to streamline data collection and analysis, DPS has partnered with New York State Office of Information Technology Services to create a comprehensive Pipeline Auditing System.

If you have any questions regarding this response, please contact me at 518-474-2523.

Sincerely,

A handwritten signature in blue ink, appearing to read "Audrey Zibelman".

Audrey Zibelman
Chair

Cc: Governor Andrew M. Cuomo
Lieutenant Governor Kathleen C. Hochul
Senator John F. Flanagan
Senator John A. DeFrancisco
Senator Jeffrey D. Klein
Assemblyman Carl E. Heastie
Assemblyman Brian M. Kolb