

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

National Grid PLC and KeySpan Corporation - Proposed Merger

Case 06-M-0878

The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery
New York - Gas Rates

Case 06-G-1185

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery
Long Island - Gas Rates

Case 06-G-1186

January 2007

Prepared Testimony of:

SAFETY PANEL

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1 Q. Mr. Stolicky, please state your full name and
2 business address.

3 A. Christopher R. Stolicky, 3 Empire State Plaza
4 Albany, NY, 12223.

5 Q. Mr. Stolicky, by whom are you employed and in
6 what capacity?

7 A. I am employed by the Department of Public
8 Service of the State of New York. I am a
9 Utility Engineer 2 (Safety) assigned to the
10 Office of Gas & Water, Safety Section.

11 Q. Please state your educational background and
12 professional experience.

13 A. I graduated from Union College in 2000 with a
14 Bachelors degree in Civil Engineering. I
15 received a Masters degree in Business
16 Administration from the University at Albany in
17 May 2005. I have been employed by the
18 Department of Public Service since January 2001.
19 I work in the Safety Section and I am familiar
20 with federal and state gas safety pipeline
21 codes, statewide risk-based safety performance
22 measures, and with the operations of the major

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1 gas utilities in New York State. My other
2 duties include engineering support for the
3 Safety Section field staff, reviewing possible
4 violations relating to 16 NYCRR Part 753 (damage
5 prevention), participating in rate proceedings,
6 reviewing proposed pipeline designs, processing
7 petitions and waivers relating to code
8 compliance matters, and reviewing proposed
9 updates to utility operations and maintenance
10 procedures. I have also participated in job
11 rotations and work assignments in the Gas Rates
12 and Policy Sections, where I participated in
13 various rate issues and in the development of
14 winter supply planning.

15 Q. Mr. Stolicky, have you previously testified in
16 an administrative proceeding?

17 A. Yes. I recently testified in the National Fuel
18 Gas Corporation gas rate case, Case 04-G-1047,
19 the Central Hudson Gas & Electric gas rate case,
20 Case 05-G-0935, the Corning Natural Gas rate
21 case, Case 05-G-1359, the Orange & Rockland
22 Utilities rate case, Case 05-G-1494, and the St.

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1 Lawrence Gas rate case, Case 05-G-1635.

2 Q. Mr. Klesin, please state your full name and
3 business address.

4 A. Joseph F. Klesin, 90 Church Street, 4th Floor,
5 New York, NY 10007.

6 Q. Mr. Klesin, by whom are you employed and in what
7 capacity?

8 A. I am employed by the Department of Public
9 Service of the State of New York. I am a
10 Utility Engineer 3 (Safety) assigned to the
11 Office of Gas & Water, Safety Section in NYC.

12 Q. Please state your educational background and
13 professional experience.

14 A. I graduated from New York Institute of
15 Technology (NYIT) in Old Westbury, NY in 1989
16 with a Bachelors of Technology Degree in
17 Electro/Mechanical/Computer Technology. I
18 joined the department in 1990 and I am currently
19 the Supervisor of the Safety Section's NYC
20 office; with oversight of four Utility Engineers
21 and am responsible for the implementation of the
22 NYS Pipeline Safety Program in the downstate

1 area.

2 I am responsible for organizing, scheduling,
3 coordinating and directing field activities of
4 the New York City area office. The program
5 involves comprehensive safety & reliability
6 evaluations of downstate utilities and covers
7 all aspects of operations, maintenance and
8 construction of jurisdictional natural gas,
9 liquid petroleum, propane, liquefied natural
10 gas, and steam pipelines. I am familiar with
11 all NYS and federal gas & liquid pipeline safety
12 codes, including the overall operations of the
13 major downstate gas utilities.

14 Q. Have you previously testified in a regulatory
15 proceeding?

16 A. Yes. I have testified in two previous Orange &
17 Rockland Utilities rate cases, Case 99-G-1695,
18 and Case 02-G-1553.

19 Q. What is the purpose of the safety
20 recommendations?

21 A. The purpose of our testimony is to recommend
22 safety performance targets which become

1 incentives for The Brooklyn Union Gas Company
2 d/b/a KeySpan Energy Delivery New York (KEDNY)
3 and KeySpan Gas East Corporation d/b/a KeySpan
4 Energy Delivery Long Island (KEDLI) to maintain
5 and improve specific areas regarding the safety
6 of its gas distribution system. They also focus
7 the company's attention to areas widely accepted
8 as of high importance, and help ensure service
9 reliability. The targets are derived from the
10 company's actual levels of historic performance,
11 our knowledge of KEDLI and KEDNY, and our
12 experience with other local distribution
13 companies across the state.

14 Q. Are you sponsoring any exhibits?

15 A. Yes, Exh____(SP-1), Exh____(SP-2), Exh____(SP-3),
16 Exh____(SP-4), Exh____(SP-5), and Exh____(SP-6).

17 Q. Does the company currently have safety-related
18 targets in effect?

19 A. Yes. The Commission adopted the existing rate
20 plans for KEDLI and KEDNY in an Order issued for
21 Case 97-M-0567, which had targets related to
22 infrastructure enhancement, leak management,

1 damage prevention, and emergency response times.
2 The targets were for the calendar years 1998,
3 1999, and 2000 and would continue for each
4 calendar year unless modified by the Commission.
5 Thus, those targets have remained in effect.

6 Q. Did KEDLI and KEDNY make any recommendations
7 with regard to safety-related issues or targets
8 in its filing?

9 A. Yes, the companies recommended that the current
10 targets remain in effect.

11 Q. Are the current targets adequate?

12 A. No, they are not. Our testimony will describe
13 the importance of increased safety performance
14 targets and how they should be applied in this
15 case.

16 Q. Please provide an overview of the Panel's
17 recommendations?

18 A. The Panel recommends KEDLI and KEDNY be required
19 to implement the following safety
20 recommendations and performance measures for
21 calendar year 2007 and 2008 calendar year
22 targets where specified, and remain at the 2008

1 target levels for each subsequent year until the
2 mechanisms recommended in this proceeding are
3 superseded in the future by the Commission:

4 (1) **Infrastructure Enhancement**

5 **Replacement of Leak-Prone Pipe**

6 For KEDLI, replace, at a minimum, 60 miles
7 of leak-prone pipe. For KEDNY, replace, at a
8 minimum, 30 miles of leak-prone pipe.

9 (2) **Leak Management**

10 For KEDLI, achieve a year-end backlog of
11 leaks requiring repair of no greater than 150
12 for 2007, and 125 for 2008. For KEDNY, achieve
13 a year-end backlog of leaks requiring repair of
14 no greater than 150 for 2007, and 125 for 2008.

15 (3) **Prevention of Excavation Damages**

16 (a) **Overall Damages**

17 For KEDLI, maintain a level equal to
18 or below 6.25 excavation damages per
19 1000 One-Call Tickets for 2007, and
20 6.00 for 2008.

21 For KEDNY, maintain a level equal to
22 or below 6.00 excavation damages per

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1 1000 One-Call Tickets for 2007, and
2 5.50 for 2008.

3 (b) **Damages due to Mismarks**

4 For KEDLI, maintain a level equal to
5 or below 1.00 excavation damages due
6 to mismarks per 1000 One-Call Tickets
7 for 2007, and 0.75 for 2008.

8 For KEDNY, maintain a level equal to
9 or below 1.25 excavation damages due
10 to mismarks per 1000 One-Call Tickets
11 for 2007, and 1.00 for 2008.

12 (c) **Damages caused by Company Crews and**
13 **Company Contractors**

14 For KEDLI, maintain a level equal to
15 or below 0.15 excavation damages due
16 to company and company contractor
17 personnel per 1000 One-Call Tickets.

18 For KEDNY, maintain a level equal to
19 or below 0.15 excavation damages due
20 to company and company contractor
21 personnel per 1000 One-Call Tickets.

22 (4) **Emergency Response**

1 We recommend that KEDLI meet the following
2 targets for response to gas emergencies:

3 (a) Respond to 75% of all gas leak and
4 odor calls within 30 minutes.

5 (b) Respond to 90% of all gas leak and
6 odor calls within 45 minutes.

7 (c) Respond to 95% of all gas leak and
8 odor calls within 60 minutes.

9 We recommend that KEDNY meet the following
10 targets for response to gas emergencies:

11 (a) Respond to 71% of all gas leak and
12 odor calls within 30 minutes for
13 calendar year 2007, and 75% of all
14 gas leak and odor calls within 30
15 minutes for calendar year 2008.

16 (b) Respond to 90% of all gas leak and
17 odor calls within 45 minutes.

18 (c) Respond to 95% of all gas leak and
19 odor calls within 60 minutes.

20 Q. Would you please discuss the Panel's reasons for
21 each of the safety-related performance measures
22 beginning with infrastructure enhancement?

1 A. Yes. The infrastructure enhancement measure
2 addresses the removal of pipe that is prone to
3 leakage. The purpose is to eliminate aging
4 pipeline infrastructure that, due to its
5 vulnerability to leaks, presents safety risks.
6 By replacing this pipe with modern materials,
7 public safety and service reliability are
8 improved, and operating and maintenance costs
9 and lost gas are reduced.

10 Q. Please describe the leak management measure.

11 A. The leak management measure focuses on the
12 reduction of unrepaired potentially hazardous
13 gas leaks. The infrastructure enhancement and
14 leak management measures are complementary, in
15 that reducing the inventory of leak-prone piping
16 over time will lead to reductions in the number
17 of gas leaks requiring investigation,
18 monitoring, and repairs, thereby improving
19 public safety.

20 Q. Please discuss the prevention of excavation
21 damages measure.

22 A. This measure aims to reduce the largest cause of

1 gas pipeline failures - damage by excavating
2 equipment. Reducing these damages will improve
3 public safety as well as improve KEDLI's and
4 KEDNY's reliability and cost of service.

5 Q. Please explain the emergency response measure.

6 A. The emergency response measure encourages the
7 company to focus on responding to leak and odor
8 calls generated by the public in a timely
9 manner.

10 **Infrastructure Enhancement**

11 Q. Please describe the leak-prone pipe replacement
12 component of the safety performance measure.

13 A. The initial premise of our recommendation is
14 that both KEDLI and KEDNY continue to replace
15 this type of pipe at a rate not less than their
16 historical capability. However, because of the
17 significant leakage rate KEDLI has experienced
18 on its distribution system, we are recommending
19 a considerable increase in replacement levels.

20 Q. What are the historical pipe replacement levels
21 of KEDLI and KEDNY?

22 A. Over the time period of 2002 through 2005, KEDLI

1 replaced an approximate average of 33.5 miles
2 per year. From 2001 through 2005, KEDNY
3 replaced approximate average of 28.5 miles per
4 year.

5 Q. Why did you not use 2001 or 2006 replacement
6 data for KEDLI?

7 A. The company reported to us that it replaced
8 approximately 14.5 miles of main in 2001 and 21
9 miles in 2006. Every other year was
10 consistently between approximately 31.5 and 35.2
11 miles. These two years were clearly deviations
12 from the others; thus, we considered them
13 anomalies and decided not include them in the
14 analysis.

15 Q. What occurred in 2006 for KEDNY?

16 A. KEDNY, similar to KEDLI, significantly deviated
17 from its average level of pipe replacement
18 performance from 2001 through 2005. It was
19 approximately 7.25 miles, or approximately 26%,
20 less.

21 Q. Please explain what you mean by "leak-prone"
22 pipe.

1 A. Leak-prone pipe is generally considered steel
2 pipe that is unprotected, cast iron pipe, and
3 some vintages of plastic pipe that can become
4 brittle.

5 Q. What is meant by "unprotected?"

6 A. It means that the pipe lacks cathodic
7 protection, a method by which steel pipelines
8 are protected from corrosion. Such unprotected
9 pipe is also referred to as "bare" steel. For
10 our purposes here, bare steel pipe also includes
11 pipe that is ineffectively coated.

12 Q. How does the bare steel component of the
13 recommended safety measure add to the safety of
14 the gas system?

15 A. Data collected by the Federal Office of Pipeline
16 Safety, as well as our own Department, shows
17 that corrosion is a leading cause of leakage and
18 that bare steel pipe is most susceptible to
19 corrosion.

20 Q. How does the removal of cast iron pipe add to
21 the safety of the gas system?

22 A. Due to its physical characteristics, cast iron

1 pipe is more prone to catastrophic failures than
2 cathodically protected steel pipe and plastic
3 pipe. Small diameter cast iron pipe, defined as
4 8-inches or less in nominal diameter, is even
5 more prone to structural failure due to
6 brittleness and low beam strength. Removal of
7 this pipe will reduce the potential for leaks
8 and incidents resulting from failures. Cast
9 iron pipe tends to be located in older, more
10 densely populated areas with many enclosed
11 structures and paved areas. These circumstances
12 tend to be more conducive to the below-ground
13 migration of gas across wider areas than would
14 occur in rural areas. The more congested the
15 environment the greater the risk of fires or
16 explosions. The removal of these leak-prone
17 facilities will also benefit the company and
18 improve public safety by reducing its leak
19 backlog.

20 Q. What criteria should be used for the removal of
21 leak-prone pipe?

22 A. We recommend KEDLI and KEDNY implement a method

1 to evaluate piping segments based on criteria
2 such as type of material, cathodic protection,
3 leakage information, and location of pipe in
4 relation to structures where gas could gather if
5 leakage occurs. It should then rank risk,
6 reliability, and economic factors and prioritize
7 segments for replacement. The assigned priority
8 levels should guide KEDLI and KEDNY to remove
9 its highest-risk pipe and thereby improve the
10 overall safety of the system through lower leak
11 rates.

12 Q. Please describe why you are recommending a large
13 increase in pipe replacement for KEDLI.

14 A. There are three significant reasons. First,
15 KEDLI has the largest amount of leak-prone pipe
16 in the state which, due to its tendency to leak,
17 should be removed from service over time.
18 Second, KEDLI currently discovers significantly
19 more leaks on an annual basis than any other
20 LDC. In 2005, for example, the KEDLI's system
21 contained approximately 31% of all gas leaks
22 discovered among the 11 largest gas distribution

1 companies in New York. 2006 data would have
2 been used but KEDLI indicated it would not
3 provide the data until after our testimony was
4 due. Finally, and this also applies to KEDNY,
5 consistent with other rate plans within the past
6 several years, every company that has leak-prone
7 pipe in its system has a plan to work towards
8 its removal.

9 Q. How did you arrive at the 60 mile target for
10 KEDLI?

11 A. Our goal is to recommend as high of a target as
12 possible while balancing the impact of an
13 increase in capital spending. While we
14 generally encourage companies to implement as
15 aggressive pipe replacement plans as possible,
16 our recommendation unfortunately places KEDLI on
17 a greater than 50 year plan to remove only the
18 bare steel pipe from its system; this is
19 generally double most other companies programs.
20 However, we feel that recommending a higher
21 target for this one year rate case would
22 represent too large of a cost impact to

1 ratepayers.

2 The 60 mile target is justified because of
3 KEDLI's greater magnitude of outstanding leaks
4 when compared to KEDNY.

5 Q. Are you providing rate base treatment for this
6 increase in capital spending for KEDLI?

7 A. At this time we are not capable of providing an
8 adjustment that we are confident of. We, along
9 with Gas Rates Section Staff, made several
10 attempts to determine actual costs and estimates
11 for the planned replacement of pipe for KEDLI.
12 Not only did we get conflicting costs as answers
13 to interrogatory requests, but we asked for this
14 data in interrogatory request DPS-244, with a
15 follow-up in DPS-301. The company indicated it
16 has not performed an analysis as to what higher
17 levels of replacements would cost. It further
18 did not attempt to quantify the costs. We also
19 asked for a breakdown by cost component in DPS-
20 286 and KEDLI indicated it did consider this
21 approach. Please refer to Exh____(SP-1).

22 Q. What do you recommend?

1 A. We recommend KEDLI perform a detailed analysis
2 to determine what our recommendation will cost.
3 We also recommend that KEDLI provide a similar
4 analysis for higher levels of proactive pipe
5 replacement at levels up to 100 miles per year
6 and beyond. This analysis should be part of its
7 rebuttal testimony.

8 Q. How did you arrive at the 30 mile target for
9 KEDNY?

10 A. The 30 mile recommendation for KEDNY is only a
11 slight increase over its historical level.
12 While it also has a significant amount of leak-
13 prone pipe, the total amount of leaks on its
14 distribution system is generally a third of
15 those on KEDLI's. Having a target as part of a
16 rate plan further ensures the public a level of
17 safety not less than it has historically
18 experienced.

19 Q. Are you providing rate base treatment for this
20 increase in capital spending for KEDNY?

21 A. No, we are not. Since we are only recommending
22 a slight increase in replacement levels, we

1 expect the savings realized by performing a
2 proactive approach to pipe replacement will
3 offset the typical higher costs of performing
4 non-planned, or emergency, work.

5 Q. What is the impact of this recommendation in the
6 current case?

7 A. In this case, our recommendation is to require
8 each company maintain its historic capability
9 and historic trend in the replacement of leak-
10 prone pipe, and then accelerate its replacements
11 in order to continue reducing the risk to the
12 public. Also, as we mentioned earlier, fewer
13 leaks lead to reductions in the number of gas
14 leaks requiring investigation, monitoring, and
15 repairs, thereby improving public safety. We
16 would also like to point out that National Grid
17 has also identified the need for pipe
18 replacement for KEDLI. On page 43 of the Merger
19 Petition National Grid proposed to replace an
20 additional 20 miles per year if the merger
21 obtains regulatory approval. However, the need
22 to replace leak-prone pipe on a more expedited

1 basis is not dependent on a merger or related to
2 what business entity owns the company.

3 **Leak Management**

4 Q. Please describe the Leak Management performance
5 measure?

6 A. Our recommendation is that each company achieve
7 a backlog of leaks requiring repair equal to or
8 below 150 at the end of the calendar year 2007,
9 and 125 at the end of calendar year 2008. The
10 125 level should continue on a year-to-year
11 basis after 2008 until changed by the
12 Commission.

13 Q. What is the significance of this performance
14 measure?

15 A. The overall objective of the performance measure
16 is to encourage the company to reduce the number
17 of potentially hazardous active leaks on its
18 system. Eliminating leaks helps minimize the
19 possibility of an incident involving fire and
20 explosion, reduces the amount of gas the company
21 loses, and reduces operating and maintenance
22 costs. Minimizing unrepaired leaks at year-end

1 requires effort year-round and results in
2 minimizing the hazard to the public during frost
3 conditions when there is a higher risk of gas
4 migration into homes because the gas cannot vent
5 to the atmosphere as readily. Therefore, this
6 measure provides an incentive for the Companies
7 to eliminate their leaks and thereby provide a
8 higher level of safety to the public.

9 Q. How did you determine the leak backlog targets
10 of 150 and 125 for this performance measure?

11 A. We reviewed the year-end backlog of repairable
12 leaks data submitted by each company in response
13 to interrogatory request DPS-310. See exhibit
14 Exh____(SP-2). The backlog of leaks at year-end
15 has clearly decreased for KEDLI over the time
16 period, and has remained near 160 and below for
17 both KEDLI and KEDNY over the past several
18 years. Since each company averages over 4,300
19 leaks repaired per year, we believe that the
20 companies will not be overwhelmed by a
21 recommendation to slightly reduce the backlog in
22 the future. The recommended decrease in 2008,

1 while a large percentage improvement over 150,
2 represents an approximate 0.55% average increase
3 in the number of required repairs for the
4 companies.

5 Q. Is there anything else you would like to say
6 about the leak management target?

7 A. Yes. As noted earlier, the leak backlog is
8 correlated to the replacement of higher-risk
9 pipe. When pipe that is more prone to leakage
10 is replaced with modern materials, public safety
11 and service reliability are improved and, for
12 ratemaking purposes, operating and maintenance
13 costs are reduced. Our recommended minimum
14 replacement target represents a combined 90
15 miles per year of this pipe being removed from
16 operation. The removal of this pipe should help
17 to reduce leaks occurring on the gas
18 distribution systems.

19 **Damage Prevention**

20 Q. Would you please describe your proposed
21 performance measure recommendations related to
22 prevention of excavation damages?

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1 A. We recommend that KEDLI and KEDNY maintain a
2 level equal to or below 6.25 and 6.00,
3 excavation damages per 1000 One-Call Tickets
4 respectively, during 2007. For 2008, we
5 recommend the targets be improved to 6.00 and
6 5.50 for KEDLI and KEDNY, respectively. In
7 conjunction with this level, KEDLI and KEDNY
8 should maintain levels equal to or below 1.00
9 and 1.25, respectively, for excavation damages
10 due to mismarks per 1000 One-Call Tickets during
11 2007. For 2008, we recommend the targets be
12 improved to 0.75 and 1.00 for KEDLI and KEDNY,
13 respectively. We further recommend that a level
14 equal to or below 0.15 for company and company
15 contractor damages per 1000 One-Call Tickets be
16 implemented for both companies for 2007 and
17 beyond. All 2008 target levels should continue
18 on a year-to-year basis until changed by the
19 Commission.

20 Q. What is a "One-Call Ticket?"

21 A. The Public Service Commission's regulations
22 contained in 16 NYCRR Part 753 - Protection of

1 Underground Facilities - require excavators to
2 make a toll-free call to a "one-call"
3 notification system and provide notice of their
4 intent to perform excavation work. The one-call
5 notification system that covers KEDLI's and
6 KEDNY's territory is the New York City and Long
7 Island One Call Center (Dig Safely). Dig Safely
8 takes the pertinent information from the
9 excavator and transmits it to its member
10 utilities that may be affected by the excavation
11 work. Those utilities then mark the location of
12 their affected facilities so the excavator can
13 avoid damaging them. Each incoming call to Dig
14 Safely will generate several outgoing notices to
15 the member utilities such as the gas, electric,
16 telephone, cable, and water companies. A notice
17 received by the utility is referred to as a One-
18 Call ticket.

19 Q. What is a "mismatch?"

20 A. A mismatch occurs when a utility fails to
21 accurately mark the location of its underground
22 facilities in response to the One-Call ticket.

1 Consistent with the requirements of 16 NYCRR
2 Part 753, Protection of Underground Facilities,
3 for purposes of this performance measure a
4 mismark is considered any instance of damage
5 where the marks are off by more than 2 feet. It
6 should also include any instances of damage
7 where the company fails to mark its facilities
8 at all in response to a properly served notice
9 by an excavator to Dig Safely.

10 Q. What are damages by "company and company
11 contractors?"

12 A. These are damages to the company's pipe
13 facilities that are caused by company personnel,
14 or contractors that are operating under the
15 company's direct control.

16 Q. Why is the Panel recommending different targets
17 for the two companies?

18 A. We derived the target based on historical
19 performance, as well as year-to-year average
20 improvements in performance.

21 Q. Please explain further.

22 A. We look at each company individually over the

1 past several years in each area of performance.
2 We then compute the average improvement from
3 year-to-year. That computed average is then
4 projected into the future from the last level of
5 performance we have for the company. We make
6 the assumption that each company works to
7 improve its performance and attempts to avoid
8 performing below its historical capability.
9 Since it is based on a simple average, we refer
10 to it as a "straight line forecast."
11 Q. How would these measures benefit public safety?
12 A. According to state and national statistics, the
13 leading cause of gas pipeline failures and
14 accidents is third-party construction damage.
15 These damages often cause interruptions of
16 service to customers. They also frequently
17 cause building evacuations and road closures.
18 Explosions and fires are less frequent, but have
19 occurred. Fatalities and injuries due to
20 construction damages are also possible.
21 Therefore, reducing these types of damages
22 clearly improves public safety.

1 Q. How has KEDLI and KEDNY performed in the past?

2 A. We reviewed each company's performance in these
3 measures over the last five years. Tables
4 summarizing the data are attached as Exh____(SP-
5 3). For years 2002, 2003, 2004, 2005 and 2006,
6 KEDLI experienced 8.08, 8.99, 7.75, 8.25, and
7 6.53 overall damages per 1000 One-Call Tickets,
8 respectively. For years 2002, 2003, 2004, 2005
9 and 2006, KEDNY experienced 9.57, 8.89, 8.18,
10 7.99, and 6.49 overall damages per 1000 One-Call
11 Tickets, respectively.

12 Q. How about mismark damages?

13 A. For years 2002, 2003, 2004, 2005 and 2006, KEDLI
14 experienced 1.34, 0.99, 1.06, 1.22, and 0.85
15 mismark damages per 1000 One-Call Tickets,
16 respectively. For years 2002, 2003, 2004, 2005
17 and 2006, KEDNY experienced 2.35, 1.67, 1.80,
18 1.25, and 1.23 mismark damages per 1000 One-Call
19 Tickets, respectively.

20 Q. How about company and company contractor
21 damages?

22 A. For years 2003, 2004, 2005 and 2006, KEDLI

1 experienced 0.34, 0.41, 0.17, and 0.17 company
2 and company contractor damages per 1000 One-Call
3 Tickets, respectively. For years 2003, 2004,
4 2005 and 2006, KEDNY experienced 0.21, 0.14,
5 0.12, and 0.06 company and company contractor
6 damages per 1000 One-Call Tickets, respectively.
7 The company did not provide data for 2002 as
8 they did with other areas.

9 Q. What is the basis for the Panel's proposed
10 targets for this measure?

11 A. Analysis of the data indicates that overall,
12 mismark and company and company contractor
13 damages are trending downward for each company
14 over the time period analyzed.
15 Since KEDLI has averaged a decrease of 0.39
16 overall damages per year, the straight line
17 forecast for year-end 2007 indicates the company
18 will experience 6.15 damages per 1000 One-Call
19 tickets based on the 2006 performance.
20 Continuing the straight line forecast shows that
21 KEDLI will experience 5.76 overall damages per
22 1000 One-Call tickets during 2008.

1 Since KEDNY has averaged a decrease of 0.77
2 overall damages per year, the straight line
3 forecast for year-end 2007 indicates the company
4 will experience 5.71 damages per 1000 One-Call
5 tickets based on the 2006 performance.

6 Continuing the straight line forecast shows that
7 KEDNY will experience 4.94 overall damages per
8 1000 One-Call tickets during 2008.

9 While it is possible for the companies to
10 maintain this trend on their own, we want to
11 recommend a target that should be achievable
12 without causing the companies to substantially
13 increase resources and that allows the companies
14 to react to potential events beyond their
15 control. Therefore, the ceiling of 6.25 and
16 6.00 for KEDLI, and 6.00 and 5.50 for KEDNY,
17 provide room for the company to deal with
18 certain levels of abnormal performance, but also
19 ensures the public will experience performance
20 that is not less than historical levels. We
21 believe this target is reasonable based on the
22 presented data.

1 Q. What are your recommended targets for mismatch
2 damages?

3 A. Damages caused by mismarks are an area where the
4 companies have greater control and each company
5 has performed equal to and better than the
6 recommended targets for two out of the past four
7 years. Also, each company's performance during
8 2006 was better than the recommendations.
9 Therefore, our 2007 recommended targets of no
10 higher than 1.00 and 1.25 mismarks for KEDLI and
11 KEDNY, respectively, are reasonable. The
12 recommended 2008 targets of 0.75 and 1.00 for
13 KEDLI and KEDNY, respectively, are reasonable
14 based on each company's historical levels of
15 improvement.
16 Since KEDLI has averaged a decrease of 0.12
17 mismatch damages per year, the straight line
18 forecast for year-end 2007 indicates the company
19 will experience 0.73 mismatch damages per 1000
20 One-Call tickets based on the 2006 performance.
21 Continuing the straight line forecast shows that
22 KEDLI will experience 0.61 mismatch damages per

1 1000 One-Call tickets during 2008.
2 Since KEDNY has averaged a decrease of 0.28
3 mismatch damages per year, the straight line
4 forecast for year-end 2007 indicates the company
5 will experience 0.95 mismatch damages per 1000
6 One-Call tickets based on the 2006 performance.
7 Continuing the straight line forecast shows that
8 KEDNY will experience 0.67 mismatch damages per
9 1000 One-Call tickets during 2008.

10 Even though our recommended targets are well
11 above the straight line forecasts, each
12 company's performance has been somewhat sporadic
13 over the time period, although in a narrow
14 range. Due to this phenomenon, we feel that
15 setting a slightly higher target will provide
16 the companies with more time to institute better
17 controls over its locating practices. We
18 believe that this provides the companies
19 sufficient incentive to not allow performance in
20 this area to slide below historical performance.

21 Q. Please discuss further the recommended targets
22 for company and company contractor damages?

1 A. While the companies do not experience as many of
2 these types of damages compared to other causes,
3 this is an area of damage prevention where the
4 companies have direct control. Both companies
5 have experienced improvements in performance
6 over the past four years. Our recommended
7 target of 0.15 for both companies is near or
8 above 2006 performance, and the straight line
9 trend implies performance will improve in the
10 future. Thus, we believe that recommending the
11 target of 0.15 is fair and will prevent a
12 reduction in each company's performance. It is
13 also justified in view of public safety.

14 Q. Is it correct that mismarks and company and
15 company contractor damages are within the
16 control of the company?

17 A. Yes.

18 Q. How about overall damages?

19 A. Damages caused by excavator failure to notify
20 Dig Safely and/or unsafe excavation practices
21 are not totally within the control of the
22 company. However, the companies can minimize

1 these damages by influencing excavator activity
2 through education and outreach efforts to
3 excavators, by continuing to bill excavators for
4 repair costs when the excavator is at fault, and
5 by referring problem contractors to Department
6 of Public Service Staff for possible enforcement
7 activities. Examining the decreasing number of
8 overall damages identified above and in
9 Exh___(SP-3), it is clear that the companies
10 have been effective in these efforts.

11 Q. Do the recommended targets for overall damages
12 per 1000 One-Call tickets include the mismark
13 and company and company contractor components?

14 A. Yes.

15 Q. Why do you recommend that approach?

16 A. Even if it appears that the targets for mismark
17 and/or company and company contractor damages
18 will be exceeded, the companies will have an
19 incentive to keep these figures as low as
20 possible because they would still be
21 contributing to the overall damages measure.

22 **Emergency Response**

1 Q. Please describe the Emergency Response
2 performance measures?

3 A. These measures evaluate company response to gas
4 leak, odor and emergency calls generated by the
5 public and non-company personnel. Each company
6 is required by gas safety regulations to provide
7 a monthly report of the total number of calls
8 received and responded to in intervals of 15
9 minutes during normal business hours, weekdays
10 outside of business hours, and weekends and
11 holidays. This measure, in addition to the leak
12 management and damage prevention measures, is
13 included in the Safety Section's annual
14 Performance Measures Report to the Commission
15 (Case 06-G-0566, Gas Safety Performance Measures
16 Report, issued June 1, 2006). Statewide
17 standards for this performance measure have been
18 jointly established by Staff and utilities as
19 follows:

20 a) Respond to 75% of all gas leak and odor
21 calls within 30 minutes;

22 b) Respond to 90% of all gas leak and odor

1 calls within 45 minutes; and

2 c) Respond to 95% of all gas leak and odor

3 calls within 60 minutes.

4 Q. Please describe the annual Performance Measures
5 Report?

6 A. It is an annual report to the Commission that
7 analyzes gas safety performance for the 11
8 largest natural gas distribution companies. The
9 report summarizes data and analyzes performance
10 in three areas of gas safety: Damage Prevention,
11 Emergency Response, and Leak Management. It
12 also contains subsets of those areas, resulting
13 in a more thorough analysis and is used as a
14 tool to track and identify company performance
15 in areas identified as high-risk.

16 Q. What is the significance of the emergency
17 response performance measure?

18 A. Leaks on house piping and improperly operated or
19 installed appliances present risks to the
20 general public, as do outside leaks that can
21 result in gas migrating into a building. When
22 calls related to gas odors are received by a

1 utility, service personnel are dispatched on a
2 priority basis. The utility operators are
3 required to maintain a log of these calls that
4 track the elapsed time between the dispatch and
5 arrival time of the service personnel on the
6 scene. The potential for an incident occurrence
7 increases as response time increases. Therefore
8 it is important to minimize response times to
9 gas odor reports.

10 Q. How have KEDLI and KEDNY performed related to
11 this measure?

12 A. Over the past several years the companies have
13 managed varying degrees of improvement. KEDLI
14 originally struggled to reach the 75% goal, but
15 it managed to exceed it during 2005. KEDNY,
16 however, has remained below 70% of calls reached
17 within 30 minutes since we began collecting
18 data. It actually experienced its worst
19 performance ever during 2005, after it had
20 indicated to Staff it was making efforts to
21 improve in response to previous Gas Safety
22 Performance Measure reports.

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1 Q. Please explain why you are recommending the
2 targets mentioned earlier.

3 A. For this case, we are recommending KEDLI simply
4 maintain its minimum performance of meeting the
5 statewide emergency response targets.

6 Q. What about KEDNY?

7 A. From our experience with other downstate gas
8 distribution companies that have implemented
9 technology to improve efficiency and response
10 performance, there has been significant
11 improvement. Not only will KEDNY be
12 implementing GPS technology during 2007 to
13 complement its gas dispatching system, but it is
14 also utilizing its Dispatcher Performance
15 Monitoring Tool. This training technique
16 evaluates best practices used by the better
17 performing dispatchers and attempts to transfer
18 that working knowledge to other, less efficient,
19 dispatchers. The technique was utilized by
20 KEDLI with great success. Also, in response to
21 the 2005 Gas Safety Performance Measures Report,
22 KEDNY indicated it was performing a detailed

1 shift analysis of emergency response by
2 operating zone, performing site visits to other
3 utilities that have implemented GPS technology
4 to learn best practices, and was pursuing
5 several initiatives to reduce false leaks. For
6 the above reasons, we feel that responding to
7 71% of leak and odor calls within 30 minutes for
8 calendar year 2007 provides a reasonable goal
9 for KEDNY to work towards. For 2008, having up
10 to a year or more implementing the above
11 efforts, along with GPS technology, should fully
12 enable KEDNY to reach the 75% goal. Staff will
13 also continue to work with each company as they
14 continue efforts to improve, as well as monitor
15 each company's performance on these measures in
16 the context of the annual Gas Safety Performance
17 Measures Report.

18 Q. What is your position with respect to KEDNY's
19 proposal to add an additional 19 full time
20 customer field serviceperson equivalents (FTE)
21 that it believes are necessary to attain the
22 75%-in-30-minutes goal?

- 1 A. Additional data to support the rationale behind
2 KEDNY's proposal was received in response to
3 interrogatory request DPS-296. Please refer to
4 exhibit Exh____(SP-4). We subsequently evaluated
5 KEDNY's Capacity Utilization Analysis which,
6 although applicable on a macro level, appears to
7 be based on an erroneous assumption that all
8 variables remain constant. Our determination is
9 further bolstered by KEDNY's response to DPS-300
10 which states that, "Due to the variability and
11 unpredictability of the numerous uncontrollable
12 factors (i.e weather, peak call volumes, time of
13 receipt, travel time, type of leak and leak
14 investigation time) KeySpan has not conducted an
15 analysis that would establish a relationship
16 among all the variables that impact odor and
17 leak call volumes and emergency response times."
18 Please refer to exhibit Exh____(SP-5).
- 19 Q. Please further explain why the Capacity
20 Utilization Analysis does not fully justify the
21 additional of more personnel.

1 A. The analysis is a high-level approach that
2 displays to management the magnitude of a gap
3 analysis, or a comparison of needed resources to
4 reach a particular goal. It shows that, with
5 all things constant, an average level of
6 resources that are needed to fulfill an
7 arbitrary goal. While this is useful, it does
8 not look into necessary details such as the
9 impact of shifting resources, identifying areas
10 in the most need of improvements, and the most
11 effective time to shift resources. Even though
12 KEDNY may believe it needs more personnel, this
13 analysis does not justify that need. The
14 company may actually need fewer FTEs, but it is
15 unable to quantify detailed results.

16 Q. How does the implementation of Global
17 Positioning Satellite (GPS) technology impact
18 the need for incremental personnel?

19 A. Our experience with other gas distribution
20 companies shows that efficiency is gained per
21 FTE. KEDNY has indicated that it intends to
22 implement GPS capability within their current

1 computer aided dispatching (CAD) system by the
2 end of the 2007 rate year.

3 Q. What is the expected impact of this technology?

4 A. We expect the realization of improved response
5 performance through operational efficiencies
6 with GPS, as has been the case with other
7 downstate utilities. However, in KEDNY's
8 response to DPS-298, regarding its pursuit of a
9 GPS pilot program and associated cost benefit
10 analysis, KEDNY stated "The analysis conducted
11 to date by KEDNY has been based on hypothetical
12 efficiencies. Because response time is
13 influenced by many factors - dispatch wait time,
14 travel time, demand fluctuations, etc. - it is
15 difficult to accurately assess the impact of GPS
16 technology on operational efficiencies without
17 field testing the technology. KEDNY expects
18 that the GPS pilot program will provide
19 substantive data upon which to conduct an
20 empirical analysis." Please refer to exhibit
21 Exh____(SP-6).

22 Q. What is your assessment of Keyspan's response?

1 A. It clearly tells us that although KEDNY has
2 provided the Capacity Utilization Analysis, the
3 company agrees that more factors should be
4 reviewed before the need to simply add more
5 personnel is realized.

6 Q. What else did the Panel learn from discovery
7 about KEDNY's emergency response performance
8 history?

9 A. On the third attempt to obtain the average
10 number of personnel employed by KEDNY to respond
11 to leak and odors calls, we determined that the
12 FTE's from 2002 through 2006 were 369, 376, 373,
13 346, and 333. KEDNY's annual performance for
14 the 30 minute target over the same period was
15 66.3%, 67.8%, 68.0%, 65.5%, and 69.7%. Also,
16 the number of calls received over the same time
17 period was 63,382, 64,431, 59,048, 53,573, and
18 49,034.

19 Q. What do these numbers reveal about the company's
20 performance?

21 A. As we explained earlier, even the company can
22 not explain its performance due to its lack of

1 analyses. The numbers clearly show us that over
2 the time period, the number of calls, or
3 physical response attempts, has decreased
4 approximately 22.5%, the number of calls per FTE
5 decreased over 14%, and its performance has only
6 improved 3.5%.

7 Q. What about KEDNY's staffing levels?

8 A. The decrease in staffing over the period
9 concerns us. It is clear that having more
10 people to respond to leak and odor calls
11 benefits performance, but KEDNY has actually
12 decreased its staffing FTE's 12.5% over the time
13 period. KEDNY is now asking for approximately
14 \$1,850,000 incremental money in labor to add 19
15 more FTE's. KEDNY's ambiguous request as
16 described above, and its inadequate
17 justification for more personnel using its
18 Capacity Utilization Analysis, further confuses
19 the issue because it has decreased its staffing
20 by 46 FTE's over the time period.

21 Q. What is your recommendation regarding KEDNY's
22 request for additional staffing?

1 A. Based on KEDNY's inability to accurately
2 determine the number of additional FTE's
3 required and their failure to pursue a timely
4 GPS cost benefit analysis, where resulting
5 operational efficiencies, if existent, could
6 have been realized and applied for the majority
7 of the rate year, we are not in support of
8 KEDNY's request for additional leak response
9 personnel at this time. Adjustment No. 2 on
10 page 1 of Schedule B, Exh____(APR-1), reduces the
11 company's labor request by \$1,850,000.

12 Q. Do you have specific recommended rate
13 adjustments that will be assessed for failure to
14 meet the proposed safety performance measures?

15 A. Yes. We recommend the following adjustments to
16 be assessed in the corresponding rate year
17 derived from the approximate basis point value
18 of \$120,000 for KEDLI, and \$145,000 for KEDNY,
19 as indicated by each measure:

20 **Infrastructure Enhancement - 6 basis points**

21 Failure of KEDLI to replace, at a minimum, 60
22 miles of leak prone pipe per calendar year, will

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1 result in a pre-tax revenue adjustment owed to
2 ratepayers of \$720,000.

3 Failure of KEDNY to replace, at a minimum, 30
4 miles of leak prone pipe per calendar year, will
5 result in a pre-tax revenue adjustment owed to
6 ratepayers of \$870,000.

7 **Leak Management - 6 basis points**

8 Failure of KEDLI to maintain a level equal to or
9 below 150 leaks at year-end 2007, and 125 leaks
10 at year-end 2008, will result in a pre-tax
11 revenue adjustment owed to ratepayers of
12 \$720,000.

13 Failure of KEDNY to maintain a level equal to or
14 below 150 leaks at year-end 2007, and 125 leaks
15 at year-end 2008, will result in a pre-tax
16 revenue adjustment owed to ratepayers of
17 \$870,000.

18 **Prevention of Excavation Damages - 8 basis points**

19 **Overall Damages** - Failure of KEDLI to remain at
20 or below 6.25 excavation damages per 1000 One-
21 Call Tickets at year-end 2007, and 6.00 at year-
22 end 2008, will result in a pre-tax revenue

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1 adjustment owed to ratepayers of \$240,000.
2 Failure of KEDNY to remain at or below 6.00
3 excavation damages per 1000 One-Call Tickets at
4 year-end 2007, and 5.50 at year-end 2008, will
5 result in a pre-tax revenue adjustment owed to
6 ratepayers of \$290,000.

7 **Damages Due to Mismarks** - Failure of KEDLI to
8 remain at or below 1.00 excavation damages per
9 1000 One-Call Tickets at year-end 2007, and 0.75
10 at year-end 2008, will result in a pre-tax
11 revenue adjustment owed to ratepayers of
12 \$360,000.

13 Failure of KEDNY to remain at or below 1.25
14 excavation damages per 1000 One-Call Tickets at
15 year-end 2007, and 1.00 at year-end 2008, will
16 result in a pre-tax revenue adjustment owed to
17 ratepayers of \$435,000.

18 **Damages Due to Company and company Contractors** -
19 Failure of either KEDLI or KEDNY to remain at or
20 below 0.15 excavation damages per 1000 One-Call
21 Tickets at year-end 2007, will result in a pre-
22 tax revenue adjustment owed to ratepayers of

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1 \$360,000 for KEDLI, and \$435,000 for KEDNY.

2 **Emergency Response - 10 basis points**

3 Failure of KEDLI to respond to:

4 a) 75% of all gas leak and odor calls within

5 30 minutes will result in a pre-tax revenue

6 adjustment owed to ratepayers of \$600,000;

7 b) 90% of all gas leak and odor calls within

8 45 minutes will result in a pre-tax revenue

9 adjustment owed to ratepayers of \$360,000; and

10 c) 95% of all gas leak and odor calls within

11 60 minutes will result in a pre-tax revenue

12 adjustment owed to ratepayers of \$240,000.

13 Failure of KEDNY to respond to:

14 a) 71% of all gas leak and odor calls within

15 30 minutes for 2007, and 75% for 2008, will

16 result in a pre-tax revenue adjustment owed to

17 ratepayers of \$725,000;

18 b) 90% of all gas leak and odor calls within

19 45 minutes will result in a pre-tax revenue

20 adjustment owed to ratepayers of \$435,000; and

21 c) 95% of all gas leak and odor calls within

22 60 minutes will result in a pre-tax revenue

1 adjustment owed to ratepayers of \$290,000.

2 Q. Does the panel propose any other adjustments?

3 A. Yes. In addition to the Infrastructure
4 Enhancement adjustments above, if the
5 recommended amount of replacement pipe is not
6 met, the amount of rate base allowed for the
7 replacement of that pipe below the target will
8 be postponed for rate payer benefit in the
9 future.

10 Q. Why are you not recommending incentive awards
11 for exceeding target levels?

12 A. All of our recommendations, with the exception
13 of infrastructure replacement, are derived from
14 the expected capability and historical
15 performance of the company. The safety-related
16 targets in this testimony reflect efforts the
17 company should already be making as a matter of
18 course in safely operating its gas distribution
19 system. We are recommending these targets as a
20 means to provide the ratepayers of KEDLI and
21 KEDNY the same, if not improved, levels of
22 safety they currently receive from the company

1 based on historical trends. Therefore, we
2 believe recommending incentives for exceeding
3 proposed targets that incorporate each company's
4 existing efforts can not be justified.

5 Q. Are there any other conditions that the
6 companies should meet pertaining to your safety-
7 related recommendations?

8 A. Yes, the Panel requests that both KEDLI and
9 KEDNY submit a report to the Director of the
10 Office of Gas and Water on its performance in
11 the areas of the recommended targets in this
12 testimony within 30 days following the end of
13 the calendar year. In addition, all targets and
14 the application of revenue adjustments for
15 targets that are not met should continue on a
16 year-to-year basis until changed by the
17 Commission.

18 Q. Does this conclude your panel testimony at this
19 time?

20 A. Yes, it does.