



NARUC

Summer Committee Meetings

Committee On Gas



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PHMSA NUTS & BOLTS – PART I

PHMSA Serious Pipeline Incidents

PHMSA Pipeline Incidents: Multi-Year Averages (1996-2015)
Incident Type: Serious System Type: ALL State: ALL

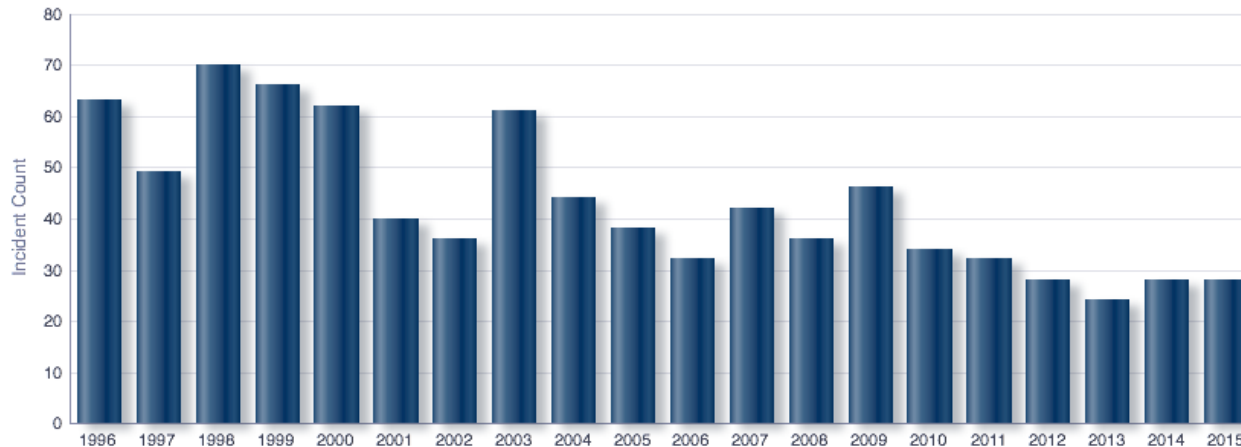
	Incident Count
3 Year Average - (2013-2015)	27
5 Year Average - (2011-2015)	28
10 Year Average - (2006-2015)	33
20 Year Average - (1996-2015)	43

	Fatalities
3 Year Average	12
5 Year Average	12
10 Year Average	13
20 Year Average	17

	Injuries
3 Year Average	62
5 Year Average	58
10 Year Average	59
20 Year Average	67

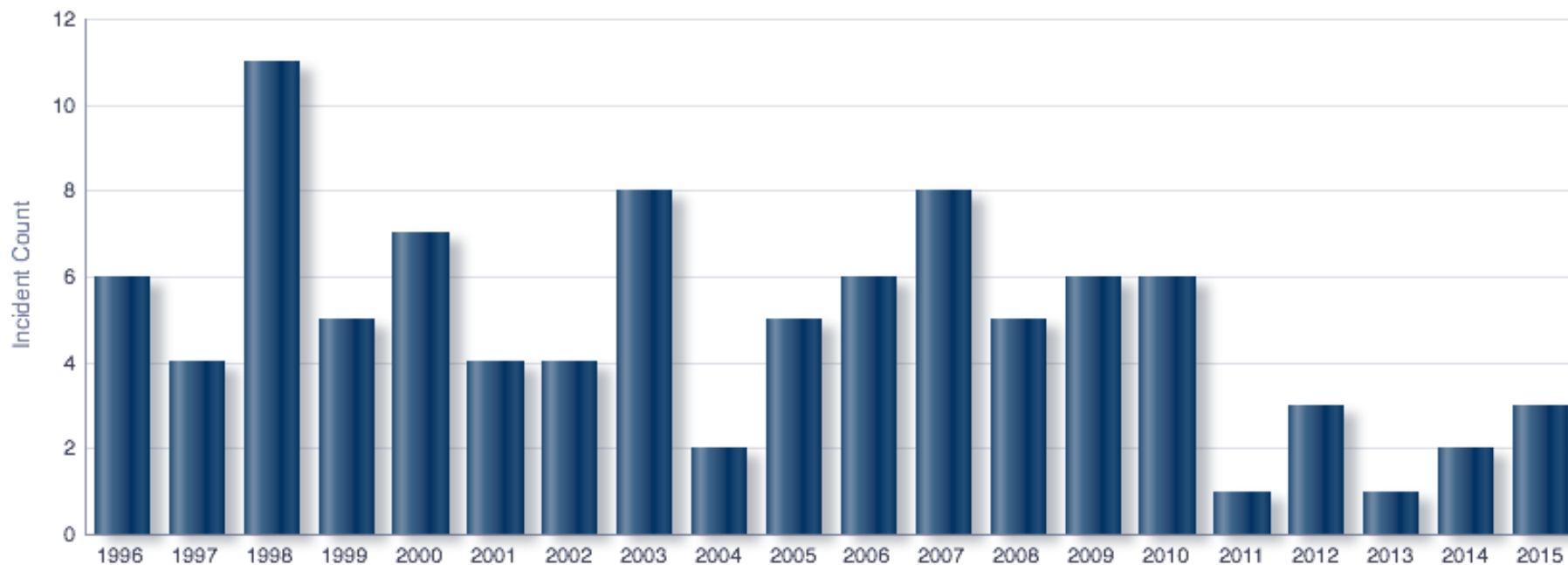
	2016 Year-To-Date
Incidents	8
Fatalities	2
Injuries	9

PHMSA Pipeline Incidents: Count (1996-2015)
Incident Type: Serious System Type: ALL State: ALL



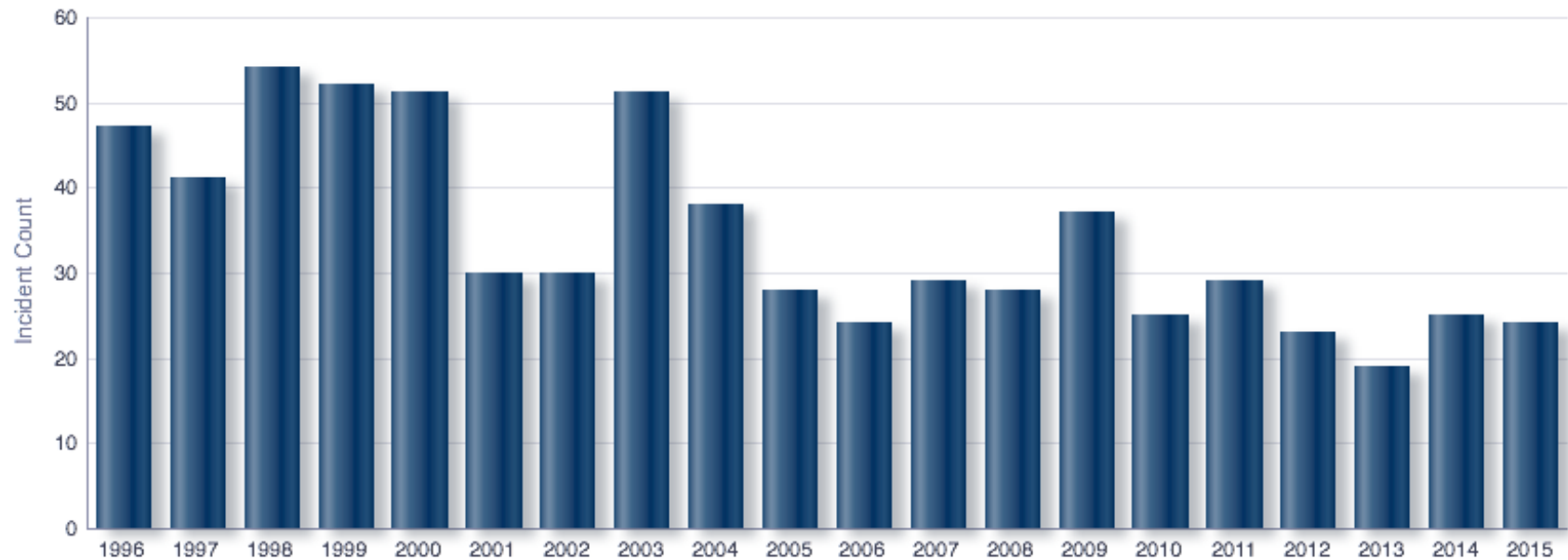
PHMSA Serious Transmission Incidents

PHMSA Pipeline Incidents: Count (1996-2015)
Incident Type: Serious **System Type:** GAS TRANSMISSION **State:** ALL **Offshore Flag :** ALL



PHMSA Serious LDC Incidents

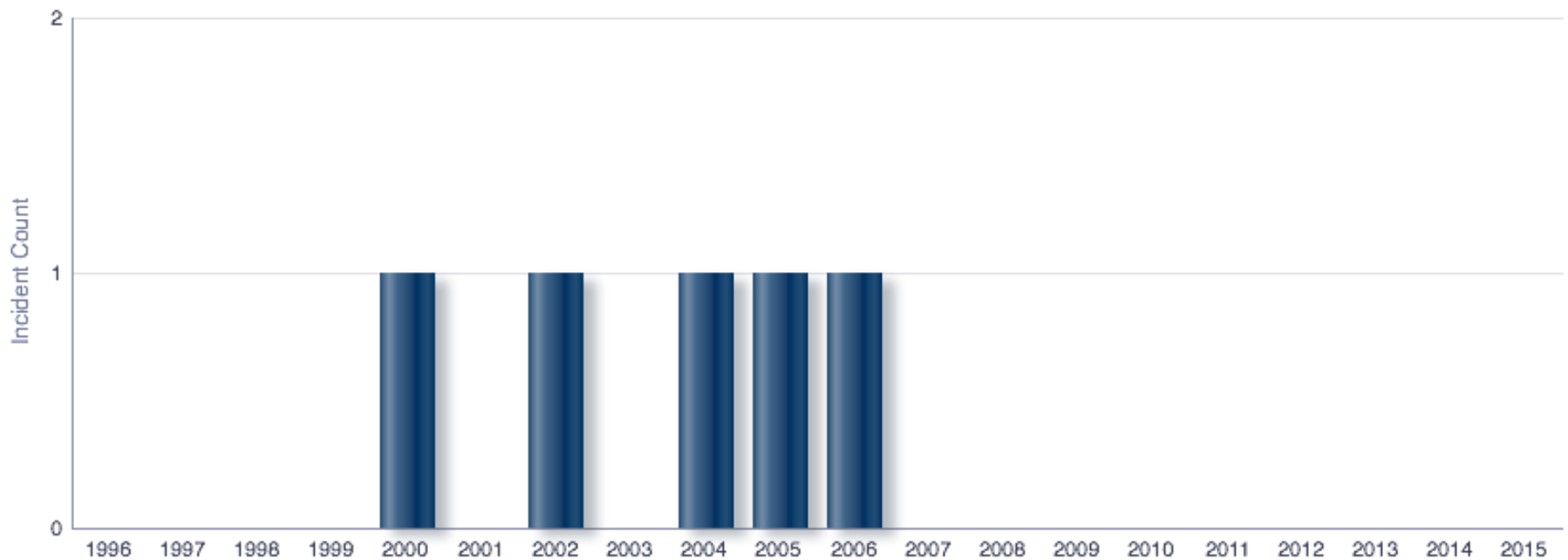
PHMSA Pipeline Incidents: Count (1996-2015)
Incident Type: Serious System Type: GAS DISTRIBUTION State: ALL

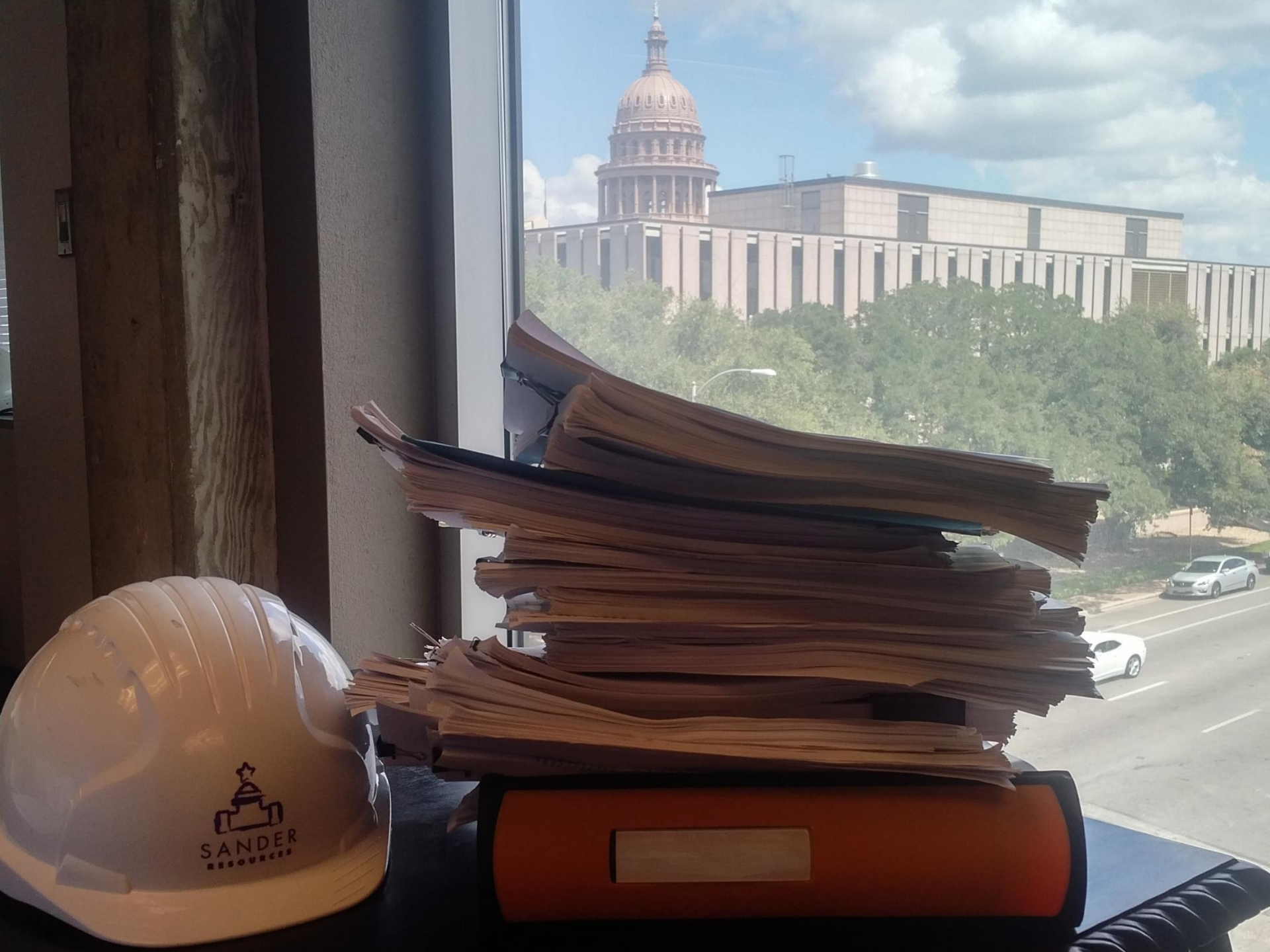


PHMSA Serious Gathering Incidents

PHMSA Pipeline Incidents: Count (1996-2015)

Incident Type: Serious System Type: GAS GATHERING State: ALL Offshore Flag : ONSHORE





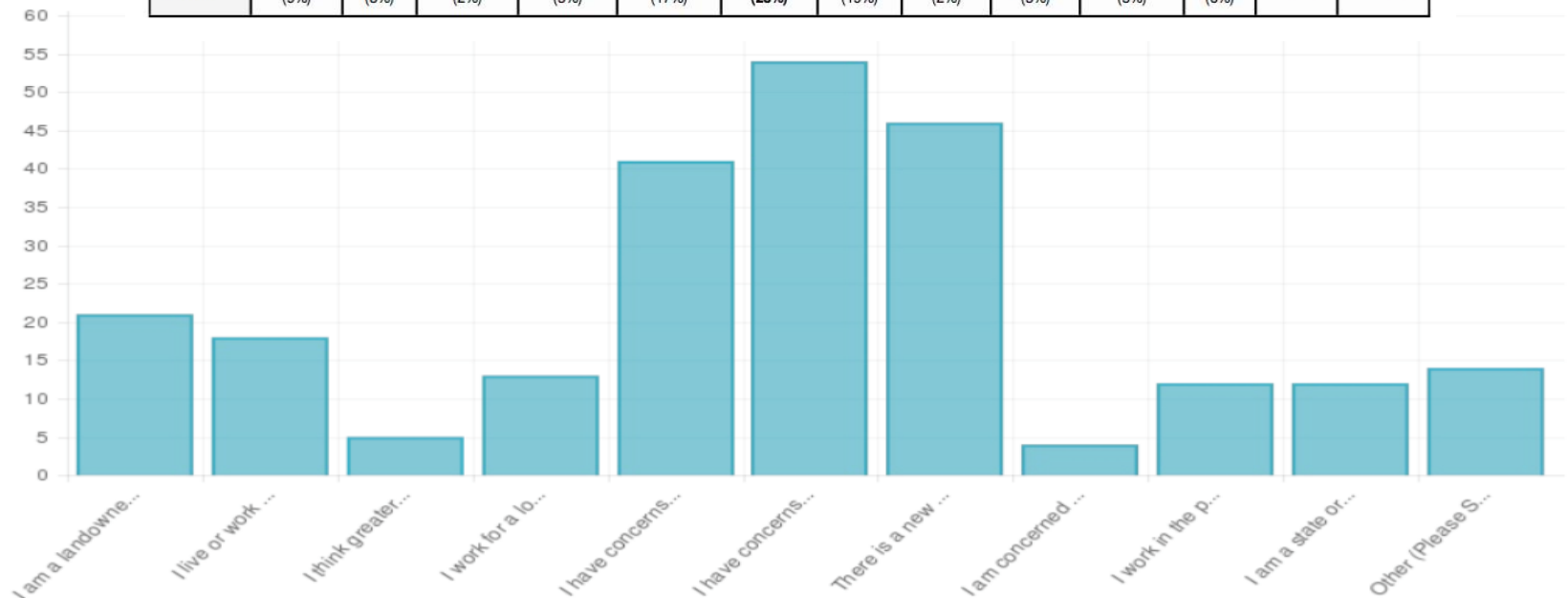

SANDER
RESOURCES



PST Indicators of Interest

Which one of the following best describes why you are interested in pipeline safety?

	I am a landowner with a pipeline on my land, or proposed to be on my land	I live or work very near a pipeline	I think greater pipeline safety is key to being able to expand energy production, which is important to the economy	I work for a local government that needs to ensure the safety of our citizens	I have concerns about the materials pipelines carry and the potential effects on the public and environment should they be released	I have concerns that pipelines enable greater production of fossil fuels, and that such production can have serious impacts on our health, waters and climate	There is a new pipeline proposed nearby, and many concerns have been raised	I am concerned about effects pipelines may have on First Nations rights and cultural heritage	I work in the pipeline industry and safety of our employees and the public is a high priority	I am a state or federal pipeline safety regulator and I have made it my career to keep people and the environment safe.	Other (Please Specify)	Standard Deviation	Responses
All Data	21 (9%)	18 (8%)	5 (2%)	13 (5%)	41 (17%)	54 (23%)	46 (19%)	4 (2%)	12 (5%)	12 (5%)	14 (6%)	16.34	240





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Regulatory Impact Perspective

What is expected from new PHMSA regulations?

Tal Centers, Jr.
VP Safety & Gas System Integrity
CenterPoint Energy

July 25, 2016

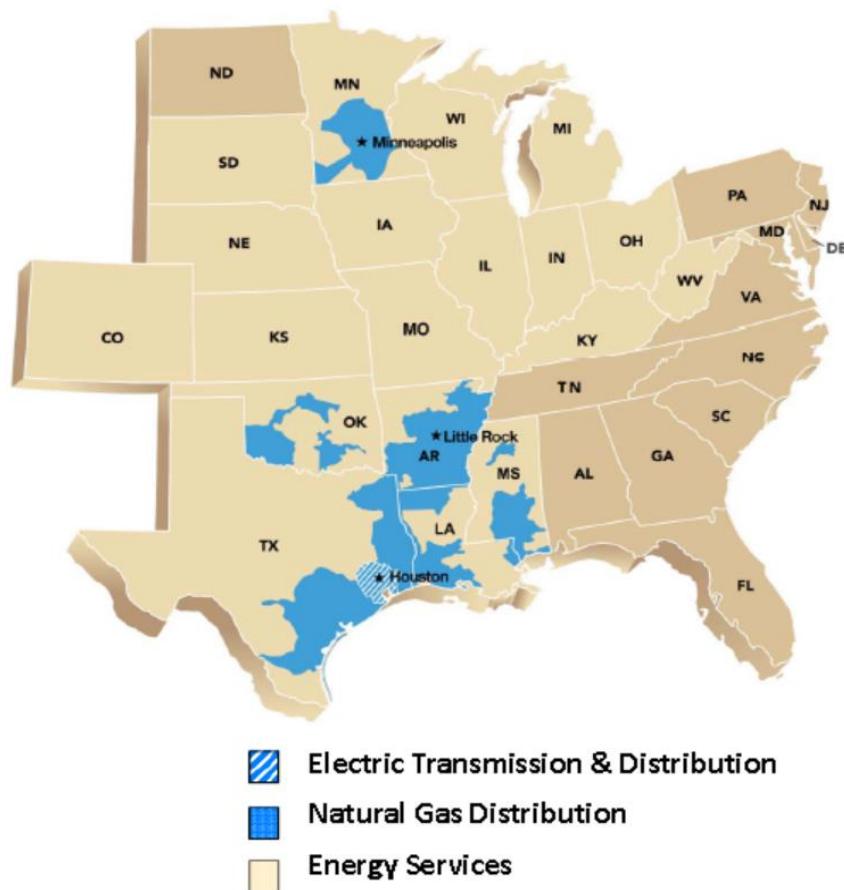
Value from Being
Always There



DISCLAIMER

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Electric Transmission & Distribution:

- Electric utility operation with ~2.3 million metered customers
- ~12,900 km² service territory in and around Houston
- 18th largest U.S. investor-owned electric utility by customer base¹
- 81,839,060 MWh delivered in 2014

Gas Operations

- 10 gas distribution jurisdictions in six states with ~3.4 million customers
- 5th largest U.S. gas distribution company by customer base¹
- Recently ranked 1st among the largest Midwest Region natural gas utilities in the U.S. for operational satisfaction in a 2014 Cogent energy study
- Gas distribution company and Energy Service company delivered ~1.1 Tcf of natural gas in 2014

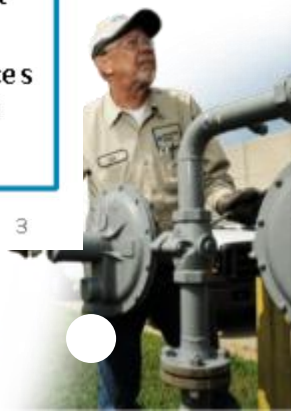
March 2015

1. As of Dec. 31, 2013 per AGA and EEI

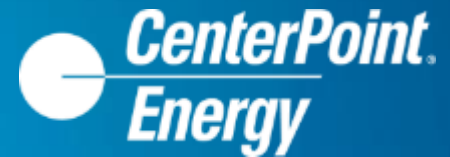
investors.centerpointenergy.com

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Proposed Changes - Safety of Gas Transmission & Gathering Line Rules (NPRM)








Regulation	Areas of Change	CNP Impact
Safety of Gas Transmission & Gathering Line Rules (NPRM)	<ul style="list-style-type: none"> • New definitions • Retroactive requirements (<i>elimination of grand father clause</i>) • Unintended impacts to distribution portions of the code (<i>corrosion, cathodic protection, general record requirements</i>) • Material verification • Maximum allowable operating pressure (MAOP) verification and determination • Spike Tests • New and prescriptive assessments and repair criteria for transmission assets • New moderate consequence areas (MCA's) • Management of Change (MOC) • Increased preventative and mitigative measure and inspections • MAOP exceedance reporting • Prescriptive use of inspection technology <p><i>Note: Changes are much more prescriptive and a departure from the congressional mandates and risk based approach.</i></p>	<p>O&M</p> <p>CapEx</p>



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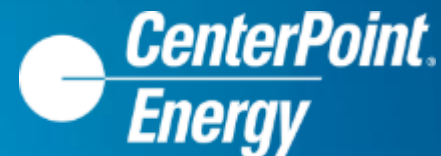
Additional Regulations

Regulation	Primary Impact / Change	CNP Impact
Pipeline Safety Management Systems - API RP 1173	<ul style="list-style-type: none"> Comprehensive 10 element program for enhancing pipeline safety All levels, all departments, “top executives” to the field Periodic meetings with top executives on key metrics, plan execution, direction, etc... Comprehensive review of Management of Change (MOC) 	O&M CapEx 
National Pipeline Mapping System Information	<ul style="list-style-type: none"> Data gathering specific to transmission facilities in a geographic format Original request from PHMSA (2004) was broad and only wanted 500' accuracy; now specific details are requested. 	Unknown
Plastic Pipe (NPRM)	<ul style="list-style-type: none"> Data accuracy and process changes Tracking and Traceability 	CapEx 
Excess Flow Valves beyond Single Family Homes (NPRM)	<ul style="list-style-type: none"> Expands the use of EFVs to a new customer class 	CapEx 
Miscellaneous Final Rule- Construction Advisory Task Group on 192.305	<ul style="list-style-type: none"> Unknown 	Unknown
Operator Qualification, Cost Recovery, Accident & Incident Notification, and Other Pipeline Safety Changes (NPRM)	<ul style="list-style-type: none"> Expands Operator Qualification for New Construction Effectiveness of OQ Programs Definition of “Covered Task” Accident and Incident Notification Farm Taps-managing risk on farm taps 	O&M 
Environmental	<ul style="list-style-type: none"> Focuses on reducing methane emissions through replacements and aggressive leak repair 	CapEx 

Always There



Expected Consequences



- ❑ Pressure on rates and rate case frequency due to:
 - ✓ Increased O&M for compliance activities
 - ✓ Increased Capital for accelerated replacements
 - ✓ Increased transportation costs from suppliers

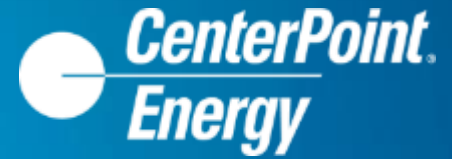
- ❑ Pressure on Customer Service due to:
 - ✓ Increased customer interruptions from gas suppliers
 - ✓ Increased public inconvenience from accelerated pipe replacements and service interruptions

- ❑ Increased competition and access to equity markets
 - ✓ Pressure to achieve allowed ROE's

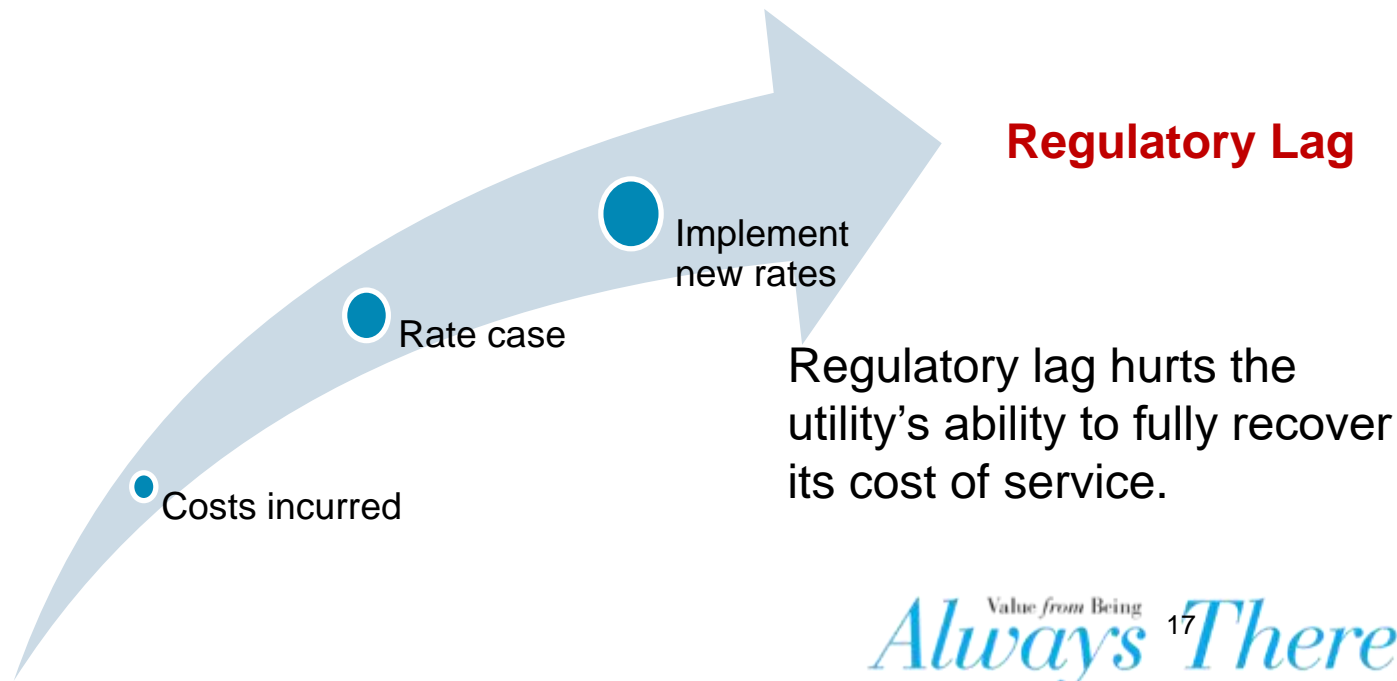
- ❑ Constraints for qualified labor
 - ✓ Aging workforce
 - ✓ Increased competition for limited resources



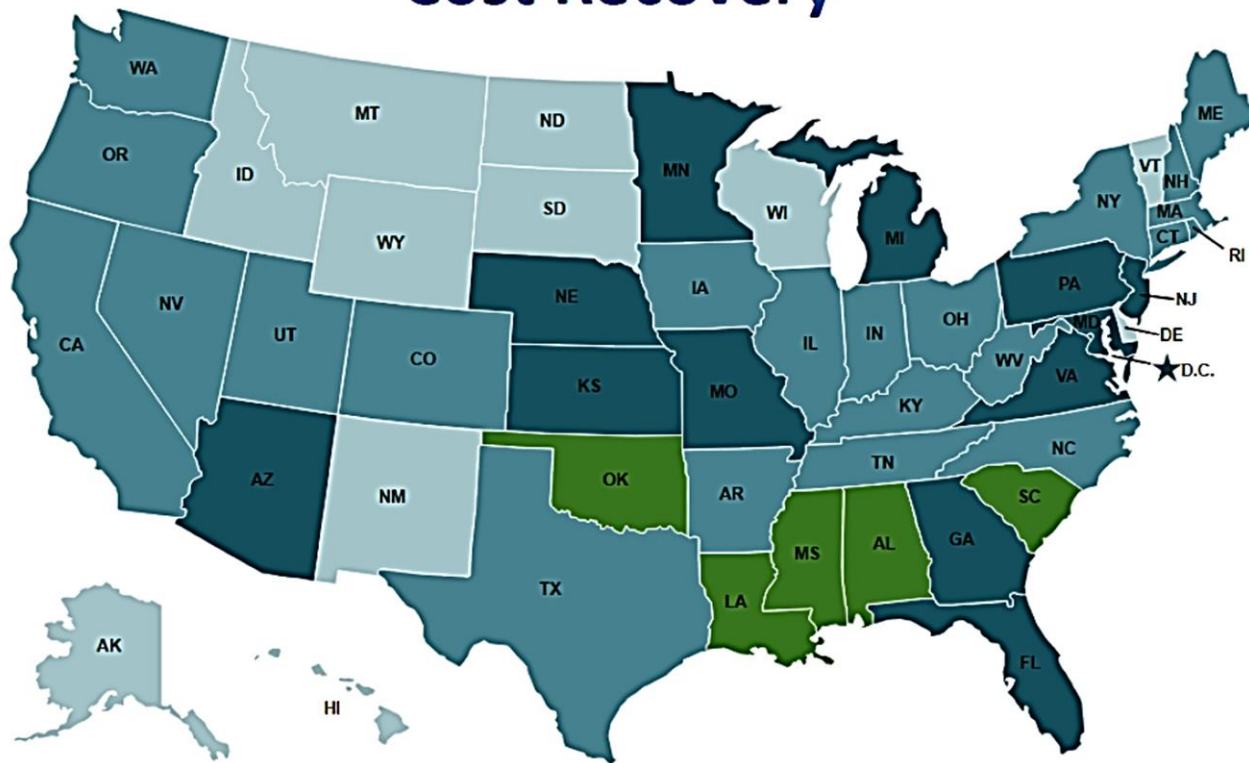
Increased Exposure to Regulatory



Regulatory lag is the time period between when a public utility's cost of service changes and when the regulatory agency adjusts rates to reflect that change.



States with Accelerated Infrastructure Cost Recovery



Cost Recovery Tracker
 Surcharge
 Rate Stabilization Mechanism
 Limited to No Cast Iron or Bare Steel Inventory

American Gas Association





KEYS TO SUCCESS



Value from Being
Always There

Supportive Framework



We need a regulatory framework that affords us a reasonable opportunity to fully recover our cost of providing utility service, including the cost of capital, on a timely basis.

We need statutes, rules, and regulations that produce a predictable regulatory environment.

We need our exposure to regulatory risk to be commensurate with the return we receive on our investment.

Value from Being
Always ²⁰ *There*

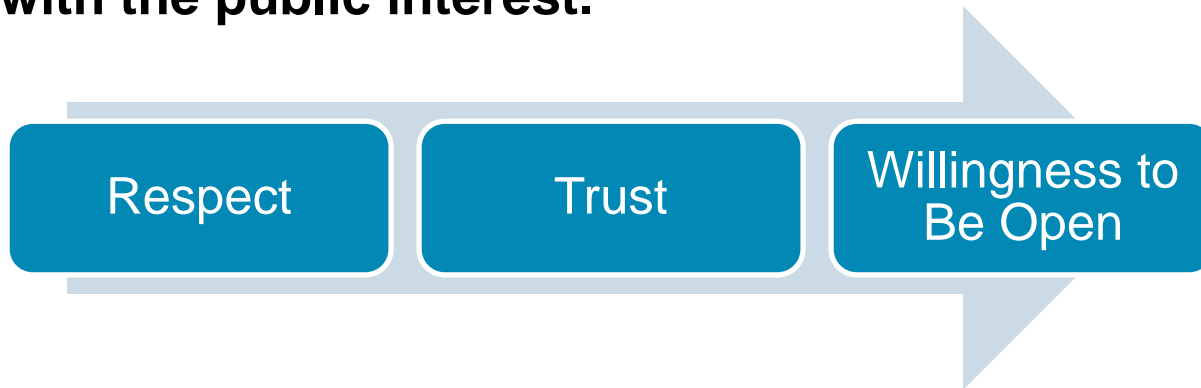


Positive Relationships



To achieve our goals, we must develop positive relationships with our regulators, both individually and as a company.

We must work collaboratively with our regulators, to the greatest extent possible, to develop win-win solutions that align our interests with the public interest.



Value from Being ²¹
Always There



- ☐ Early recognition of cost recovery to incentivize investment
- ☐ Forward looking cost recovery and/or true up mechanisms to account for unknowns
- ☐ Reduce customer impacts by smoothing rates
- ☐ Supply diversity to avoid interruptions

Examples of successful approaches:

- Revenue and Expense Trackers
- Surcharges to Rates
- Deferral Accounts
- Rate Stabilization Plans



Questions





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