COLUMBIA STATEMENT NO. 115-R

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
vs.	)	Docket No. R-2015-2468056
Columbia Gas of Pennsylvania, Inc.	)	

REBUTTAL TESTIMONY OF
MICHAEL J. DAVIDSON
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

July 16, 2015

I. INTRODUCTION

Q. Please state your name and business address.

A. Michael J. Davidson, 121 Champion Way, Suite 100, Canonsburg, Pennsylvania.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc., ("Columbia" or "the Company") as General Manager and Vice President.

Q. Are you the same Michael J. Davidson that filed direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I will be responding to the direct testimony of Bureau of Investigation and Enforcement ("I&E") witness David Kline.

II. DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM ("DIMP")

Q. Do you agree with Mr. Kline's testimony on DIMP requirements for natural gas utilities?

A. Yes, to summarize, it is an ongoing process to identify risk, develop plans and implement actions to reduce identified risk and evaluate effectiveness of risk reduction actions.

Q. Is pipeline replacement the optimal method of reducing overall risk to the Columbia distribution system?

A. Effective risk mitigation requires a comprehensive approach to identify and reduce risk. As Mr. Kline noted in his testimony, Columbia has the second highest amount of bare steel remaining in operation of all regulated public natural gas utilities in Pennsylvania, and Columbia has identified pipeline replacement as a critical component of its risk reduction efforts. However, pipeline replacement does not address all the risks identified in Columbia's DIMP plan. Third party damages, cross bores, and operator error are examples of identified risks that require mitigation actions beyond pipeline replacement. Columbia's leadership in cross bore identification, GPS mapping program and improved employee training capabilities are important additional components of reducing overall risks to its distribution system.

Q. Mr. Kline asserts at pages 12-13 of his testimony that Columbia's safety actions should be attributed to compliance with DIMP or responsive to issues identified by the Commission's Gas Safety Division. Do you agree with this characterization?

A. No. Columbia strives to be an industry leader in pipeline safety and goes beyond minimum requirements in its efforts to reduce system risk. For example, Columbia's identification of cross bores as a potential risk, and then an identified risk in its DIMP plan, elevated awareness of this issue with I&E and then other distribution companies in the state of Pennsylvania. Columbia's current initiative to map its distribution system with high accuracy GPS is another example of strategic

industry leadership in pipeline safety. It is also important to note that Columbia began the acceleration of its main replacement program in 2007, which was 4 years prior to the August 2011 deadline for having a DIMP plan in place. Columbia's commitment to being an industry leader in safety is also reflected in achieving top decile performance in employee safety for 2013 and 2014[1].

Q. At page 8 of his testimony, Mr. Kline provides a comparison of percentage of bare steel replaced. Please comment.

A. As stated by Mr. Kline and reflected in I&E Exhibit No.4 Schedule 1, Columbia has replaced 34% of its bare steel from 2002 – 2014. I disagree with Mr Kline's assessment that this reflects that Columbia is not ahead of its peers. The exhibit provided by I&E indicates only two of the ten companies listed exceed Columbia in the percentage of bare steel replaced. One of those companies Mr. Kline specifically notes in his testimony is UGI Penn Natural Gas with 57% replaced. In reviewing the data provided for UGI Penn Natural Gas there appeared to be a clear data anomaly in 2014, with 125 miles replaced, when 9 miles was previously the highest single annual number of miles replaced. A further review of the DOT data made it evident that a reclassification in 2013 likely drove this anomaly and not actual replacement of bare steel facilities. A comparison of UGI Penn Natural's 2012 and 2013 DOT Reports show the following:

[1] As measured by American Gas Association benchmarking of Occupational Safety and Health Administration ("OSHA") reportable injuries.

1) 119 mile reduction in Bare Steel in 2013 versus 2012
2) 87 mile increase in Coated Steel in 2013 versus 2012
3) 53 mile reduction of total pipe in service in 2013 versus 2012

The 2013 DOT data is not accurately reflected in I&E Exhibit No. 4 Schedule 1 for the UGI PNG 2013 replaced and remaining data. Specifically 2013 remaining should read 160 and 119 for 2013 replaced. UGI PNG 2014 replaced would then reflect 15 miles.

While Columbia can't calculate the actual amount of bare steel UGI PNG replaced in 2013, it is reasonable to assume that it was not 119 miles. In addition a July 8th, 2015 PUC press release titled " PUC approves Settlement Resolving UGI Companies' DISC-Recovery Mechanisms" included information on the UGI-PNG LTIIP, which provided it is "a five-year plan that allows UGI-PNG to replace an average of 17 miles of pipeline per year".

With removal of this anomaly, Columbia has replaced a greater percentage of its remaining bare steel during 2009 through 2014 than any other gas company in Pennsylvania – with the apparent exception of Peoples-TWP.

Q. At page 8 of his testimony, Mr. Kline states that Columbia had the highest corrosion leaks repaired per mile of cast iron and unprotected bare and coated steel in Pennsylvania in 2008. Please comment.

A. As noted in my earlier testimony, in 2007 Columbia began an accelerated leakage survey program to inspect all bare steel mains annually, instead of the three-year

interval which is required in the leakage survey requirements of CFR 49, Part 192. The result of this is that Columbia routinely exceeds the requirements of existing Code of Federal Regulations, which provides the Company the ability to discover system leakage on a much timelier basis than if it were only meeting the minimum federal standards. This change to an annual survey vs. a three year survey interval is another example of Columbia exceeding minimum standards. This enhanced safety measure results in an increase in the number of leaks found annually and therefore an increase in the number of leaks repaired. When comparing Columbia to other gas utilities in Pennsylvania on this metric, including the leak survey interval would be relevant.

Q. At page 13 of his testimony, Mr. Kline states that Columbia had more open leaks at 12/31/14 than at 12/31/13. Please comment.

A. Mr. Kline is correct in his statement that Columbia ended 2014 with 120 more open grade 2 leaks than year end 2013, 1,713 and 1,593 respectively. However, Columbia also identified over 600 more grade 2 leaks in 2014, when compared to 2013, and repaired more leaks in 2014 than in 2013. Columbia is focused and committed to clearing grade 2 leaks in a timely fashion. Indeed, the Company's commitment to clear grade 2 leaks timely is evidenced by the Company's performance thus far in 2015 – Columbia ended June 2015 with 1,272 open grade 2 leaks.

Q. At page 14 of his testimony, Mr. Kline asserts that Columbia should focus more attention on fixing grade 3 leaks. How can Columbia most effectively reduce grade 3 leaks?

A. Columbia can most efficiently and effectively reduce grade 3 leaks through its long term infrastructure replacement program. Grade 3 leaks by classification are non-hazardous and can reasonably be expected to remain non-hazardous. Grade 3 leaks are not individually identified as a major system risk in Columbia's DIMP plan. As Mr. Kline observes, Columbia does not have unlimited resources. Thus, any resources focused on increased grade 3 leak repair are resources diverted from higher risk mitigation activities identified in Columbia's DIMP plan. This is not to suggest that the identification, monitoring and reduction of grade 3 leaks is not important. As Columbia's infrastructure replacement program continues, the major sources of grade 3 leaks will be removed from the distribution system.

Q. Should DOT report data be used to compare peer companies?

A. The annual DOT report for gas distribution system is the standard source for industry data reported to PHMSA and made publicly available. As an industry standard report, Columbia feels it is important to continue to use DOT report data when comparing to peer companies. Columbia is open to using other sources of publicly available data to assist in validating DOT report data.

Q. Were you aware that there may be data anomalies in the DOT Gas Distribution System data due to differences in how company assets are recorded, mapped or identified?

A. Yes, noted in my testimony is National Fuel's reported bare steel inventory increase in 2012. This is an example of our attempt to provide a fair representation of the data. However, Columbia does not have visibility to how other companies' assets are recorded, mapped or identified. Even with these limitations the DOT report is the standard data source for the industry.

Q. Are these data anomalies unique to the DOT Gas Distribution System report?

A. In my opinion, no. For example I&E Exhibit No. 4 Schedule 4, the 2013 cost per mile chart likely contains similar data anomalies. This chart is calculated using main replacement cost which can include different assets from company to company. In Columbia's case service line replacement cost, as part of infrastructure replacement, is included, which may not be the case with all peer companies. In the western portion of Pennsylvania, customers are statutorily responsible for the installation, ownership and maintenance of their service lines. Columbia's infrastructure replacement and improvement program requires the replacement and upgrade of service lines, whether owned by the Company or the customer. In recognition of the logistical challenges and financial burden on customers that could result from requiring the customer to coordinate service line replacement

with the Company's main replacement, on May 1, 2008 at Docket No. P-00072337, the Commission approved the Company's Petition to allow it to replace customer-owned service lines in concert with its main replacement program and capitalize the associated costs into the Mains Utility Plant Account. In areas where the service lines are owned by the gas distribution companies (as in the eastern portion of Columbia's territory but not the western portion) those costs are recorded in the Service Line Utility Plant Account. As a result, comparisons of cost per mile of main replaced among various natural gas distribution companies, particularly western vs. eastern, may not be an apples to apples comparison.

Q. Does the miles replaced from 2012 to 2014 indicate Columbia will not meet its LTIIP 17 year target?

A. It does not. Columbia remains committed to its LTIIP objective. Columbia's approach to selecting replacement projects is focused on maximizing risk reduction and improving reliability, not on maximizing mileage replaced. This is consistent with DIMP planning. Risk modeling processes and system improvements, along with improving data, have helped Columbia identify these projects. This focus has resulted in the need to undertake a higher number of more challenging and costly projects in urban areas and with hard surfaces. With this approach it is reasonable to expect lower annual miles replaced, at a higher cost per mile replaced, in the early years of the program. An example is a 2014 project in Glenbury - City of Pittsburgh. The neighborhood has wide streets, but no sidewalks due to steep hills

on either side of the road. Most of the main installed needed to be in the roadway, which increased replacement costs. Columbia installed 120 feet of 2 inch, 306 feet of 4 inch, 29 feet of 6 inch and 1622 feet of 8 inch plastic pipe. The average cost per foot was $372 for this project. As Columbia works through these more difficult and costly projects we expect to increase the annual miles replaced with a relative reduction in cost per mile.

III. RESTORATION SETTLEMENT OBLIGATION FROM CASE NO. R-2014-2406274

Q. Please summarize the settlement obligation regarding restoration from Case No. R-2014-2406274.

A. Per the settlement above, which was approved in December of 2014, Columbia has the following obligations regarding restoration:

> Section D – Other
> 38. Columbia will meet with the Commission's Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. In furtherance of such meetings, Columbia will undertake audits of the restoration costs for its 10 largest projects in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees.
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> 39. Columbia will continue its efforts to reduce restoration costs, through efforts including, not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless

construction techniques where technically and economically feasible.

Q. To date, what obligations have been met by Columbia?

A. Columbia has completed the required audit of restoration costs for the ten largest projects. The audit has been included as attachment MJD-1.

Concurrent with the audit, Columbia also undertook further measures to identify opportunities to help reduce restoration costs and ensure property disturbed during infrastructure replacement projects was being restored to applicable restoration standards. Within this process, the construction, operations, engineering and regulatory groups collaborated to improve communications internally and externally, as well as solidify documentation processes across functions. The findings from this review have been compiled and will be presented during the meeting with the Gas Safety Division. Columbia is in the process of scheduling this meeting.

Columbia is also a leader within the Congress of Neighboring Communities ("CONNECT"). CONNECT promotes collaboration between the City of Pittsburgh and the 36 municipalities bordering Pittsburgh for better communications, coordination, planning and partnerships between municipalities and utilities to reduce costs.

Q. What was Columbia's initial role in regards to CONNECT?

A. Columbia's goal in becoming involved with CONNECT was to enhance communications and coordination with local municipalities regarding pipeline

replacement projects with the goal of reducing costs starting in the spring of 2014.

Q. How did Columbia accomplish this goal?

A. Raising the issue with the Allegheny Conference on Community Development, Columbia worked with the Conference and CONNECT to develop the idea of a utility summit with the 37 local municipalities who were members of CONNECT to discuss better coordination, communications and cost reductions related to utility infrastructure upgrades and replacement.

Through the summer and fall of 2014, Columbia met with Conference and CONNECT staff to develop the utility summit agenda, speakers list, breakout session topics and securing of sponsorships to allow municipal government staff to attend without cost. The Utility Summit took place on March 12, 2015.

Q. What were the key discussion points at the Utility Summit?

A. Key discussion points at the utility summit included, but were not limited to, the following topics:

- Promote better communications, coordination and planning between municipalities and utilities;
- Advise the municipalities of the benefits of developing road paving and other work plans three to five years in the future; and

Address rising costs of permit fees and restoration work requirements increasing costs for planned work.

Q. What type of role does Columbia currently have in this arena?

A. Columbia continues to work with the Conference and CONNECT on the summit's proposed "next steps", which include the purchase and use of computer software to coordinate utility municipal projects to avoid conflicts and share costs. Columbia is also working with the Conference and CONNECT on a fall utility summit to discuss 2016 utility and municipal projects.

Q. Please provide other examples of the Company's coordination with other utilities.

A. Columbia has been working with Pennsylvania American Water Company (PAWC), to improve relations from a damage prevention and project coordination standpoint. Current communication efforts are focused around large projects that impact both utilities. For example, when PennDot or a municipality has a large project impacting Columbia and PAWC, a utility coordination meeting is organized, and both companies attend.

At these meetings, Columbia and PAWC engineers exchange information about projects. The 2015 projects have been exchanged between companies, and all efforts are made to coordinate projects and share costs. All efforts are made to coordinate projects, however, limited flexibility due to compliance requirements, as well as emergencies, impact the ability to coordinate cost sharing projects.

IV. MANAGEMENT OF THE COLUMBIA GAS OF PENNSYLVANIA DISTRIBUTION SYSTEM

Q. What is the primary operational goal of Columbia Gas of Pennsylvania?

A. Columbia Gas is committed to providing safe and reliable natural gas service to our customers and communities, and strives to be a leader in pipeline safety.

Q. Does this conclude your rebuttal?

A. Yes.