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Re Safety and Inspection Programs for Customer-Owned Natural Gas Lines

Docket No. G-999/CI-99-1365

Docket No. G-007/M-99-641

Minnesota Public Utilities Commission

March 16, 2000

Before Scott, chairman and Garvey, Jacobs, Johnson and Koppendray, commissioners.

BY THE COMMISSION:

***ORDER ACCEPTING FARM-TAP SAFETY INSPECTION
PROGRAMS AND CLOSING DOCKET NO. G-007/M-99-641***

PROCEDURAL HISTORY

In an order issued by the Commission on February 17, 1998,¹ the Commission set forth certain requirements for Peoples' farm-tap safety inspection program including requiring Peoples to continue its farm tap inspection program as previously ordered by the Commission but allowing the routine inspection interval to be five years, requiring information brochures to new and continuing farm-tap customers, requiring annual reports on the farm-tap inspection program as well as a five year report and directing Peoples to defer costs of the farm-tap inspection program for review in its next general rate case.

¹ In the Matter of Peoples Natural Gas Company's Request to Establish a Tariff for Repairing and Replacing Farm Tap Lines, docket number G-011/M-91-989.

On May 4, 1999, Northern Minnesota Utilities (NMU), a division of Utilicorp United, Inc. (Utilicorp), filed an application to implement a farm-tap safety inspection program. This was assigned docket number G-007/M-99-641.

On July 29, 1999, a Regulatory Staff Briefing paper, on the subject of Farm-Tap Line Safety Inspection Programs, was prepared by staff members from the Commission, the Department of Commerce (formerly the Department of Public Service), and the Minnesota Office of Pipeline Safety, a division of the Department of Public Safety. The report summarized recent consumer farm tap complaints and set forth the findings of a statewide survey on farm tap issues conducted by the Minnesota Office of Pipeline Safety (MnOPS). It also presented that Office's recommendations for improving farm-tap safety, most of which would impose new duties on Minnesota's natural gas utilities.

On October 6, 1999, in docket number G-999/CI-99-1365, the Commission issued an ORDER OPENING INVESTIGATION AND REQUESTING COMMENTS. This order initiated an investigation into farm-tap safety and inspection programs and solicited comments from all natural gas public utilities on the Regulatory Staff Briefing Paper of July 29, 1999.

On November 23, 1999 Northern States Power Company (NSP) submitted initial comments.

On November 24, 1999 reply comments were submitted by Great Plains Natural Gas Co.(GPNG), Reliant Energy/Minnegasco (REM), and jointly by the Minnesota Department of Commerce (the Department) and the Minnesota Office of Pipeline Safety (MnOPS).

On November 24, 1999 Joint Comments were submitted by the MnOPS, the Department, Peoples Natural Gas Company (Peoples) and Northern Minnesota Utilities (NMU).

On December 7, 1999 reply comments to NSP were submitted by the Department.

On December 7, 1999 NSP submitted reply comments.

On February 10, 2000 the matter was heard by the Commission.

FINDINGS AND CONCLUSIONS

Historical Background

Farm-taps, of which there are approximately 2400 in Minnesota, are customer owned natural gas lines running from the interstate pipeline through the customer's property to the customer's home or business. Most of these lines were constructed at the same time as the major interstate pipeline, 40 to 60 years ago. Northern Natural Gas Company, which owned the pipeline, allowed rural landowners to tap into the pipeline in return for easements allowing Northern to run the main pipeline below their land. The landowners agreed to install the piping required from the pipeline tap to the point of use. Landowners had discretion as to the piping materials and installation techniques used and numerous farm taps were improperly installed. In most cases, facility maps were not recorded showing the location of farm-tap piping. Over time, land ownership changed, some farm tap lines were forgotten and some fell into disrepair. Few, if any, were maintained as well as the distribution lines owned by the natural gas distribution companies.

In the early 1990's concerns about farm-tap safety led Peoples, the public utility serving most of Minnesota's farm-tap customers, to file a tariff to clarify its farm tap responsibilities. On May 25, 1993, the Commission approved a final tariff which required Peoples to provide consumer education on farm-tap safety, to inspect all farm lines in its service area at regular intervals and to offer financing to farm-tap customers whose lines were repaired by Peoples. Annual reports filed with the Commission by Peoples for the calendar years 1994, 1995 and 1996 indicated that for that three year period 2,316 farm-taps had been inspected, with gas leaks being found on 18 percent of the taps.

In a February 17, 1998 ORDER PERMITTING COMPANY TO CONTINUE DEFERRED ACCOUNTING, in docket number G-011/M-91-989, the Commission set forth standards for Peoples farm-tap safety inspection program. The Commission authorized or required Peoples to:

- continue the farm-tap inspection program required by previous Commission orders in this docket;
- change the routine farm-tap inspection period from three to five years;
- continue to send farm-tap safety and informational brochures to new farm tap customers before they take service and to all existing farm-tap customers annually;
- file for review, a revised version of its farm-tap safety and information brochure;
- continue to file annual reports on its farm-tap safety program on or before April 1, of each year;
- within 90 days of the end of each five-year inspection cycle and in each general rate case, file with the Commission, the Department and MNOPS a five year report including cumulative results of the inspection program and any recommendations for future improvements; and

- continue deferring the costs of the farm-tap inspection program for review in its next general rate case.

A survey by the MnOPS indicated that there were approximately 110 other farm-tap customers in Minnesota being served by NMU, Minnegasco, Great Plains Energy Co. and the City of Hibbing.

In its October 6, 1999 ORDER OPENING INVESTIGATION AND REQUESTING COMMENTS the Commission initiated an investigation under Minn. Stat. § 216B.14 to determine whether it should require all Minnesota natural gas public utilities serving farm-tap customers to develop farm-tap safety, inspection and consumer education programs. The results of that investigation and the resulting Commission actions are addressed herein.

II. Position of the Parties

A. MnOPS Comments Regarding Peoples' Program

The MnOPS set forth 15 recommended guidelines for making farm-tap safety inspections. Peoples' current farm-tap inspection program fell short of the MnOPS guidelines by limiting the program to facilities within 100 yards of the landowner's service, not requiring the installation of cathodic protection equipment that would allow annual testing for corrosion, not mapping any part of the farm-tap lines either on or off the public ROW, and not providing pertinent information to GSOC.

B. Utilicorp/Peoples/NMU

Cost estimates by Peoples to expand their inspection program to include a safety evaluation and leak survey of all lines located in fields or other areas 100 yards beyond farmsteads, install cathodic protection at all farm-tap locations and develop maps for all fuel lines for location information to GSOC would be approximately \$1.5 million.

On May 4, 1999, NMU filed its own farm-tap safety inspection program which was identical to the program approved by the Commission for Peoples in the early 1990's. This was assigned docket number G007/M-99-641.

C. Joint Agreement Negotiated between MnOPS, the Department, and Utilicorp

In an agreement between MnOPS, the Department and Utilicorp, filed with the Commission on November 24, 1999, Utilicorp, on behalf of both Peoples and NMU, agreed to locate and map all farm-tap lines located in the public Right-of-Way (ROW), provide location information to Gopher State One Call (GSOC), and be available to locate the lines as needed on the public ROW. This mapping will be completed in three years. Utilicorp also agreed to provide all farm-tap owners additional information about the importance of cathodic protection and to continue its existing inspection program of odorant testing on 10 percent of the farm lines inspected each year. It was agreed that costs for these additional services could be deferred until the next rate case for each of these Companies.

D. Joint Agreement Negotiated between MnOPS, the Department and Great Plains Natural Gas (GPNG)

GPNG's farm-tap safety inspection program treats their 33 customers with farm-taps in the same manner as their customers served by their regulated natural gas distribution system. Their program meets the safety inspection criteria recommended by MnOPS. GPNG agreed to file an annual farm-tap safety report indicating continuing compliance and reporting any significant items.

E. Joint Agreement Negotiated between MnOPS, the Department and Reliant Energy/Minnegasco (REM)

REM's current farm-tap safety inspection program complies with 12 out of the 15 safety recommendations of MnOPS. REM has agreed to upgrade their mapping records for incorporation into GSOC and to incorporate all of their farm-taps into their annual equipment maintenance plan. REM further agreed to file an annual compliance report.

F. Comments of Northern States Power (NSP)

NSP stated that it has no customer-owned farm-tap facilities, in part because it replaced preexisting customer-owned lines with NSP-owned service lines. NSP supports the voluntary farm-tap inspection programs offered by the local gas distribution companies (LDCs). NSP's concern is that a decision by the Commission to require an LDC to provide inspection and maintenance on facilities that it does not own, with no fee to the beneficiary customers, could set a troubling precedent for other customer-owned gas systems, such as those in college, corporate, industrial or resort complexes.

NSP suggested actions the Commission could take to encourage existing farm-tap customers to take service over LDC-owned lines or to discourage construction of new farm-taps. These actions included allowing farm-tap customers to pay the higher cost of their non-standard facilities over time and/or through higher rates, encouraging LDCs to offer operation and maintenance services on customer-owned systems for a fee, and encouraging the Energy Issues Intervention Office of the Department to petition the Federal Energy Regulatory Commission (FERC) to establish strict criteria for the approval of new farm-taps.

G. The Department

The Department and the MnOPS support the adoption of the negotiated agreements between these agencies and the respective utilities.

III. Commission Action

The Commission finds that the negotiated agreements between the Department, MnOPS and Utilicorp expanding People's farm-tap safety inspection program to include:

- agreement to map on the public ROW;
- provide the public ROW mapping information and locating information to GSOC;
- provide all farm-tap customers information about the importance of cathodic protection;
- allow the costs of implementing these programs to be deferred to the Company's next rate case are reasonable and necessary expansions to the farm-tap safety program previously adopted by this Commission and will be approved.

For these same reasons, the adoption by NMU of the Peoples Farm-tap safety inspection program, including the additions set forth above, will be approved.

Similarly, the Commission notes that GPNG's existing safety program treats the Company's 33 farm-tap customers in the same manner as the remainder of their customers served by their regulated natural gas distribution system. The safety program meets all safety criteria recommended by the MnOPS. GPNG agreed to file an annual farm-tap safety report indicating continued compliance. The Commission will approve this program.

The farm-tap safety inspection plan of REM complied with 12 out of 15 safety recommendations of MnOPS and REM has agreed to upgrade their mapping for incorporation into GSOC and to incorporate all of their farm-taps into their annual equipment maintenance plan. REM has also agreed to file an annual compliance report verifying continued operation of its farm-tap safety inspection program. The Commission will approve this program.

The Commission has previously recognized that farm-tap customers, as owners of their farm-tap lines, should be held financially responsible for the repair and maintenance of these lines. The Commission continues to encourage local distribution companies to offer operating and maintenance services to farm-tap customers for a fee. Peoples and NMU already offer this service for a non-regulated fee. The Commission encourages local distribution companies to file rates and tariffs which properly reflect the costs to serve farm-tap customers, including any higher costs attributable to the operation of long and geographically isolated farm-tap services. The Commission further encourages working with FERC to establish a strict criteria for approval and construction of all new farm-taps.

ORDER

1. The Commission approves the expansion of Peoples farm-tap inspection program, as agreed to by the Department, MnOPS and Utilicorp, to include: a) mapping on the public ROW, b) providing public ROW mapping information and locating information to GSOC, c) providing information to all farm-tap customers about the importance of cathodic protection, and d) allowing the costs of implementing these programs to be deferred until the Company's next rate case.

2. The Commission approves the adoption by NMU of the Peoples farm-tap program as agreed to by the Department, MnOPS and Utilicorp.

3. Docket No. G007/M-99-641, In the Matter of Northern Minnesota Utilities Application to Implement a Farm-Tap Safety Inspection Program, shall be closed.

4. The Commission approves the farm-tap safety inspection program of GPNG as agreed to by the Department, MnOPS and GPNG.

5. The Commission approves the farm-tap safety inspection program of REM as agreed to by the Department, MnOPS and REM.

6. The Commission encourages the LDCs to continue to offer operating and maintenance services to farm-tap customers for a fee and file rates and tariffs which appropriately reflect the costs to serve farm-tap customers, including any higher costs attributable to operating long and isolated farm-tap services. The Commission encourages working with PERC to establish strict criteria for approval and construction of all new farm-taps.

7. This Order shall become effective immediately.

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