



## **SECTION 4:**

# **THE NATURAL GAS SECTOR**

### **600K CUSTOMERS | 10 2022 DOCKETS**

PURA is responsible for the regulation and oversight of all in-state natural gas pipelines, both as it relates to the operation and management by the owners and operators of such pipelines and regarding public safety.[1] These owners and operators of in-state natural gas pipelines are commonly referred to as the Local Distribution Companies (LDCs). The LDCs receive gas from interstate transmission pipelines and distribute the gas to retail customers. Pipelines, called mains, run down streets to distribute the gas throughout the area. Smaller service lines run from the mains to the individual customers.

LDCs are required to meet both Minimum Federal Safety Standards and the laws and regulations of Connecticut, which together address most areas of gas operator activities. Detailed requirements apply to the materials that may be used for constructing new gas pipelines. The requirements also address permitted pressure levels for the systems, design standards for the facilities, construction requirements, and initial testing of the facilities to ensure safety. There are extensive requirements for welding steel and other forms of joining materials. Corrosion control, operation and maintenance, emergency response, and qualification of employees to perform safety-related activities are also covered.

PURA's gas pipeline inspection program uses a combination of field inspections and reviews of company plans, procedures, and records to ensure compliance with applicable safety requirements. When a safety incident occurs, PURA staff will perform an investigation of the cause, and may levy fines or penalties depending on who or what was responsible for the incident. Any member of the public may file a complaint reporting defects, or state or federal safety violations of any part

of the natural gas pipeline infrastructure in the state, to the Authority.

Sometimes, damage to a gas pipeline is caused by improper or unauthorized digging during construction projects.

Excavation damage to underground utility facilities can cause fires and explosions, injuries, deaths, and significant disruptions to public utility service. To prevent this, PURA administers the [Call Before You Dig \(CBYD\)](#) program. The CBYD Program was established to protect the public safety with regard to excavations near underground facilities by providing a communications link between excavators, public agencies, and public utilities. Excavators must call CBYD prior to digging, and then CBYD will notify all utilities that might be in the area. Utilities will then locate their pipes and cables using paint and stakes, so excavators can conduct their work without causing damage to existing underground utilities. The Authority assesses significant civil penalties to any party who violates the Statutes and Regulations, which are not recoverable in rates.

In 2022, PURA conducted robust inspection processes and found and corrected multiple violations. Additionally, PURA issued multiple civil penalties designed to deter further noncompliance.

**Submit a Safety  
Complaint**

or

**Contact CBYD:**

Call 811 or 1-800-922-4455



**441**

Pipeline  
Safety  
Inspection  
Person-days



**598**

CBYD  
Inspections



**72**

Total  
Violations  
Found



**\$5.5 M**

Civil  
Penalties  
Issued

## KEY NATURAL GAS TOPICS IN 2022

The Authority's foremost responsibility related to natural gas is ensuring the safe and affordable delivery of service throughout the state. Additionally, PURA was previously tasked with overseeing aspects of the implementation of Public Act 13-298, [An Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy and](#)

Various Revisions to the Energy Statutes, which directed the LDCs in 2013 to develop a natural gas system expansion plan (SEP) and submit it for PURA's review and approval. On April 27, 2022, PURA issued a [Decision in Docket No. 21-08-24, Petition Of William Tong, Attorney General For The State Of Connecticut, And The Office Of Consumer Counsel For an Investigation Into Eversource Energy Regarding Gas Expansion Marketing](#), which ordered the immediate winding down of the SEP. Further details on this decision are below.

## **Phasing-Down the Ratepayer-Incentivized Natural Gas Expansion Plan**

Public Act 13-298 was primarily driven by findings from DEEP's 2013 [Comprehensive Energy Strategy](#) (CES), which recommended deploying ratepayer dollars to incentivize a natural gas expansion plan because gas produced lower emissions than oil or coal and was, at the time, also cheaper. The resulting legislation put Connecticut on a 10-year mission to convert approximately 280,000 customers to natural gas. On November 22, 2013, PURA approved the LDCs' joint SEP submitted in Docket No. 13-06-02, [Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy](#) (SEP Docket).

In the [Decision issued on November 22, 2013](#) in Docket No. 13-06-02 (SEP Decision), the Authority adopted four triggers that would be monitored to determine if the SEP required reevaluation and adjustment and required the LDCs to address these parameters in their annual SER filings. Reevaluation occurs under the following triggers:

- **Material Change in Gas/Oil Spread:** If the difference between oil and gas prices declines to a level such that, after factoring in the premium paid by new customers under the SERs, so that gas prices are more than delivered oil prices. Such forecast convergence of gas and oil prices must be the reasonably expected future state for more than two years as forecast by the U.S. Energy Information Administration;
- **Material Impact on Customers' Bills:** If the SER increases an average customer's overall rate by more than 25 percent;
- **Customer Conversions Less than 50% of Forecasted (Conversion Trigger):** If the actual number of customer conversions, on a cumulative basis, is less than 50 percent of the number forecasted to convert for that same time period, as established in the preceding year's review of the SEP; or
- **Plan Expenditure Increases:** If the totality of SEP expenditures increases the overall residential bill for existing customers by 5% or more in any given year or by 15% or more over the life of the SEP.

PURA has since opened several subsequent dockets to evaluate or to modify various parts of the SEP Decision. In August of 2021, PURA initiated Docket No. 21-08-24 with the dual

purpose of investigating allegations raised by Attorney General Tong that Yankee Gas (an LDC) was using deceptive marketing techniques for the SEP, and to evaluate whether the SEP was still consistent with DEEP's CES, and the provisions of Title 16 of the General Statutes of Connecticut.

The investigation into Yankee Gas' marketing culminated in the issuance of a Notice of Violation and Assessment of Civil Penalty of \$1.797 million against Yankee Gas on December 17, 2021.[2] However, the evaluation of the SEP overall led to additional outcomes. On April 27, 2022, PURA issued a [Decision in Docket No. 21-08-24](#), which ordered the immediate winding down of the SEP.

The conclusion to wind down the SEP was based primarily upon the robust evidence that many conditions, including those related to the reevaluation triggers outlined above, had changed significantly since the inception of the SEP. First, the average cost to connect new services had increased as much as three times since 2014, all while the number of new customers had decreased. Since the original purpose of the SEP was to expand the LDC's customer base and increase natural gas usage, this signaled both low performance and excessive costs for ratepayers. Second, while the economics of natural gas appeared to be preferable at the beginning of the SEP, price trends did not behave as predicted:

1. The price of oil did not follow the original EIA estimate used in the 2013 CES;
2. The relative price benefit of gas to oil decreased significantly;
3. The price of gas rose faster than predicted; and
4. The payback period for a customer converting to gas ended up being much longer.

In addition to rising market prices, the program as designed led ratepayers to bear the cost of revenue shortfalls and capital cost variances. From the beginning of the SEP through 2019, the LDCs' reported \$8.61 million in unpaid capital investments associated with 1,300 customers who signed service agreements that never followed through with completing the conversion process. Ratepayers overall are left to pay for those costs instead.

The last factor that led to PURA's decision to wind down the SEP was the LDCs' failure to meet the original conversion goal of 280,000 in ten years. With less than two years left in the original 10-year timeframe, PURA found that the LDCs' had met only 32% of the original goal. Instead of reporting conversions compared with the initial projects, the LDCs adjusted their conversion projections down each year when submitting their SEP filing, which allowed them to report conversion completions at 90% or more in each filing year.

The investigation in Docket No. 21-08-24 made it clear that the SEP was no longer in the best interest of ratepayers. As such, the wind-down process began immediately following the Decision's adoption on April 27, 2022. Importantly, the wind-down of the SEP should not be construed as a moratorium on gas expansion or usage in the state; such an action would likely require legislative action. Indeed, it should be noted that ratepayers may still request new gas service in Connecticut; however, there are no longer any additional ratepayer-funded incentives to do so due to the failure of the SEP to deliver any of the benefits on which its authorization was based.

### ***The Future of Natural Gas***

Natural gas presently heats more than a third of homes in Connecticut; a trend that will likely persist in the near- and medium- term. Multiple stakeholders in Docket No. 21-08-24 recommended that the Authority open a docket to evaluate the future of natural gas heating. Just a few months before the Decision in Docket No. 21-08-24 was issued, DEEP announced in its [Notice of Proceeding and Scoping Meeting for the 2022 CES](#) that it would be reevaluating natural gas expansion and the future of natural gas given the direction of Executive Order 21-3 to develop strategies to achieve greenhouse gas emission reductions.[3] Given DEEP's ongoing CES proceeding, the Authority determined that it would be more appropriate for PURA to evaluate the findings from the 2022 CES process regarding the future of gas expansion, rather than convene a new PURA proceeding, at that time. If, however, circumstances arise that indicate PURA should open a docket prior to finalization of the most recent CES, the Authority can always act on its own motion or on the motion of a third party to open a PURA docket on this matter.

#### **Natural Gas Expansion Plan Wind-Down Relevant Resources**

- [21-08-24 SEP Wind-Down Decision](#)
- [DEEP 2022 Comprehensive Energy Strategy Planning Process](#)

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[1] Conn. Gen. Stat. § 16-272

[2] Yankee Gas paid the \$1.797 million penalty on January 7, 2022, and did not request a hearing.

[3] DEEP Notice of Proceeding and Scoping Meeting, Jan. 6, 2022, p. 3, available at: <https://portal.ct.gov/-/media/DEEP/energy/CES/2022CESnoticeofproceedingpdf.pdf>

## 2022 NATURAL GAS SECTOR DECISIONS

Docket Number	Title	Decision Date
<a href="#">22-01-20</a>	Assessment of Civil Penalty Against the Connecticut Natural Gas Corporation for Pipeline Safety Violations	3/9/2022
<a href="#">21-10-01</a>	PURA Annual Review of the Purchased Gas Adjustment Clause Charges or Credits Filed by Connecticut Local Distribution Companies	3/30/2022
<a href="#">22-03-12</a>	Assessment of Civil Penalty Against Yankee Gas Services Company for Pipeline Safety Violations	4/6/2022
<a href="#">21-08-24</a>	Petition Of William Tong, Attorney General For The State Of Connecticut, And The Office Of Consumer Counsel For an Investigation Into Eversource Energy Regarding Gas Expansion Marketing	4/27/2022
<a href="#">22-01-14</a>	2022 PURA Report to the General Assembly Concerning Lost and Unaccounted for Gas	6/22/2022
<a href="#">22-04-37</a>	Application of The Southern Connecticut Gas Company for Approval of the Sale of Improved Land in Orange, Connecticut Pursuant to Conn. Gen. Stat. § 16-43 and Conn. Regs. §§ 16-43-1 and 16-43-3	10/19/2022
<a href="#">22-06-02</a>	GenConn Energy LLC Application to Establish 2023 Revenue Requirements	12/14/2022

Docket Number	Title	Decision Date
<a href="#">22-03-03</a>	Review of the 2021 System Expansion Reconciliation Mechanisms Filed by: Connecticut Natural Gas Corporation, The Southern Connecticut Gas Company and Yankee Gas Services Company	9/14/2022 12/21/2022
<a href="#">22-09-01</a>	Call Before You Dig, Inc. - Proposed Budget for 2023	12/21/2022
<a href="#">22-08-21</a>	Assessment of Civil Penalty Against Norbert E. Mitchell Co., Inc. for Pipeline Safety Violations	12/21/2022

A comprehensive list of PURA 2022 decisions is available in Appendix 2, attached to this Report.