



**American Public Gas Association**



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# Challenges and Solutions

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# What Have We Done To Improve Safety?



\$7 billion spent annually



Safety Action Plan



AGA Best Practices Program  
Distribution, Transmission, Supplemental Gas



Conferences, Workshops, Webinars



Publications



Partnership w/ Key Stakeholders:  
PHMSA, States, CGA, Emergency Responders



Research & Development

# Operational Challenges and Solutions

Minimize negative impact on customer and public

- *Smart modernization*

Damage Prevention

- *Federal and state enforcement*
- *Eliminate one-call exemptions*
- *811 Promotion*

Public Awareness

- *Evaluate program effectiveness*

# Operational Challenges and Solutions

## Encroachment on the pipeline R-O-W

- *Pipeline Informed Planning Alliance*

## Permitting, construction interruptions, shutdowns

- *Coordination with local government*

## Technology improvements

- *Funding mechanisms and collaboration*

## Effective Cost Recovery

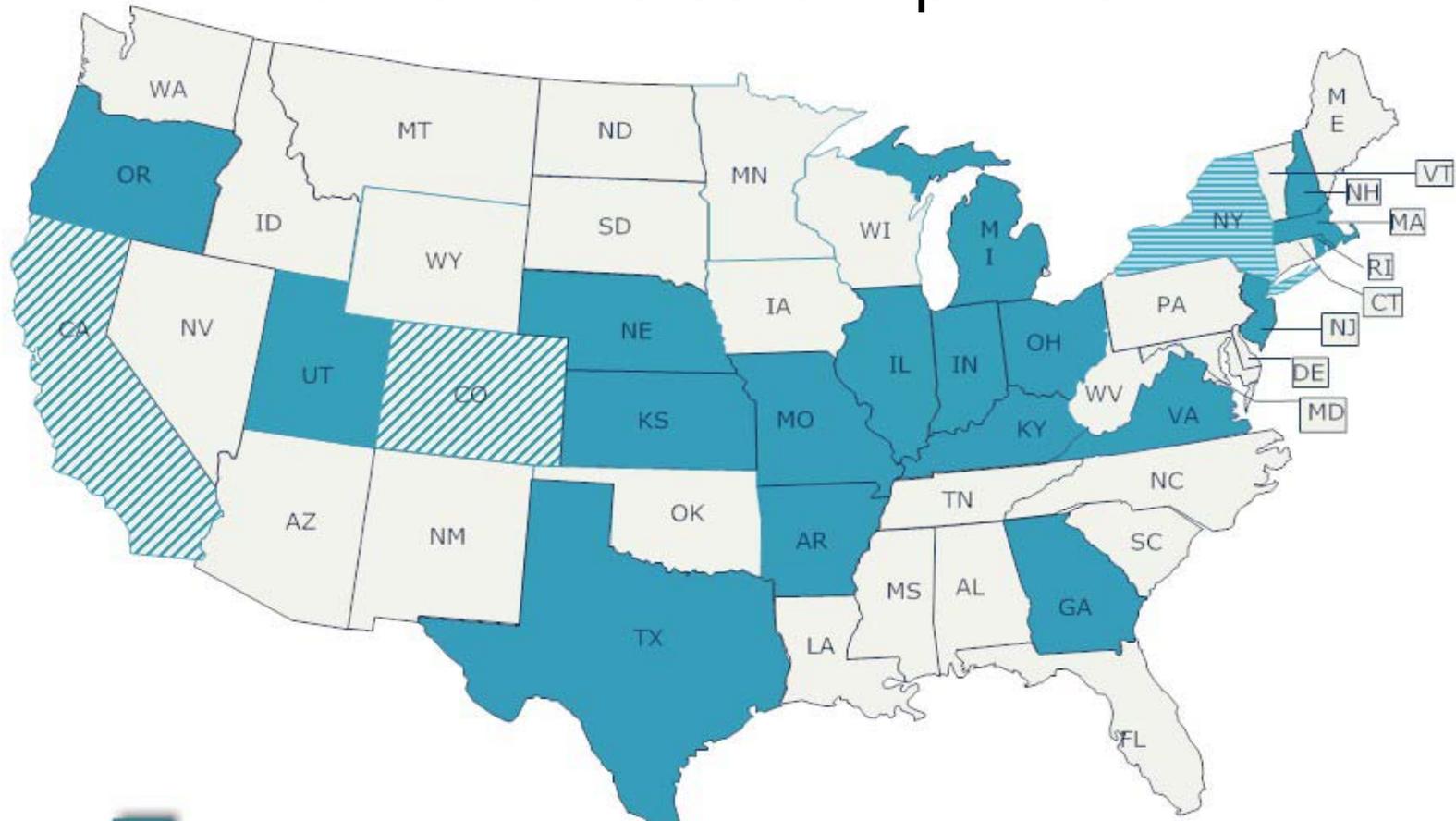
- *Infrastructure cost recovery mechanisms that are timely, flexible and complete*

# Investor Owned Utility Financial Challenges

States are evolving to address decoupling, infrastructure recovery, the energy burden of American consumers. This includes:

- Infrastructure recovery
- Revenue decoupling

# States With Infrastructure Cost Recovery Mechanisms as of April 2011



-  States with Full Infrastructure Cost Recovery Mechanisms (18)
-  States with Pending Infrastructure Cost Recovery Mechanisms (2)
-  States with Limited Infrastructure Cost Recovery Mechanisms (1)

# Public Gas Utility Financial Challenges

- **Operational issues similar to IOUs but different regulatory structure**
  - Rates are set by their governing bodies, typically not state utility commissions
- **Revenues may support other vital government services**
- **Utility expenses compete against government programs**

# Financial Challenges Vary

- **Diversity of distribution systems and local economies are major factors.**
- **Older established cities may require significant investment for modernizing the infrastructure.**
- **Younger cities may have expanding population/tax base and relatively new infrastructure.**

# Public Utility

## Operational Challenges and Solutions

- **Replace vs. Repair**
  - Operation risks will be identified & ranked in the DIMP program by August 2011
  - Higher risks will continue to be managed through current programs
  - Additional replacement strategies will require funding mechanisms that are scalable & provide timely cost recovery
- **Damage Prevention**
  - Third Party damage remains top priority
  - Consistent Enforcement & Elimination of Exemptions

# Summary of Distribution System Challenges

- **Diverse infrastructure with 2.1 million miles of pipe**
- **Spending \$7 billion annually on safety**
- **Diverse state rate structures for municipals and IOUs**
- **Utility commissions and operators must continue to provide customers with natural gas safely reliably and cost effectively.**
- **Manage existing infrastructure and finance smart modernization**

# Public Gas Utilities

- Rates are set by their governing bodies, typically not state utility commissions
- Revenues may support other vital government services such as police and fire departments
- Utility expenses balanced against competing government programs

# Public Gas Utilities

- Diversity of distribution systems and local economies are major factors.
- Older established cities may require significant investment in modernizing infrastructures.
- Younger cities may have expanding population/tax base and relatively new infrastructure.

# Operational and Financial Solutions

- Many state and local government budgets are stretched, but safety takes priority.
- Higher risks identified must be managed immediately, while longer term smart modernization occurs.
- Most operational risks should be identified and ranked in the DIMP program this summer.
- DOT should establish a data analysis group that includes all stakeholders.

# Summary of Distribution System Challenges

- Large diverse infrastructure with 2.1 million miles of pipe
- Spending \$7 billion annually on safety
- Diverse state rate structures for municipals and investor owned utilities
- Utility commissions and operators must continue to provide customers with natural gas safely, reliably and cost effectively. Manage existing infrastructure and finance smart modernization