



**Department of
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Three Empire State Plaza, Albany, NY 12223-1350
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January 22, 2018

Mr. Kenneth Shulman
New York State Comptroller
110 State Street-11th Floor
Albany, New York 12236

Re: Response to Report 2017-F-20

Dear Mr. Shulman:

The following is the Department of Public Service's (Department) response to follow-up audit report 2017-F-20, *Pipeline Safety Oversight*. The Department has worked diligently to address the recommendations included in the original audit report, 2015-S-31.

Recommendation #1: Fully Implemented

Operator Qualifications: Ensure the qualifications for Operators' employees and contractors are accurately documented and supported in the Operators' or independent third parties' files.

Response: Per OSC's assessment, the Department has taken the necessary actions to ensure this recommendation is fully addressed including:

- a) Revising audit procedures and updating the Pipeline Safety Staff Guideline Manual to more comprehensively detail the steps necessary to audit Operator Qualification programs and include documentation requirements that will comply with the program requirements found in PHMSA's "Guidelines for States Participating in the Pipeline Safety Program".
- b) Working with the major operators to ensure an independent third party (primarily Northeast Gas Association, Veriforce, and Energy World Net) appropriately administers testing and maintains documentation of Operator Qualifications.

Recommendation #2: Fully Implemented

Reporting of Incidents: Develop procedures to identify instances when Operators fail to report incidents as required and update the Manual to reflect those procedures.

Response: Per OSC's assessment, the Department has taken the necessary actions to ensure this recommendation is fully addressed including:

1. Subscribing to a Google news feed, which provides staff with up-to-date information about all Operator activities that gain "media" attention in real time.
2. Revising the Pipeline Safety Staff Guideline Manual to clarify that in the annual audit letters sent to all Operators, Department Staff should include all incidents that met reporting criteria but were not reported by the Operators.
3. Working with gas companies to streamline off-hours reporting to take advantage of technology (e.g., email) that was not available when the requirement to notify the Department of accidents or incidents first went into effect.

Recommendation #3: Partially Implemented

Data Sources and Uses: Work with the Operators to identify all available sources of pipeline safety data, and then determine which analyses can best provide both DPS and the Operators with the most valuable information to help identify risks and improve pipeline safety.

Response: Per OSC's assessment the Department has taken some steps to address this recommendation, including:

- Since 2003, the Department has utilized performance metrics developed using data that identify regulatory and procedural failures among the Operators. The metrics trigger associated utility negative revenue adjustments (NRAs) when gas companies fail to perform at acceptable performance levels. These metrics not only assure that distribution companies maintain established baseline expectations, but that Operators continue to make safety improvements. As of 2015, NRAs are in place that accelerate leak prone pipe replacements on a set schedule and impose consequences on gas companies for failure to decrease gas safety violations.
- In addition to performance metrics, the Department routinely analyzes contributing factors related to incident investigations throughout the State. Department staff assesses the lessons learned after each gas incident in any one distribution company's service territory and applies them when investigating other gas companies.
- The Department continues to work closely with the Operators to develop and utilize additional streams of data to identify risks and improve pipeline safety.

January 22, 2018
Department of Public Service 30 Day Response

The Department will fully comply with this recommendation once the new comprehensive auditing system has been completed by the New York State Office of Information Technology Services (OITS). Traditionally, the Department's pipeline safety audit functions and data collection was done through a combination of manual forms, emails, spreadsheets and Microsoft Access databases. The workflow involved a large number of manual processes associated with the planning, scheduling, inspecting, auditing, analysis and reporting on gas pipelines in New York State. To comply with OSC's recommendation to enhance data collection and analysis, the Department partnered with OITS to create the Pipeline Audit System (PAS). This system will centralize the Gas Safety Section's multiple audit and administrative systems as well as incorporate data from external sources, including the individual Operators and PHMSA's Pipeline Data Mart and Work Management systems, with the ultimate goals of increasing efficiency and expanding the Section's data analysis capabilities.

The system was divided into three release stages, with the first release deployed in May 2017. The Department continues to work closely with OITS to finish the second and third stages of this project and we expect the system to be fully operational by the end of 2018.

If you have any questions regarding this response, please contact me at 518-474-2523.

Sincerely,

A handwritten signature in black ink that reads "John B. Rhodes". The signature is written in a cursive style with some capital letters.

John B. Rhodes
Chair

Cc: Thomas Congdon
Michael Worden
Cynthia McCarran