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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

December 27, 2017

Mr. John B. Rhodes  
Chairperson  
Public Service Commission  
Building 3 Empire State Plaza  
Albany, NY 12223

Re: Pipeline Safety Oversight  
Report 2017-F-20

Dear Chairperson Rhodes:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Public Service Commission to implement the recommendations contained in our audit report, *Pipeline Safety Oversight* (Report 2015-S-31) issued March 8, 2016.

**Background, Scope, and Objective**

New York State's pipelines transmit, gather, and distribute gas and other hazardous liquids (crude oil, refined petroleum products, and other highly volatile, flammable, or toxic liquids). As of 2017, New York has 91,191 miles of natural gas pipelines and 1,148 miles of hazardous materials pipelines. According to Pipeline and Hazardous Materials Safety Administration (PHMSA) records, between 1997 and 2016, New York had 207 pipeline incidents resulting in 24 fatalities, 109 injuries, and \$80 million in property damage.

PHMSA, a subdivision within the federal Department of Transportation, administers pipeline safety nationwide. PHMSA relies on state inspectors as its "first line of defense" to enforce pipeline safety, implement underground utility damage prevention programs, and promote public education and public awareness campaigns. To accomplish this task, PHMSA delegates some of its authority to states and provides partial reimbursement for the costs they incur in this effort. In New York State, the Public Service Commission (PSC) operates a federally certified safety program for intrastate and interstate pipelines. Inspections are performed by Department of Public Service (DPS) staff, who report to the PSC. New York State generally has equivalent, or more stringent, safety standards than those required by federal regulations. DPS is responsible for enforcement actions that involve intrastate pipelines, while PHMSA is responsible for enforcement actions on interstate pipelines.

DPS conducts investigations of accidents and performs Operator inspections, which typically include a review of operations, maintenance, and construction. Operators include any entity that engages in the transportation of gas. In recent years, DPS's inspections have also focused on integrity management, including Operator plans for ensuring higher-risk infrastructures are identified, assessed, and continually monitored; Operator qualifications; and Operator training programs.

Our initial audit report, covering the period April 1, 2013 through October 21, 2015, determined whether PSC was providing oversight of pipeline safety in accordance with State regulations and federal performance standards. We found DPS staff did not verify the accuracy of the information on employee/contractor qualifications maintained by individual Operators which DPS staff rely on during field audits. In addition, DPS had not set up a process to identify instances where Operators failed to notify DPS of specific gas-related incidents as required. We determined that Operators did not notify DPS of six such incidents in 2015 that should otherwise have been reported. These incidents involved evacuations, road closures, a business closure, and other situations that left businesses and residents without gas. Finally, DPS did not perform analyses of all available data to better identify potential high-risk areas.

The objective of our follow-up was to assess the extent of implementation, as of December 19, 2017, of the three recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found PSC has implemented two of our recommendations and partially implemented the third. DPS officials stated all major Operators now offer instant electronic verification of actual employee/contractor qualification dates during audits. In addition, DPS has subscribed to a news feed that alerts DPS of gas-related incidents that received news coverage. Incidents found through the news feed that meet the reporting requirements but were not reported are now included in annual letters to the Operators. Finally, DPS has partnered with the New York State Office of Information Technology Services to create a comprehensive Pipeline Auditing System. However, the system is not scheduled to be fully implemented until March 2018. The Pipeline Auditing System will consolidate existing systems that support the functions of DPS's Gas Safety Section.

### **Follow-Up Observations**

#### **Recommendation 1**

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

Status - Implemented

Agency Action - DPS officials stated that all major Operators are using an independent third party (primarily Northeast Gas Association, Veriforce, and Energy World Net) to administer testing and maintain documentation of Operator Qualifications (OQ). Often, Operators

will supplement these programs with their own tests. Operators are able to use any testing system they choose as long as it is fully documented in its OQ program and meets certain minimum requirements.

In addition, DPS has updated its Staff Guideline Manual (Manual) to include program audits and to modify its existing field audits to include a review of OQ. Program audits involve a comprehensive and thorough review of an Operator's written plans. Inspections of OQ plans must be completed using federal protocols. Field audits involve an on-site review of an Operator's actions and typically focus on operation and maintenance functions. Whenever a field audit is performed, DPS staff should verify that the Operator and/or contractor personnel performing the work is Operator qualified, using the OQ Field Inspection Protocol Form. Program and field audits are conducted on a five-year audit plan. DPS officials stated all Operators are using a type of Quick Response code that offers instant verification of actual qualification dates during audits.

### **Recommendation 2**

*Develop procedures to identify instances when Operators fail to report incidents as required and update the Manual to reflect those procedures.*

Status - Implemented

Agency Action - DPS has subscribed to a Google news feed that provides staff with up-to-date information about all Operator activities that gain attention from news media in real time. The Google news feed, which uses the search terms "gas," "gas leak," and "natural gas," provides DPS with notifications from across New York State. On April 14, 2016, DPS staff began entering each notification into a tracking sheet. This tracking sheet contained 39 separate incidents as of September 26, 2017. For each incident identified by the Google news feed that needed to be reported, DPS staff compared it to their incident notification logs to determine if the incident was properly reported to DPS by the Operator and document whether DPS staff followed up on the incident, if necessary. Additionally, DPS now includes unreported incidents found by staff through Google notifications in annual letters to the Operators. DPS updated its Manual to reflect this change by adding the following statement: "Any accident meeting reporting criteria in 16 NYCRR Part 255.801 found by Staff to have not been reported in compliance with 255.801 must be included in the letters to the Operator."

We conducted Google searches for news reports of "gas leaks in NYS" dated between January 1, 2016 and September 26, 2017 and identified 46 incidents. We compared the results of our Google searches to DPS's tracking sheet for Google notifications and DPS's Incident Notification Logs from 2016 and 2017. We identified one incident that was not included on DPS's tracking sheet for Google notifications nor was it on the Incident Notification Logs, indicating it was not reported to DPS by the Operator. Therefore, DPS was not aware of the incident and could not ensure appropriate DPS follow-up, if any, was necessary.

In May 2016, DPS also initiated a pilot program with National Grid to receive reports of excavation damage, including third-party damage to utility facilities. National Grid emails excavation damage reports to DPS on a 24-hour basis, and DPS staff review the reports to determine whether an on-site investigation is necessary. DPS has followed up on 277 emails from National Grid as a result of the program. DPS officials stated they find the damage reports useful; however, a decision has not yet been made regarding the extension of the program to other Operators.

### **Recommendation 3**

*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.*

Status - Partially Implemented

Agency Action - DPS has partnered with the New York State Office of Information Technology Services (ITS) to create a comprehensive Pipeline Auditing System (PAS). The PAS will consolidate existing systems that support the functions of DPS's Gas Safety Section (Section), including databases, data collection, five-year planning of audits, scheduling, mobile functionality, and reporting on pipeline auditing activities. According to DPS, the PAS system will be primarily used to capture the Section's audits of Operators' compliance with pipeline safety regulations as well as to document the Section's areas of work management and audit finding processing. It is also used to automate certain administrative functions such as daily logs, timekeeping accounting, and vehicle logs. DPS officials stated that ITS is now over a year late in the delivery of the PAS. The project was divided into three releases, with the first release deployed in May 2017. All releases and post-installation activities are scheduled to be completed in March 2018. DPS staff stated they have loaded data from outside systems such as PHSMA's Pipeline Data Mart and Work Management systems, as well as DPS-maintained data on Operators and Operator headquarters.

Major contributors to this report were Brandon Ogden, Vicki Wilkins, and Philip Boyd.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of DPS for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Nadine Morrell, CIA, CISM  
Audit Manager

cc: David Bell, Director of Internal Audit