Good afternoon, Chairman Keenan, Chairman Downing, and members of the Committee.

Thank you for the opportunity to provide comments on the proposed House Bill No. 2950, “An Act Relative to Natural Gas Leaks.”

My name is Tom Kiley. I am president and CEO of the Northeast Gas Association (NGA), a trade association representing natural gas interests in the region. Our office is located in Needham. Our member local distribution companies – or LDCs - serve 10 million natural gas customers in 8 Northeast states – Massachusetts and all of New England, as well as New York and most of New Jersey. In the Commonwealth of Massachusetts our companies serve approximately 1.5 million customers.

I am pleased to be here with two members of our Association: Steve Bryant, president of Columbia Gas of Massachusetts, and Bill Akley, Senior Vice President, U.S. Gas Operations, with National Grid. I will be making brief remarks and then my colleagues will provide their own utility perspectives.

As representatives of the Commonwealth’s LDCs, we are pleased to be here today to express our support for House Bill 2950.
This bill addresses 3 major public policy issues with significant public benefit. They are:

1. Enhanced **Safety**
2. **Reducing Leaks**, thereby Improving the Environment; and

Addressing natural gas leaks and system safety in a comprehensive manner, as proposed in this bill, brings multiple benefits for the Commonwealth.

The Massachusetts natural gas distribution system is older than the national average. *Over 30% of the Commonwealth’s natural gas system falls within the range of more “leak-prone” natural gas system components. This compares to the national average of 9%.* [“Leak-prone” components refer to cast-iron and unprotected or bare steel (as compared to less leak-prone materials such as plastic pipe or cathodically protected steel)].

Addressing infrastructure upgrades and system investments in this comprehensive manner is critical.

Natural gas is a vital part of the Commonwealth’s current and future energy mix – already nearly 50% of the home heating and power generation market statewide. Enhancing system integrity is in the state’s long-term interest. Investing in the infrastructure is not only good for the state’s economy but also will lead to better environmental performance.

The bill’s provision regarding gas expansion will help increase the reach of the state’s natural gas system to meet citizens’ needs and to make businesses *in all regions of the state* more economically-competitive. The outlook for U.S. natural gas supplies is very positive and has led to lower commodity costs and greater economic opportunity.
nationwide. All of our utility companies have added numerous new customers in the last few years seeking natural gas as a more cost-effective home heating fuel. This is a positive time for the Commonwealth to undertake this comprehensive approach toward system expansion.

I will very briefly comment on different provisions of the legislation.

**Uniform Leak Classification Standard**

Section 1 concerns establishing a uniform natural gas leak classification standard in the Commonwealth.

*Uniform and consistent standards make sense and will assist regulation and oversight.*

Over the last year, the state’s natural gas utilities have worked together through the MA Advisory Committee of the Northeast Gas Association to develop common standards consistent with this proposed language for Grades 1, 2 and 3 leaks.

The Department of Public Utilities – the DPU - will promulgate standards and oversee them for consistency. The standards are aligned with national standards. We think it makes sense to have consistency and clarity as outlined in the proposed legislation.

**Considering Minimum Procedures for Cast Iron Winter Surveillance and Patrols**

Section 1(d) directs the DPU to open an investigation into how winter frost conditions might be impacting older, more leak-prone cast-iron pipe (18% of the Commonwealth’s gas distribution system is cast-iron).

The DPU, after its investigation and hearing from the utilities on their system characteristics and weather/geography variances, may make a decision on whether
minimum uniform standards should be established. **It is a safety enhancement provision, and one that reflects the varying geography and weather conditions of different parts of the state. It makes great sense.**

**Accelerating Infrastructure Replacement**

Section 1(e) concerns establishing “an infrastructure replacement program to address aging natural gas infrastructure in the interest of public safety and reducing lost and unaccounted for gas.”

**We support this provision.**

*An accelerated replacement program will enable the utilities to address system upgrades in a comprehensive and timely manner.* Rather than addressing scheduled leak repairs on a “piecemeal” basis, an accelerated improvement program will provide the utility with the capability to replace and upgrade older system components on a broader and faster scope. It will enhance system safety and environmental performance.

This provision would institute a process similar to that in place in Rhode Island and other states, where the department works with the utility companies prior to each construction season to seek a mutual understanding of what will be undertaken as part of the program that will qualify for accelerated cost recovery. The current process, known as TIRF, shorthand for “Targeted Infrastructure Replacement Facility” - has, on average, about a twelve and seventeen month lag, depending on when the investment is made during the construction season.

This program would support the utility’s ability to undertake these investments in a manageable and cost-effective manner.

Reducing gas leaks is in the Commonwealth’s best interest. Natural gas is the most carbon-friendly of the fossil fuels, and the increasing use of natural gas in Massachusetts and the U.S. is leading to improved air quality. In fact, carbon dioxide
emissions related to the energy sector in the U.S. last year were the lowest in almost 20 years. A major reason is the increased use of natural gas for power generation, instead of coal. But more needs to be done in all aspects of the economy to reduce emissions even further.

Methane emissions in the U.S. from natural gas systems are on the decline, but more needs to be done here as well. Two months ago, the U.S. EPA reported that methane emissions related to natural gas in the U.S. in 2011, the most recent data year, were down 10% compared to 1990 levels. EPA said there were 2 main reasons for this decline in methane emissions related to natural gas:

1. Transmission and storage operators are successfully implementing voluntary reductions, through programs such as EPA’s Natural Gas STAR; and
2. Distribution companies are reducing “cast iron and unprotected steel pipelines” on their systems.

Replacing older, more “leak-prone” system components will bring environmental and safety benefits to the Commonwealth. It is a smart, strategic and cost-effective approach.

**Gas Expansion**

Finally, Section 2 calls on the DPU to “permit each natural gas company in the Commonwealth to design and offer programs to consumers which increase the availability, affordability or feasibility of natural gas for customers.”

The provision is not proscriptive but instead offers opportunities for various company responses. The gas utilities in the Commonwealth have seen their customer conversions numbers increase by over 30% in the last few years, in reaction to the much lower price of natural gas compared to heating oil.

The utilities are having great success in adding new customers located along existing distribution mains. The challenge for the utility, and for prospective customers, is
extending the system to towns and regions not currently served by natural gas infrastructure.

This provision allows utilities to consider and present alternative ideas. These ideas would be presented to the DPU for its review.

We believe this is a creative approach and one that will help bring natural gas to more communities and businesses in Massachusetts. The Department of Energy Resources is also looking into this issue of gas expansion. We think this bill moves the discussion forward for the benefit of the Commonwealth.

Thank you.