



# The Commonwealth of Massachusetts

## DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 17-GSEP-03

April 30, 2018

Petition of Boston Gas Company and Colonial Gas Company each d/b/a National Grid for Approval of 2018 Gas System Enhancement Plans, pursuant to G.L. c. 164, § 145, and for rates effective May 1, 2018.

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## I. INTRODUCTION

On October 31, 2017, Boston Gas Company (“Boston Gas”) and Colonial Gas Company (“Colonial Gas”), each doing business as National Grid (collectively “National Grid” or “Companies”), pursuant to G.L. c. 164, § 145 (“Section 145”), submitted to the Department of Public Utilities (“Department”) their 2018 gas system enhancement plan (“GSEP”) to replace aging or leak-prone natural gas pipeline infrastructure.<sup>1</sup> In their initial filing, the Companies sought approval to collect \$73,912,313 for Boston Gas and \$13,334,303 for Colonial Gas through the gas system enhancement adjustment factors (“GSEAFs”) to recover the estimated cost to replace eligible leak-prone infrastructure in calendar (“CY”) 2018, for effect on May 1, 2018 (Exh. NG-AST/MJP-1, at 6). The Companies stated that their revenue requirements exceeded the 1.5 percent revenue cap by \$14,379,993, or 20 percent for Boston Gas, and \$2,392,193, or 18 percent for Colonial Gas (Exh. NG-AST/MJP-1, at 14). Therefore, the Companies asked the Department to waive the cap to permit recovery of the full amount of estimated costs (Exh. NG-AST/MJP-1, at 15). Of the \$73,912,313 and \$13,334,303 revenue requirements for the 2018 GSEP filing, the Companies requested \$1,484,700 and \$63,060 for Boston Gas and Colonial Gas, respectively, for the estimated costs to repair environmentally significant Grade 3 (“G3SEI”)

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<sup>1</sup> Boston Gas and Colonial Gas are affiliates operating within the holding company system of National Grid USA. The Companies filed one coordinated GSEP, but with individual replacement schemes and individual gas system enhancement adjustment factors.

leaks, which National Grid did not apply to the 1.5 percent revenue cap (Exh. NG-AST/MJP-2, at 1-2).

During the proceeding, National Grid revised its revenue requirements to reflect a decrease of \$12,938,455 for Boston Gas and \$2,152,291 for Colonial Gas, which was comprised of changes related to the removal of the impact of allowance for funds used during construction (“AFUDC”), certain changes based on the Tax Cuts and Jobs Act of 2017 (“Tax Act”),<sup>2</sup> and revisions to estimates for operation and maintenance expense associated with G3SEI leaks (Exh. NG-AST/MJP-2 (Rev.)).<sup>3</sup> Together with the revised estimated costs to repair G3SEI leaks of \$929,960, comprised of \$871,500 for Boston Gas and \$58,460 for Colonial Gas, the Companies now propose revenue requirements of \$60,973,858 and \$11,182,012, for Boston Gas and Colonial Gas, respectively (Exh. NG-AST/MJP-2 (Rev.)). Based on the Companies’ revised proposed revenue requirements, Boston Gas proposes to implement GSEAF rates of \$0.0700 per therm, \$0.0604 per therm, \$0.0531 per therm, \$0.0478 per therm, and \$0.0407 per therm for residential, small commercial and industrial (“C&I”), medium C&I, large C&I, and extra-large C&I, respectively (Exh. NG-AST/MJP-5 (Rev.)). Based on the Companies revised proposed revenue requirements, Colonial Gas proposes to implement GSEAF rates of \$0.0549 per therm,

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<sup>2</sup> On December 22, 2017, the Tax Act was signed into law. Pub. L. No. 115-97, 131 Stat. 2054: An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.

<sup>3</sup> The affidavit filed in conjunction with the Companies’ revised filing outlines these specific adjustments to the revenue requirements, which are then shown in the revised exhibits.

\$0.0415 per therm, \$0.0303 per therm, and \$0.0149 per therm, for residential, small C&I, medium C&I, and large C&I, respectively (Exh. NG-AST/MJP-5 (Rev.)).<sup>4</sup>

The general terms of the Companies' GSEP and the formula for calculation of its GSEAF are set forth in its local distribution adjustment clause ("LDAC") tariff, M.D.P.U. 3.8, §§ 6.01 - 6.19. As discussed in Sections III.C and III.E, below, the Companies propose certain modifications to its LDAC tariff (Exhs. NG-AST/MJP-1, at 20-21; NG-AST/MJP-12). The Department has docketed this matter as D.P.U. 17-GSEP-03.

As part of their GSEP filing, the Companies submitted to the Department the prefiled testimony of three witnesses: (1) John B. Currie, director of New England gas network strategy for National Grid USA Service Company, Inc. ("NGSC"); (2) Amy S. Tabor, senior analyst of New England revenue requirements within the regulation and pricing department at NGSC; and (3) Michael J. Pini, senior analyst in the New England gas pricing group within the regulation and pricing department at NGSC. On December 1, 2017, the Attorney General of the Commonwealth of Massachusetts ("Attorney General") submitted a notice of intervention, pursuant to G.L. c. 12, § 11E(a). On December 6, 2017, pursuant to notice duly issued, the Department held a public hearing and procedural conference. The Department held an evidentiary hearing on March 5, 2018. On March 21, 2018, the Attorney General and National Grid submitted initial briefs. On March 28, 2018, National

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<sup>4</sup> On January 31, 2018, National Grid submitted a supplemental version of its original filing (Exh. NG-AST/MJP-2 (Rev.)).

Grid submitted a reply brief.<sup>5</sup> The record consists of 79 exhibits and three responses to record requests.

## II. STATUTORY REQUIREMENTS

Section 145 permits gas distribution companies to, in the interest of public safety and to reduce lost and unaccounted for natural gas, submit to the Department annual plans to repair or replace aging or leaking natural gas infrastructure.<sup>6</sup> Any plan filed with the Department shall include, but not be limited to: (i) eligible infrastructure replacement of mains, services, meter sets, and other ancillary facilities composed of non-cathodically protected steel,<sup>7</sup> cast iron,<sup>8</sup> or wrought iron,<sup>9</sup> prioritized to implement the federal gas

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<sup>5</sup> The Attorney General did not submit a reply brief.

<sup>6</sup> Section 145(a) defines eligible infrastructure replacement to be “a replacement or an improvement of existing infrastructure of a gas company that: (i) is made on or after January 1, 2015; (ii) is designed to improve public safety or infrastructure reliability; (iii) does not increase the revenue of a gas company by connecting an improvement for a principal purpose of serving new customers; (iv) reduces, or has the potential to reduce, lost and unaccounted for natural gas through a reduction in natural gas system leaks; and (v) is not included in the current rate base of the gas company as determined in the gas company’s most recent rate proceeding.”

<sup>7</sup> Cathodic protection is a technique to control the corrosion of a metal surface by making the structure work as a cathode of an electrochemical cell. NACE International Standard Practice SP0169-2007.

<sup>8</sup> This classification applies to gray cast iron that is a cast ferrous material in which a major part of the carbon content occurs as free carbon in the form of flakes interspersed through the metal. Because the carbon flakes do not bond with the ferrous material on the molecular level, the metal is brittle and susceptible to stress cracking under pressure situations. American Gas Association, Gas Piping Technology Committee.

<sup>9</sup> Together with cast iron, wrought iron pipelines are among the oldest energy pipelines constructed in the United States. The degrading nature of iron alloys, the age of the

distribution pipeline integrity management plan (“DIMP”) annually submitted to the Department, and consistent with 49 C.F.R. §§ 192.1001 through 192.1015; (ii) an anticipated timeline for the completion of each project; (iii) the estimated cost of each project; (iv) rate change requests; (v) a description of customer costs and benefits under the plan; and (vi) any other information the Department considers necessary to evaluate the plan. Section 145(c). Annual changes in the revenue requirement eligible for recovery pursuant to the plan shall not exceed (i) 1.5 percent of the gas company’s most recent calendar year total revenues for firm service, including gas revenues attributable to sales and transportation customers, or (ii) an amount determined by the Department that is greater than 1.5 percent of the gas company’s most recent calendar year total revenues for firm service, including gas revenues attributable to sales and transportation customers. Section 145(f).<sup>10</sup>

The Department may modify a plan prior to approval at the request of a gas company, or make other modifications to a plan as a condition of approval. Section 145(d).<sup>11</sup> The Department is required to consider the costs and benefits of the plan including, but not

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pipeline, and pipe joints design have greatly increased the risk involved with continued use of such pipeline. <http://opsweb.phmsa.dot.gov/pipeline-replacement>

<sup>10</sup> The revenue requirement includes depreciation expense, property taxes, and a return on investment associated with the plan. Section 145(e). Any revenue requirement approved by the Department in excess of such cap may be deferred for recovery in the following year. Section 145(f).

<sup>11</sup> If a gas company files a plan on or before October 31 for the subsequent construction year, the Department must review the plan within six months. Section 145(d). The plan is effective as of the date of filing, pending Department review. Section 145(d).

limited to, impacts on ratepayers, reductions of lost and unaccounted for natural gas through a reduction in natural gas system leaks, and improvements to public safety. Section 145(d). The Department is also required to give priority to plans narrowly tailored to addressing leak-prone infrastructure most immediately in need of replacement. Section 145(d).

If a plan complies with Section 145, and the Department determines that it reasonably accelerates eligible infrastructure replacement and provides benefits to customers, the Department must preliminarily accept the plan either in whole or in part. Section 145(e). The gas distribution company may begin recovering the estimated plan revenue requirement beginning on May 1 of the year following submission of the plan. Section 145(e). Subsequently, on or before May 1 of each year, the gas distribution company must file final project documentation for construction completed the previous calendar year in order to demonstrate substantial compliance with the plan, and to demonstrate that the costs were reasonably and prudently incurred. Section 145(f).

### III. GAS SYSTEM ENHANCEMENT PLAN

#### A. Introduction

In Massachusetts, National Grid distributes natural gas to approximately 908,000 customers in 116 cities and towns (Exh. NG-JBC-2, at 6). As of December 31, 2016, the Companies own and operate 11,098 miles of distribution mains and over 746,000 services (Exh. NG-JBC-2, at 6). For Boston Gas, National Grid states that approximately 16 percent of the distribution system mains consist of non-cathodically protected steel and 26 percent consist of cast iron and wrought iron; thus, approximately



42 percent of the distribution system mains consist of leak-prone pipe (Exh. NG-JBC-2, at 7). For Colonial Gas, National Grid states that approximately three percent of the distribution system mains consist of non-cathodically protected steel, and two percent consist of cast iron and wrought iron; thus, approximately five percent of the distribution system mains consist of leak-prone pipe (Exh. NG-JBC-2, at 7).

Between 2010 and 2014, Boston Gas replaced an average of 82.8 miles of leak-prone pipe per year and Colonial Gas replaced an average of 40 miles of leak-prone pipe per year, pursuant to National Grid's targeted infrastructure replacement ("TIRF") program (Exh. NG-JBC-2, at 8).<sup>12</sup> Boston Gas replaced 92 miles of leak-prone mains in 2015 and 107 miles of leak-prone mains in 2016 (Exh. NG-JBC-2, at 9). In its initial filing, Boston Gas proposes to extend its replacement timeline by five years, including a continued ramp up in pace until 2029 and a replacement of all current leak-prone pipe by 2039 (Exh. NG-JBC-2, at 15). Colonial Gas replaced 34 miles of leak-prone mains in 2015 and 38 miles of leak-prone mains in 2016 (Exh. NG-JBC-2, at 9). Colonial Gas proposes to extend its

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<sup>12</sup> To accelerate replacement of leak-prone mains and associated facilities in its distribution system, the Department permitted National Grid to implement a TIRF program in 2010. Boston Gas Company/Colonial Gas Company/Essex Gas Company, D.P.U. 10-55, at 122 (2010). A predecessor program to the GSEP, the TIRF allows National Grid to recover the revenue requirement (including depreciation, return on investment, and property taxes) on investments made to replace leak-prone mains, services, and other facilities through a reconciling mechanism outside of base rates (Exh. NG-DGI-2, at 9). Boston Gas Company/Colonial Gas Company, D.P.U. 14-132, at 10 n.14 (2015); D.P.U. 10-55, at 137-138, 145. From 2010 through 2014, Boston Gas eliminated a total of 414 miles of leak-prone pipe, along with 8,676 services, and Colonial Gas eliminated 200 miles of leak-prone pipe, along with 1004 services (Exh. NG-DGI-2, at 9-10). D.P.U. 14-132, at 10 n.14.

replacement timeline by three years, including a steady replacement rate for 2018 and declining replacement beginning in 2019 (Exh. NG-JBC-2, at 15-16). Colonial Gas proposes completion of all current leak-prone pipe replacement by 2025 (Exh. NG-JBC-2, at 15-16).

In the current GSEP, Boston Gas anticipates replacing 105 miles of leak-prone mains and associated services in 2018 (Exh. NG-JBC-2, at 35). Colonial Gas anticipates replacing 39 miles of leak-prone mains and associated services in 2018 (Exh. NG-JBC-2, at 35). The Companies will implement the GSEP through a series of five-year rolling plans, currently focused on 2018 through 2022 (Exhs. NG-JBC-2, at 39-40; NG-JBC-4; NG-JBC-5; NG-JBC-8; NG-JB-9). Boston Gas Company/Colonial Gas Company, D.P.U. 14-132, at 37, 38 (2015). The Companies provided a list of projects proposed for 2018 (as well as for 2019 through 2022) (Exhs. NG-JBC-4; NG-JBC-5; NG-JBC-8; NG-JB-9).

The Attorney General raises issues regarding flow back of excess deferred income taxes; costs associated with the repair of G3SEI leaks; the Companies' request to waive the 1.5 percent revenue requirement cap; and certain of the Companies' proposed tariff revisions.

B. Revenue Requirement Calculation

1. Introduction

In its initial filing, National Grid presented its 2018 estimated GSEP revenue requirement and its proposed GSEAFs. The Companies proposed 2018 estimated GSEP revenue requirements of \$73,912,313 for Boston Gas and \$13,334,303 for Colonial Gas (Exh. NG-AST/MJP-1, at 6). During the proceeding, National Grid reduced its proposal based in part on the reduction in the federal corporate income tax rate relating to the Tax Act

(Exh. NG-AST/MJP-2 (Rev.)). Under their revised proposals, Boston Gas and Colonial Gas propose 2018 estimated GSEP revenue requirements of \$60,973,858 and \$11,182,012 respectively (Exhs. NG-AST/MJP-3 (Rev.); NG-AST/MJP-4 (Rev.)). As outlined below, the Attorney General raises concerns regarding the Companies' revenue requirement calculation as it relates to the newly enacted Tax Act.

2. Positions of the Parties

a. Attorney General

The Attorney General maintains that National Grid's 2018 estimated GSEP revenue requirement fails to consider all of the reductions associated with the Tax Act (Attorney General Brief at 2). The Attorney General recognizes that the Companies propose to decrease their revenue requirement to reflect the effects of the lower federal corporate income tax rate on the level of current normalized income taxes (Attorney General Brief at 2, citing Exhs. NG-AST/MJP-2 (Rev.); NG-AST/MJP-10 (Rev.)). Nonetheless, the Attorney General asserts that National Grid's proposal fails to reflect the required flow back of the balances of excess deferred federal income taxes that were created by the Tax Act (Attorney General Brief at 2-3, citing Exhs. AG 2-1; AG 2-4). Based on the Attorney General's calculation, the Attorney General recommends that the Department reduce the Companies' revenue requirements by \$849,633 for Boston Gas and \$194,856 for Colonial Gas (Attorney General Brief at 2-4, citing Exh. NG-AST/MJP-2 (Rev.), at 9, 17, and 26). The Attorney General maintains that there is no harm in requiring the Companies to reduce their revenue requirements based on the estimated amount because the GSEP revenue requirement and its

various components are themselves estimates (Attorney General Brief at 5). The Attorney General does not address the Companies' proposed revisions related to AFUDC on brief. We address the Attorney General's arguments related to G3SEI leaks in Section III.C below.

b. Companies

National Grid states that it has incorporated the lower federal income tax rate into its revenue requirements and removed bonus depreciation in accordance with the Tax Act (Companies Reply Brief at 3). National Grid maintains that the Department should not require any further adjustment to the Companies' proposed revenue requirements based on the Tax Act (Companies Reply Brief at 6). National Grid states that, in the ongoing investigation opened by the Department into the impact of the Tax Act, i.e., Investigation into Effect of Reduction in Federal Income Tax Rates, D.P.U. 18-15, the Department gave companies until May 1, 2018 to file their proposals for adjustments necessitated by the Tax Act (Companies Reply Brief at 3). National Grid contends that it expects the treatment of flow back of the balance of excess deferred income taxes will be determined in its pending rate case proceeding Boston Gas Company and Colonial Gas Company, D.P.U. 17-170 (Companies Reply Brief at 4). National Grid also argues that the Department has rejected similar arguments by the Attorney General related to accumulated deferred income tax (Companies Reply Brief at 4, citing NSTAR Electric Company and Western Massachusetts Electric Company each d/b/a Eversource Energy, D.P.U. 17-05-C at 5-7 (2018)). Finally, National Grid states that the Attorney General's calculations of excess deferred income taxes are overly simplified and inaccurate (Companies Reply Brief at 5).

### 3. Analysis and Findings

Effective January 1, 2018, the Tax Act reduced the federal corporate income tax rate from 35 percent to 21 percent. D.P.U. 18-15, at 1. Because the federal corporate income tax rate is implicated in numerous factors that comprise regulated companies' costs of service and revenues, the Department determined that the reduction in the federal corporate income tax rate has implications for the investor-owned electric distribution, natural gas distribution, and water companies under the Department's jurisdiction. D.P.U. 18-15, at 1, 4-6. To ensure that ratepayers receive the benefits from the decrease in the federal corporate income tax rate, the Department opened an investigation into the effect of the decrease in the federal corporate income tax rate on the rates charged by the Department's regulated utilities. D.P.U. 18-15, Order Opening Investigation (February 2, 2018).

In this proceeding, the Companies proposed to reduce their revenue requirements based on a straight calculation of the change to the federal corporate income tax rate from 35 percent to 21 percent (Exh. NG-AST/MJP-2 (Rev.)). The Department has reviewed the Companies' calculations and supporting documentation with respect to the revised normalized level of federal corporate income taxes and we find that the Companies' proposed adjustments are appropriate (Exhs. NG-AST/MJP-3 (Rev.), at 7; NG-AST/MJP-4 (Rev.), at 7). With respect to the Attorney General's request to require the Companies to implement further adjustments related to excess deferred income tax, we find that it is premature for the Companies to make such changes in the GSEP at this time. To the extent feasible, the Department intends to resolve all remaining issues related to the Tax Act in D.P.U. 18-15.

See D.P.U. 18-15, at 4-7. Further, while the reduction of the federal corporate income tax rate from 35 percent to 21 percent is a straightforward calculation, the excess deferred income tax requires more complex calculations. Additionally, the Tax Act itself is lengthy and complex.<sup>13</sup> The Department must strike an appropriate balance between allowing a reasonable amount of time to review the Tax Act and implementing any changes imposed by the Tax Act. Thus, for any remaining issues relating to the Tax Act, we will rely on the ongoing proceeding in D.P.U. 18-15 where the Department will determine the impact of the Tax Act on various aspects of a company's revenue requirement. On conclusion of D.P.U. 18-15, the Department will reconcile any impact of the Tax Act in the following GSEP or GREC proceeding. To ensure that there is no harm to ratepayers, the Department expects that any impact of the Tax Act will be retroactive to January 1, 2018, i.e., the effective date of the Tax Act.

C. Remediation of G3SEI Emissions

1. Introduction

National Grid estimates that it will repair 325 G3SEI leaks, comprised of 300 leaks for Boston Gas and 25 leaks for Colonial Gas, under its 2018 GSEP, and has developed a budget of \$929,960, comprised of \$871,500 for Boston Gas and \$58,460 for Colonial Gas, associated with the repair of these leaks (Exhs. NG-JBC-2, at 12; NG-AST/MJP-2 (Rev.), at 1-2). National Grid estimates that seven percent of the current inventory of G3SEI leaks,

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<sup>13</sup> The Tax Act makes significant revisions to the Internal Revenue Code affecting individual, estate, and corporate taxes. Together with the Joint Explanatory Statement of the Committee of Conference, the Tax Act is 1,097 pages.

or 657 leaks, will be classified as environmentally significant (Exh. NG-JBC-2, at 12). The Companies note that the local distribution companies have been actively involved in the Department's current rulemaking, Gas Leak Regulations, D.P.U. 16-31-B,<sup>14</sup> which includes regulations regarding the identification and repair of G3SEI leaks, but that there is a need to begin addressing the G3SEI leaks in the GSEPs pending final resolution of the rulemaking (Exh. NG-JBC-2, at 11-12). The Companies also propose a change to the LDAC tariff to allow for the recovery of costs related to the repair of G3SEI leaks (Exh. NG-AST/MJP-12, at 107-108). Finally, the Companies have developed a plan to identify and eliminate G3SEI leaks, and have included these costs and the include costs associated with the incremental leak survey work that will identify eligible leaks (Exh. NG-JBC-1, at 11-12).

## 2. Positions of the Parties

### a. Attorney General

The Attorney General argues that the Department has not yet issued an Order in D.P.U. 16-31 outlining the parameters of the G3SEI leak identification and repair program and how it will be executed (Attorney General Brief at 9). The Attorney General contends that it is premature for the Companies to seek and recover money for a program that has not yet been approved (Attorney General Brief at 9). While the Attorney General supports the

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<sup>14</sup> Pursuant to St. 2014, c. 149, § 2, An Act Relative to Natural Gas Leaks, the Department commenced the D.P.U. 16-31 rulemaking to promulgate regulations necessary to implement uniform natural gas leak classifications and to oversee and monitor gas companies' response and reporting. Subsequently, the Department added proposed regulations to address the identification and repair of G3SEI leaks, pursuant to St. 2016, c. 188, § 13, An Act to Promote Energy Diversity.

implementation of a program to address G3SEI leaks, she asserts that the Department should not approve the expenditure of funds for work that is undefined and uncertain until regulations are in place (Attorney General Brief at 9).

The Attorney General further contends that National Grid's proposed changes to the LDAC tariff to allow for the recovery of costs related to the repair of G3SEI leaks are also premature (Attorney General Brief at 10). The Attorney General asserts that if the Department approves the changes to the tariff, the Department should make several modifications to the language regarding G3SEI leak remediation to: (1) ensure that the Companies recover only incremental G3SEI remediation costs; (2) incorporate specific G3SEI leak identification procedures into the Companies' operation and maintenance ("O&M") procedures; and (3) incorporate the data derived from the G3SEI identification procedures into the Companies' distribution integrity management plan ("DIMP") (Attorney General Brief at 10-13).

b. Companies

National Grid contends that the Department should disregard the Attorney General's arguments to exclude the G3SEI leak repair costs from the 2018 GSEP (Companies Reply Brief at 10). The Companies assert that the Attorney General's argument frustrates the intent of the Energy Diversity Act, St. 2016, c. 188, which is to accelerate the elimination of emissions, and that the Attorney General's claim that the regulatory treatment of G3SEI leaks is too uncertain to include in the 2018 GSEP is patently incorrect (Companies Reply Brief at 10). The Companies argue that although the regulations regarding the remediation of



G3SEI leaks are not yet final, a certain subset of the Companies' Grade 3 leaks will ultimately be classified as environmentally significant and subject to accelerated repair (Companies Reply Brief at 9). Thus, National Grid states, it has included a conservative estimate of the number of G3SEI leaks based on past experience (Companies Reply Brief at 9-10). Moreover, the Companies maintain that the Department will analyze and address the actual costs to repair G3SEI leaks and make any necessary adjustment in the 2018 GRECs, to be filed May 1, 2019 (Companies Reply Brief at 10).

Further, National Grid asserts that a careful review of its proposed Appendix A to the LDAC tariff (regarding G3SEI leak repair) shows that it is consistent with the provisions of the Energy Diversity Act regarding cost recovery associated with the remediation of G3SEI leaks, and that any costs related to the remediation of G3SEI leaks are incremental (Companies Reply Brief at 10). The Companies assert that, along with other local distribution companies, it has drafted tariff language regarding: (a) the evidentiary documentation required to demonstrate that G3SEI leak repair costs were reasonably and prudently incurred; (b) whether the costs associated with each reported G3SEI leak are related to repair or replacement of existing infrastructure, as defined in § 6.12(19) of M.D.P.U. No. 1.1; and (c) whether the capital cost is included in the GSEP revenue requirement subject to the revenue cap or included in eligible G3SEI leak O&M costs recoverable outside of the revenue cap (Companies Reply Brief at 10-12).

National Grid further states that it has already committed to incorporating G3SEI leak identification and remediation procedure into its O&M manual once the final regulations in

D.P.U. 16-31 are promulgated (Companies Reply Brief at 12). The Companies asserts it will comply with Energy Diversity Act provisions and the Department's final regulations in 220 CMR 114.00 and will review its DIMP following the final ruling from the Department in D.P.U. 16-31 to determine if adjustments are appropriate (Companies Reply Brief at 12-13, citing Tr. at 23).

### 3. Analysis and Findings

As noted above, National Grid estimates that it will repair 325 G3SEI leaks under its 2018 GSEP and has developed a budget of \$929,960, comprised of \$871,500 for Boston Gas and \$58,460 for Colonial Gas, associated with the repairs of these leaks (Exhs. NG-JBC-2, at 12; NG-AST/MJP-2 (Rev.), at 1-2). Nevertheless, where the Department has not yet issued final regulations in the D.P.U. 16-31 rulemaking regarding the methods for identifying and remediating G3SEI leaks, it is premature for the Companies to seek recovery for the costs of repairing G3SEI leaks. For the same reason, it is premature for the Department to approve any changes to the Companies' LDAC tariff regarding the G3SEI leaks or to require the Companies to amend its O&M manual or its DIMP pending the approval of final regulations in D.P.U. 16-31. Accordingly, the Department directs National Grid to remove the estimated revenue requirement related to G3SEI leak repairs, \$929,960, comprised of \$871,500 for Boston Gas and \$58,460 for Colonial Gas, from the Companies' total GSEP revenue requirements.<sup>15</sup> After the regulations are finalized in D.P.U. 16-31, the Department

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<sup>15</sup> For the purpose of calculating the GSEAFs approved in this Order, the Department has excluded the estimated costs of \$929,960, \$871,500 for Boston Gas and \$58,460 for Colonial Gas, related to the repair of G3SEI leaks.

will then address the proper ratemaking treatment and other tariff modifications related to G3SEI leaks.

D. GSEP Revenue Cap

1. Introduction

Section 145(f) provides, in part, that “[a]nnual changes in the revenue requirement eligible for recovery shall not exceed (i) 1.5 percent of the gas company’s most recent calendar year total firm revenues, including gas revenues attributable to sales and transportation customers.”<sup>16</sup> Boston Gas’ total firm revenues for calendar year 2016 were \$1,017,646,980, yielding a cap of \$15,264,705 on the incremental GSEP revenue requirement eligible for recovery (Exh. NG-AST/MJP-2 (Rev.) at 1). Boston Gas’ proposed 2018 estimated GSEP revenue requirement of \$60,102,358, less the allowed 2017 GSEP revenue requirement of \$42,929,705, represents an incremental revenue requirement increase of \$17,172,653 (Exh. NG-AST/MJP-2 (Rev.) at 1). Consequently, Boston Gas’ proposed 2018 GSEP revenue requirement exceeds its calculated revenue cap by \$1,907,948 (Exh. NG-AST/MJP-2 (Rev.) at 1).<sup>17</sup> Boston Gas requests that the Department grant a one-time waiver of the revenue cap to allow Boston Gas to include the full proposed 2018 estimated GSEP revenue requirement of \$60,102,358 in its GSEAFs effective May 1, 2018 (Exh. NG-AST/MJP-3 (Rev.)).

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<sup>16</sup> Sales customers receive gas supply and delivery services from a local distribution company. Transportation customers receive only delivery services from a local distribution company.

<sup>17</sup>  $\$17,172,653 - \$15,264,705 = \$1,907,948$

Similarly, Colonial Gas' total firm revenues for calendar year 2016 were \$214,627,895, yielding a cap of \$3,219,418 on the incremental GSEP revenue requirement eligible for recovery (Exh. NG-AST/MJP-2 (Rev.) at 2). Colonial Gas' proposed 2018 estimated GSEP revenue requirement of \$11,123,552, less the 2017 GSEP revenue requirement of \$7,659,632, represents an incremental revenue requirement increase of \$3,463,920 (Exh. NG-AST/MJP-2 (Rev.) at 2). Consequently, Colonial Gas' proposed 2018 GSEP revenue requirement exceeds its calculated revenue cap by \$244,502 (Exh. NG-AST/MJP-2 (Rev.) at 2).<sup>18</sup> Colonial Gas requests that the Department grant a one-time waiver of the revenue cap to allow Colonial Gas to include the full proposed 2018 estimated GSEP revenue requirement of \$3,463,920 in its GSEAFs effective May 1, 2018 (Exh. NG-AST/MJP-4 (Rev.)).

2. Positions of the Parties

a. Attorney General

The Attorney General argues that the Department should deny National Grid's request to waive the 1.5 percent cap (Attorney General Brief at 8). The Attorney General first asserts that the Companies should be under the cap once the effects of the Tax Act are fully taken into consideration (Attorney General Brief at 5). Therefore, the Attorney General argues that the Department should direct the Companies to adjust their revenue requirement consistent with the Tax Act (Attorney General Brief at 2). In the alternative, the Attorney General requests the Department look to the intent of the Legislature when considering a

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<sup>18</sup>  $\$3,463,920 - \$3,219,418 = \$244,502$

waiver of the cap (Attorney General Brief at 6). The Attorney General argues that the Department has determined that Section 145 is clear and unambiguous, demonstrating the Legislature's intent for the revenue requirement to remain below 1.5 percent of calendar year total firm revenues (Attorney General Brief at 6, citing Boston Gas Company and Colonial Gas Company, D.P.U. 14-134, at 102-104 (2015)).

Further, the Attorney General requests the Department balance the impact on ratepayers and the sufficiency of the Companies' justification for exceeding the cap (Attorney General Brief at 6). The Attorney General argues that a cap is necessary to reach a balance between capital funding and ratepayer protection (Attorney General Brief at 8). She adds that the cap does not impose any limit on the level of capital investment the Companies can undertake in any given year (Attorney General Brief at 8). In addition, the Attorney General notes that the Legislature authorized the Department to defer any revenue requirement above the cap, as well as to extend the 20-year GSEP timeline, should the Companies exceed the cap (Attorney General Brief at 7). Accordingly, the Attorney General requests that the Department deny National Grid's request for a waiver of the 1.5 percent cap and instead either defer the excess or direct the Companies to file a new timeline (Attorney General Brief at 2).

b. Companies

National Grid argues that the Department should reject the Attorney General's recommendations and allow the Companies' request for a waiver of the cap (Companies Reply Brief at 2). National Grid first contends that the Department should deny the Attorney

General's request for the Companies to include excess deferred income taxes resulting from the Tax Act because it is premature (Companies Reply Brief at 2). National Grid notes that the Department has opened an investigation to consider the effect of the Tax Act, which requires companies to file proposals to address the effects of the Tax Act by May 1, 2018 (Companies Reply Brief at 3).

National Grid also claims that there are multiple flaws in the Attorney General's assertion that the Companies should manage their rate of replacement to avoid going over the cap (Companies Reply Brief at 6-8). Specifically, National Grid contends that the Attorney General's suggestion that the Companies reduce the pace of and extend the timeline for replacement in order to stay within the cap fails to consider the other benefits and impacts that infrastructure replacement will have for customers (Companies Reply Brief at 7). Moreover, National Grid claims that it has already proposed to extend the overall replacement timeline for both Boston Gas and Colonial Gas in this proceeding (Companies Reply Brief at 7, citing Exh. NG-JBC-1, at 5). National Grid adds that the Attorney General has not demonstrated how extending the timeline for replacing leak-prone infrastructure would specifically impact the GSEP cap (Companies Reply Brief at 8). Finally, National Grid argues that decelerating GSEP replacement activities will prevent the Companies from complying with Massachusetts Department of Environmental Protection ("MADEP") regulations designed to reduce methane emissions (Companies Reply Brief at 8). National Grid claims that the emissions limits developed in conjunction with MADEP are based on figures presented in Boston Gas Company and Colonial Gas Company.

D.P.U. 16-GSEP-03 (2017) and decelerating replacement activities could result in administrative penalties (Companies Reply Brief at 8, citing 310 CMR 7.73(8)(b)).

3. Analysis and Findings

General Laws c. 164, § 145(f) sets a 1.5 percent cap on the annual change in the revenue requirement eligible for recovery. Section 145(f) also provides that the Department may determine an annual change in the revenue requirement eligible for recovery greater than the 1.5 percent cap. In the instant proceeding, Boston Gas and Colonial Gas each request the Department waive the 1.5 percent cap and approve recovery of \$1,907,948 and \$244,502, respectively, above their capped incremental revenue requirement increases of \$15,264,705 and \$3,219,418 (Exh. NG-AST/MJP-2 (Rev.) at 1-2).

Although the purpose of Section 145 is to accelerate the replacement of leak-prone infrastructure as well as accelerate the recovery of associated costs for gas distribution companies, the 1.5 percent cap acts as a balance on potential bill impacts upon ratepayers. Therefore, to the extent exogenous constraints allow, the Department expects the Companies to manage their accelerated replacement in a manner that results in a revenue requirement under the 1.5 percent cap and completes replacement within established timelines. The Department acknowledges that National Grid has now submitted four years of GSEP cost estimates and has refined its GSEP cost estimations by changing its calculation method from a half-year convention to a monthly average rate base and depreciation method (Exh. NG-AST/MJP-1, at 15-16). The Department notes, however, that the GSEP process is still relatively new and revenue requirement estimates and their associated actual GSEP

revenue requirement have not fully established a reliable history. The Department affirms the finding made in D.P.U. 16-GSEP-03, at 21, that the Companies' 2018 GSEP revenue requirements represent estimated costs that will not be finalized until the Companies' GREC proceeding beginning May 1, 2019. Accordingly, the Department remains concerned about the limited data available to support the correlation between a particular year's estimated GSEP revenue requirement and the corresponding actual GSEP revenue requirement. The Department will continue to monitor this relationship as more data continues to accumulate, and may revisit this issue in future filings if facts and circumstances so warrant.

Further, the Department has opened a general proceeding into the potential effect of the Tax Cuts and Jobs Act on the Companies' rates, D.P.U. 18-15. In their revised filing, National Grid made adjustments<sup>19</sup> that include changing the federal corporate tax rate from 35 percent to 21 percent, but do not include adjustments to excess deferred income taxes (Exh. NG-AST/MJP-2 (Rev.)). These adjustments resulted in a \$12.5 million or 42 percent reduction to the incremental revenue requirement of Boston Gas<sup>20</sup> and a \$2.1 million or 38 percent reduction to the incremental revenue requirement of Colonial Gas (Exhs. NG-AST/MJP-1, at 6; NG-AST/MJP-2 (Rev.) at 1-2).<sup>21</sup> As determined in Section III.B(3) the Department will allow this adjustment, but will not adjust GSEP revenue

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<sup>19</sup> These specific adjustments National Grid made are noted in Section I above (Exh. NG-AST/MJP-2 (Rev.)).

<sup>20</sup>  $\$29,644,698 - \$17,172,653 = \$12,472,045$

<sup>21</sup>  $\$5,611,611 - \$3,462,920 = \$2,148,691$



requirements to account for excess deferred income tax changes related to the Tax Act. The Department does, however, acknowledge the possibility that the new tax law could have additional significant impacts on the Companies' CY 2018 revenue requirements. The Department concludes that the additional pending Tax Act adjustments may bring the Companies below their estimates by the time of reconciliation. Therefore, the Department is not convinced that current projections accurately represent a need for a cap waiver.

Finally, the Department notes that next year marks the first five-year review of the Companies' GSEP program, at which time the Companies will file a summary of their completed work and an updated summary of work to be completed in the next five years. At the time of that filing, the Companies will have had four years of experience in refining estimated costs. Additionally, we anticipate that any adjustments that stem from the Tax Act will likely be resolved. The Department recognizes that this juncture may be an appropriate time to evaluate the performance of the GSEP so far, identify any persistent exogenous constraints the Companies expect to face going forward, and address how best to manage issues regarding the revenue requirement cap and overall replacement timeline.

For the reasons stated above, the Department denies the Companies' request for a waiver from the 1.5 percent revenue cap. Therefore, the Department directs Boston Gas and Colonial Gas to limit incremental GSEP revenue requirement increases to 1.5 percent of their most recent calendar year total firm revenues, including gas revenues attributable to sales and transportation customers.

E. GSEP Timeline Changes

1. Introduction

The Companies request to extend the overall replacement timeline for both Boston Gas and Colonial Gas (Exh. NG-JBC-1, at 5). For Boston Gas, National Grid proposes to extend the current 20-year replacement timeline by an additional five years to allow for a more gradual ramp-up period with all replacement completed by 2039 (Exh. NG-JBC-2, at 15). For Colonial Gas, National Grid proposes to extend the current eight-year replacement timeline by three years, which would result in all replacement completed by 2025 (Exh. NG-JBC-2, at 16). The Companies do not expect the extended timeline to impact the total program cost, except for inflation (Exh. DPU 2-2).

2. Position of Parties

a. Attorney General

The Attorney General did not address the Companies' specific request to extend their timeline. The Attorney General did, however, in addressing the Companies' request to waive the 1.5 percent cap, argue that the Companies could instead extend the 20-year target date in order to mitigate adverse rate impacts (Attorney General Brief at 7).

b. Companies

The Companies claim that extended timelines for Boston Gas and Colonial Gas are necessary for a number of reasons (Companies Brief at 6). The Companies contend that municipal permitting challenges and constricted labor resources have hindered the current ramp-up schedule for Boston Gas (Companies Brief at 6, citing Exhs. NG-JBC-1, at 5; NG-JBC-2, at 14-15). National Grid contends that extending the Boston Gas GSEP timeline

will allow it sufficient time to maintain and manage the requisite number of qualified crews to replace leak-prone infrastructure by the end of 2039 (Companies Brief at 6, citing Exh. NG-JBC-2, at 14-15).

Additionally, the Companies argue that work in urban areas, particularly Boston and Lowell, has become more time and resource intensive than projected due to (1) the need to relocate inside meter sets as part of the GSEP, (2) roadway congestion, and (3) restricted work hours (Companies Brief at 6-7). Further, for Colonial Gas, the Companies request to extend the ramp-down period in response to work on Cape Cod, which the Companies contend has proven more time consuming and challenging than expected (Companies Brief at 6, citing Exh. DPU 2-3). More specifically, the Companies assert that much of the remaining inventory of leak-prone infrastructure on Cape Cod is located on state roads or streets that require additional permitting and coordination with third parties (Companies Brief at 6, citing Exh. DPU 2-3).

### 3. Analysis and Findings

Section 145(c) requires that those companies that file a GSEP include a timeline for removing all leak-prone infrastructure on an accelerated basis. Section 145(c) requires that the timeline specify a:

[P]rogram end date and target end date of either (i) not more than 20 years, or (ii) a reasonable target end date considering the allowable recovery cap established pursuant to subsection (f). The department shall not approve a timeline as part of a plan unless the allowable recovery cap established pursuant to subsection (f) provides the gas company with a reasonable opportunity to recover the costs associated with removing all leak-prone infrastructure on the accelerated basis set forth under the timeline utilizing the cost recovery mechanism established pursuant to this section.

The Companies have proposed a revised 25-year timeline to remove all leak-prone infrastructure for Boston Gas and a revised eleven-year timeline to remove all leak-prone infrastructure for Colonial Gas (Exh. NG-JBC-2, at 15). The Department previously allowed NSTAR Gas Company to extend its GSEP completion target date to 25 years, based upon its need to ramp up internal and external resources, its engineering judgment, and in consideration of the allowable recovery cap. NSTAR Gas Company, D.P.U. 14-135, at 40-41 (2015). National Grid has cited slower working conditions in the Boston and Lowell areas due to relocating inside meter sets, heavy traffic, and limited work hours as a driving factor for the timeline shifts (Exh. NG-JBC-1, at 6). National Grid has also cited the need for development of qualified labor resources in its argument for new GSEP timelines, as well as the need for further permitting and coordination with third parties to complete the replacement of leak-prone infrastructure on Cape Cod (Exhs. NG-JBC-2, at 14-15; DPU 2-3). Based upon the Companies' justification for the revised timelines, relying on the Companies' reasonable engineering judgment, and considering that the Department has denied the Companies' request to waive the 1.5 percent recovery cap, the Department finds the GSEP timelines ending in calendar years 2039 for Boston Gas and 2025 for Colonial Gas to be reasonable targets.

The Department notes that the GSEP is an iterative process that will encompass review of annual GSEP filings, annual reconciliation filings, and five-year reviews. See Section 145(c)(d)(f). As part of this process, we will continue to monitor all local

distribution companies' ("LDCs") progress, noting new factors that influence GSEP planning.

F. Conclusion on 2018 GSEP

Based on the Department's review of the record in this proceeding, and to the extent not otherwise addressed above, we find that the Companies' 2018 GSEP complies with the requirements set forth in Section 145. Accordingly, the Department approves, except as noted above, National Grid's 2018 GSEP, for effect May 1, 2018. Based on the foregoing, the Department allows Boston Gas a 2018 revenue requirement of \$58,194,410<sup>22</sup> and Colonial Gas a revenue requirement of \$10,879,050.<sup>23</sup> Based on Boston Gas's allowed revenue requirement of \$58,194,410, the allowed GSEAFs are \$0.0668, \$0.0577, \$0.0507, \$0.0456, and \$0.0388 per therm for residential, small C&I, medium C&I, large C&I, and extra-large C&I, respectively. Based on Colonial Gas' allowed revenue requirement of \$10,879,050, the allowed GSEAFs are \$0.0534, \$0.0403, \$0.0295, and \$0.0145 per therm, for residential, small C&I, medium C&I, and large C&I, respectively.

G. Proposed Tariff Changes

1. Introduction

The Companies propose several edits to their LDAC tariff (Exh. ES-BKR-3).<sup>24</sup> First, National Grid proposes to revise the definition of GSEP-eligible existing infrastructure to

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<sup>22</sup>  $\$60,973,858 - \$1,907,948 - \$871,500 = \$58,194,410$

<sup>23</sup>  $\$11,182,012 - \$244,502 - \$58,460 = \$10,879,050$

<sup>24</sup> As noted in Section III.C, above, the Department has disallowed revisions to the Company's tariff relating to the G3SEI leak remediation.

include the replacement of sections of plastic and cathodically protected steel main, known as incidental pipe (Exhs. NG-AST/MJP-12, at § 6.12(19); NG-AST/MJP-13, at § 6.12(19)).

Second, National Grid proposes a revision to allow for the replacement of copper services as a part of its GSEP (Exhs. NG-AST/MJP-12, at §§ 6.12(19), 6.17(a); NG-AST/MJP-13, at §§ 6.12(19)), 6.17(a)). Third, National Grid proposes alterations to its calculations of the GSEP revenue requirement, rate base, depreciation, gross plant, and accumulated deferred income taxes so that these amounts are estimated by month rather than by year (Exhs. NG-AST/MJP-12, at § 6.13; NG-AST/MJP-13, at § 6.13). Fourth, National Grid proposes edits to separate the GREC filing from the Companies' local distribution adjustment factors ("LDAFs") filing to recognize that the GREC filing is due annually on or before May 1<sup>st</sup>, while the LDAF filing is due annually 90 days prior to November 1<sup>st</sup> (Exhs. NG-AST/MJP-12, at § 6.17; NG-AST/MJP-13, at § 6.17). Fifth, the Companies propose a revision to the overhead and burden adjustment (Exhs. NG-AST/MJP-12, at § 6.10; NG-AST/MJP-13, at § 6.10). Finally, National Grid proposes a revision to clarify how the GSEP cap is calculated (Exhs. NG-AST/MJP-12, at § 6.10; NG-AST/MJP-13, at § 6.10).

## 2. Positions of the Parties

### a. Attorney General

The Attorney General argues that this proceeding is not the appropriate forum for considering the Companies' proposed change to the definition of "existing infrastructure" to specifically include various types of incidental pipe (Attorney General Brief at 13). Rather,

the Attorney General argues that the Department stay the approval of the proposed revision because the Department directed the Companies to propose a strategy related to incidental pipe in its May 1, 2018 GREC filing (Attorney General Brief at 13). The Attorney General asserts that although the Department has recognized that the replacement of incidental pipe may be necessary for cost-effectiveness reasons, the Department found that incidental pipe is not GSEP-eligible infrastructure (Attorney General Brief at 13, citing Boston Gas Company and Colonial Gas Company, D.P.U. 17-GREC-03, at 12-13).

Additionally, if the Department considers the proposed change to the definition of existing infrastructure in the instant proceeding, the Attorney General contends that the Department should reject it because it is contrary to Section 145 (Attorney General Brief at 14-15). The Attorney General argues that the Companies' proposed definition of existing infrastructure is incorrect and that including the proposed change to the definition of existing infrastructure in the Companies' tariffs would constitute an improper expansion of Section 145 (Attorney General Brief at 14-15). The Attorney General did not address National Grid's other proposed tariff revisions on brief.

b. Companies

National Grid maintains that the proposed changes to its tariff are appropriate and the Department should approve them (Companies Brief at 17). The Companies argue that the proposed revision to the definition of existing infrastructure is consistent with Section 145 (Companies Reply Brief at 14). National Grid states that the proposed language is entirely consistent with the engineering practices already approved in the GSEP and targeted

infrastructure replacement programs and still requires the demonstration that all costs are reasonably and prudently incurred pursuant to Section 145 (Companies Reply Brief at 15, citing D.P.U. 17-GREC-03, at 11-12).

National Grid states that additional tariff changes were made in accordance with Department instructions (Companies Brief at 17). The Companies argue that the proposed revisions are consistent with the Department's order in D.P.U. 16-GSEP-03 and Section 13 and should be approved (Companies Brief at 17).

### 3. Analysis and Findings

In D.P.U. 17-GREC-03, at 14, the Department directed the Companies to propose a strategy for the treatment of incidental pipe in its May 1, 2018 GREC filing. Rather than proposing a specific procedure for including and, where applicable, excluding costs associated with incidental pipe in its May 1, 2018 GREC filing, the Companies have proposed in this proceeding to simply change the definition of existing infrastructure such to allow recovery of costs associated with the replacement of incidental pipe (Exh. NG-AST/MJP-12, at 66). In the absence of a specific proposal for the treatment of incidental pipe, the Department finds that approval of the Companies' proposed tariff change is premature. Therefore, the Department denies the Companies' proposed revision to the definition of existing infrastructure in its LDAC tariff. Moreover, where the Companies' proposed definition would depart from the statutory definition of eligible infrastructure contained in Section 145, the Department would not be inclined to accept the proposed definition change. Rather, following consideration of a specific procedure for the treatment



of incidental pipe, the Department would expect a more targeted proposal to incorporate approved procedures and cost recovery associated with incidental pipe in the Companies' tariff.

As previously indicated, the Department expects the Companies to propose a specific procedure for including and, when applicable, excluding costs associated with retiring and replacing existing infrastructure in the GSEP mechanism, including policies established to ensure that substantial plastic and cathodically protected steel main replacements are not included for recovery in the GSEP mechanism. D.P.U. 17-GREC-03, at 14. In addition, the Department has previously stated that any tariff change is best handled in the GSEP proceedings. D.P.U. 17-GREC-03, at 35, n.19; NSTAR Gas Company, D.P.U. 16-GREC-06, at 28 n.16 (2016). Therefore, only after the Companies propose the specific procedures previously directed by the Department as part of their May 1, 2018 GREC filing, should the Companies include proposed tariff changes related to the inclusion and, where applicable, exclusion of incidental pipe in its LDAC tariff.

As part of the Companies' GSEP filings, National Grid proposed tariff revisions to include the replacement of copper services as part of its GSEP plans (Exhs. NG-AST/MJP-12, at §§ 6.12(19), 6.17(a); NG-AST/MJP-13, at §§ 6.12(19)), 6.17(a). After review of the Companies' proposal, and an examination of other LDC's GSEP practices, we find that the tariff revisions regarding the inclusion of copper services as GSEP-eligible infrastructure are reasonable.

Regarding the changes to its revenue requirement calculations, the Department had previously accepted the Companies' proposal to work with other GSEP-eligible LDCs to propose amended tariffs to estimate the GSEP revenue requirement using monthly averages, rather than using beginning and end-of-year plant balances. D.P.U. 16-GSEP-03, at 16-17. Accordingly, the Department finds that proposed revisions to the Companies' LDAC tariffs regarding the calculation method of the GSEP revenue requirement are reasonable.

The Companies also proposed tariff changes to recognize that the difference in timing of the GREC filing and the LDAF filing does not allow both filings to be submitted simultaneously (Exhs. NG-AST/MJP-12, at § 6.17; NG-AST/MJP-13, at § 6.17). After the Department's review, we find this revision to the LDAC tariff to be reasonable.

The Companies also propose changes relating to the overhead and burdens test (Exhs. NG-AST/MJP-12, at § 6.10; NG-AST/MJP-13, at § 6.10). Based on our review, we find that the revisions to the overhead and burdens test are appropriate for the efficient operation of the GSEP.

Finally, the Companies propose revisions to the calculation of the GSEP revenue cap (Exhs. NG-AST/MJP-12, at § 6.10; NG-AST/MJP-13, at § 6.10). The Department previously determined it may be appropriate to revise the Companies' tariff language to clarify that the recovery of the annual GSERAF that may be billed in any year beginning in November 1 will be limited by the difference between the GSEP cap and the annual change in the GSEP recovery. D.P.U. 17-GREC-03, at 35 n.19. We find that, here, National Grid has appropriately revised its tariff language to be consistent with Department precedent.

Based on the foregoing, the Department rejects the Companies' proposal to revise their tariff relating to incidental pipe and finds that National Grid's proposed tariff revisions relating to copper services, the calculation of its revenue requirement using monthly averages for plant balances, the timing and treatment of the GREC filing in coordination with the LDAC filing, the overhead and burdens test, and the calculation of the GSEP revenue cap are allowed. The Department directs the Companies to submit compliance tariffs that incorporate the approved revisions to its LDAC tariff within five business days of the issuance of this Order.

#### IV. ORDER

Accordingly, after notice, hearing, and due consideration, it is

ORDERED: That the petition of Boston Gas Company for approval of a 2018 gas system enhancement plan, is APPROVED; and it is

FURTHER ORDERED: That the petition of Colonial Gas Company for approval of a 2018 gas system enhancement plan, is APPROVED; and it is

FURTHER ORDERED: That the gas system enhancement adjustment factors of Boston Gas Company in the amounts of \$0.0700, \$0.0604, \$0.0531, \$0.0478, and \$0.0407 per therm for the residential, small commercial and industrial, medium commercial and industrial, large commercial and industrial, and extra-large commercial and industrial customers, respectively, to take effect on May 1, 2018, are DENIED; and it is

FURTHER ORDERED: That the gas system enhancement adjustment factors of Boston Gas Company in the amounts of \$0.0668 per therm, \$0.0577 per therm, \$0.0507 per

therm, \$0.0456 per therm, and \$0.0388 per therm for residential, small commercial and industrial, medium commercial and industrial, large commercial and industrial, and extra-large commercial and industrial customers, respectively, to take effect on May 1, 2018, are APPROVED; and it is

FURTHER ORDERED: That the gas system enhancement adjustment factors of Colonial Gas Company in the amounts of \$0.0549, \$0.0415, \$0.0303, and \$0.0149 per therm for the residential, small commercial and industrial, medium commercial and industrial, and large commercial and industrial customers, respectively, to take effect on May 1, 2018, are DENIED; and it is

FURTHER ORDERED: That the gas system enhancement adjustment factors of Colonial Gas Company in the amounts of \$0.0534 per therm, \$0.0403 per therm, \$0.0295 per therm, and \$0.0145 per therm, for residential, small commercial and industrial, medium commercial and industrial, and large commercial and industrial customers, respectively, to take effect on May 1, 2018, are APPROVED; and it is

FURTHER ORDERED: That Boston Gas Company and Colonial Gas Company shall comply with all other directives contained in this Order.

By Order of the Department,

/s/  
Angela M. O'Connor, Chairman

/s/  
Robert E. Hayden, Commissioner

/s/  
Cecile M. Fraser, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.