



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL

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September 27, 2018

Stephen H. Bryant, President & Director
Bay State Gas Company d/b/a Columbia Gas of Massachusetts
4 Technology Drive, Suite 250
Westborough, MA 01581-1791

Dear Mr. Bryant:

The catastrophic series of explosions on September 13, 2018, caused by a failure of the gas distribution system owned and operated by Columbia Gas of Massachusetts (“Columbia Gas” or the “Company”) resulted in the tragic loss of a young life, serious injuries to many others, the loss of homes and small businesses, and disruption of gas service for heating, cooking, and hot water for thousands of residents across the Company’s Merrimack Valley territory. In recent days, we have heard from many residents and business owners who have suffered significant losses yet remain in the dark about your claims process and the schedule or process for restoring gas service. As the Commonwealth’s ratepayer advocate and chief law enforcement officer, I intend to use all the tools of my office to ensure that Columbia Gas restores gas service in a safe and expeditious manner, fairly compensates customers affected by this tragedy, and does not recover from ratepayers any portion of the costs associated with the damages and recovery effort resulting from the Company’s failure to provide safe gas service.

The ongoing National Transportation Safety Board (“NTSB”) investigation to determine the cause of the explosions may take over a year to complete. Ensuring safe restoration of gas service and fair compensation for affected customers cannot wait. Therefore, I request a meeting with you next week to discuss how Columbia Gas plans to address each of the points raised below.

1. Columbia Gas Must Ensure Pipes Are Replaced in a Safe Manner and the New Pipes Will Result in a Safe Gas Distribution Service Going Forward.

Columbia Gas intends to rapidly accelerate its pipe replacement projects in the Company’s Merrimack Valley service territory in response to this disaster. In the Merrimack Valley, the Company plans to replace approximately forty-nine miles of pipe in less than two months. That amount almost equals the total amount of aging pipe replacements the Company proposed to complete during 2018 under its 2018 Gas System Enhancement Plan (“GSEP”), which the Company anticipated would require approximately fifty crews over an eight-month



period. The Company's plan to ramp up to 195 crews to complete restoration replacement work on an accelerated basis by November 19, 2018, raises safety concerns.

There are questions about crew members' qualifications and whether the Company's plan adequately provides for the presence of trained inspectors to ensure that crews are safely executing the required work. To address these concerns, the Company should document that it has a sufficient number of trained and qualified inspectors to oversee the replacement efforts of all 195 crews and demonstrate that each inspector and crew member involved in the restoration has the necessary knowledge and skills for this work. Specifically, the Company should provide assurance that the crews are adequately trained to conduct this work in a disaster area, which presents complexities not present in a typical pipe replacement project. Finally, all pipeline work should be independently certified by either the Pipeline and Hazardous Materials Safety Administration or the Department of Public Utilities before service is restored.

2. Columbia Gas Must Ensure the Safety of All of Its Massachusetts Territories While Working on Recovery Efforts in Its Merrimack Valley Territory.

The Company must also ensure that service quality and safety are not jeopardized in its two other service territories, the areas around Brockton and Springfield, due to the resources committed to the Merrimack Valley restoration. Columbia Gas should disclose to the public and regulators its plan for ensuring the safety of its gas distribution system in its other service territories. Specifically, this plan should provide details on how the Company will staff these service territories, how the Company intends to meet its required inspection work and odor response calls in these territories, and how the accelerated pace of pipe replacement in the Merrimack Valley will change the Company's GSEP projects in these territories. We encourage the Company to meet with local leaders in those territories to brief them on its plan.

3. Columbia Gas Should Ensure Customers Are Receiving Timely and Complete Information Regarding the Company's Restoration Plan.

The Company should provide the public with a detailed work plan for replacing the Company's current infrastructure. This restoration plan should include a week-by-week summary of the location and timing of replacement work, including detailed information on when Columbia Gas will need access to customers' homes. Knowing this information will allow drivers to avoid impacted areas and provide information to affected residents regarding upcoming work in their neighborhoods. In addition, Columbia Gas should provide each affected customer with the customer's updated estimated restoration time on a weekly basis. Moreover, given the Company's extremely ambitious restoration schedule, the Company must be transparent about any unexpected delays and the impact that such delays have on the overall restoration timeline.

Finally, the Company must have direct communications with affected customers. While updates via social media and on the Columbia Gas website are important tools, affected

customers already struggling to adjust to their new normal should not also be asked to refresh a website every hour to obtain updates. If the Company has not already done so, it should consider a text-messaging or similar real-time communications system (with an opt-out provision) that would reach all affected customers.

4. Columbia Gas Should Develop a Plan for Paying the Electric Bills of Its Customers Forced to Rely on Electric Space Heaters and Hot Plates.

Columbia Gas has begun distributing hot plates and electric space heaters to affected customers. As the Company knows, the cost of heating a home with electric space heaters, cooking with electric appliances, and heating water with an electric boiler currently is significantly greater than the cost of heating, cooking, and boiling with natural gas. The Company's affected customers should not be expected to shoulder this additional burden while they await the restoration of gas service. Thus, the Company should pay the electric bills for affected customers until it fully restores their gas service. I ask Columbia Gas to work with National Grid to develop a plan whereby National Grid bills Columbia Gas directly for the affected customers' electricity use.

5. Columbia Gas Should Accommodate Customers Who Cannot Remain in their Homes or Who Elect to Make Alternative Housing Arrangements.

In addition to ensuring that affected customers do not pay more for heat, Columbia Gas should provide an alternative for customers who cannot or do not want to rely solely on space heaters to keep warm, or who do not have adequate access to hot water. Some homes may require significant electrical work before electric alternatives are usable. A customer also may have concerns regarding the safety of space heaters or the ability of space heaters to provide adequate heat in the customer's residence. Further, customers should not have to endure months of cold water. Columbia Gas should make arrangements, either directly with local hotels or through a transparent reimbursement system, whereby affected customers may elect to stay in a hotel until gas service is restored or an alternative heating source is permanently installed. Those arrangements should take into account the fact that some residents do not have the financial means to pay upfront for the cost of a hotel or alternate housing arrangements.

For residents to make informed decisions about housing, the Company must clearly state the criteria it will use to provide heating devices to affected customers. Many impacted residents will require multiple space heaters, electric boilers, heated shower heads, or other devices. Columbia Gas should provide guidance regarding how many of these devices it will purchase for them. To assist the municipalities in their efforts to assess safety and habitability issues at the impacted properties, Columbia Gas should track the specific properties visited and maintain a log, which can be shared with the municipalities, of the following information:

- whether the property has the ability to prepare hot food either through use of a hot plate or non-gas-powered stove;

- the number (if any) of space heaters provided;
- if no space heater was provided, Columbia Gas should note the reason a space heater was not provided;
- whether the property has been provided access to hot water (i.e. through electric heated shower heads or replacement boiler).

6. Columbia Gas Should Clarify How It Intends to Pay Customers for Losses Incurred Related to This Disaster.

Columbia Gas announced that it will compensate its customers for all losses reasonably related to the incident, including bodily injury, damage to property, disruption of business, inconvenience and disruption of everyday activities caused by loss of use of gas service, and reasonable efforts to limit or mitigate losses. I support Columbia Gas's acceptance of its financial responsibility in this regard. However, to ensure that customers have adequate information regarding the claims process, Columbia Gas needs to issue a specific, detailed, and written plan defining compensable losses and notifying its customers of the timing and procedure, including an appeals process, for filing and processing claims. At a minimum, such losses must include any medical costs, alternative living expenses, lost property, lost business income, and lost wages. That plan must also provide notice of how the Company intends to treat customers' personal insurance coverage when processing claims. The plan, and all materials associated with it, should be published in all primary languages used by affected customers. The Company also must provide claims processing assistance in those same languages and at times that include early morning and evening hours to accommodate work schedules.

Additionally, the Company must incorporate into its compensation plan some flexibility for customers who are unable to provide documentation for some or all their losses. The Company's current claims procedure appears to assume that affected customers will be able to provide documentation for all their losses over \$300. Many customers may have lost documents because of fire or other property damage.

7. Columbia Gas Should Provide My Office with Copies of the Company's Internal Claims Procedure and Any Claims Form It Intends to Use.

The Company has not provided details about how its adjusters will review claims from affected customers or whether customers are expected to waive any rights to take legal action if they proceed with the Company's claims procedure. Thus, customers do not have clear or complete information regarding any financial thresholds the Company is setting for certain claims, the expected level of documentation the Company expects customers to provide, or the waivers or other conditions the Company intends to set on customers' recovery of their losses. In the interest of transparency and to allow customers an opportunity for input on these matters, Columbia Gas should submit copies of its internal claims procedure and any claims forms or waivers to my office for review.

Additionally, we want to know what steps the Company has taken to ensure that information is made available to customers and other residents in their primary language. The Company also should describe its efforts to ensure that the needs of families with young children, individuals with disabilities or significant medical needs, and the elderly are specifically addressed.

8. Columbia Gas Should Ensure Affected Customers Can Easily Obtain Alternative Heating Sources for Their Homes and, if They Choose, Permanently Transition to Energy Efficient, Clean Technologies Without Any Additional Costs.

Columbia Gas has acknowledged that affected customers should not have to rely on space heaters to heat their homes, especially as the weather becomes colder. Many will want to convert their existing hot water or forced hot air heating systems for use now, rather than wait for the Company to repair its gas lines. Columbia Gas has indicated a willingness to reimburse customers for the cost of permanent and temporary conversion of their furnaces from natural gas to other fuels. The Company needs to specify how quickly it can provide these reimbursements, and, if customers do not have the savings to allow them to pay directly for the alterations, how they can get Columbia Gas to pay for the alterations directly. These services need to be made available promptly, and the Company should undertake efforts to enlist the assistance of qualified service providers who can install a variety of temporary alternatives, including heat pumps, propane, fuel oil, and others, to ensure that the thousands of families at risk will be able to obtain a viable heating source before cold weather sets in.

In addition to temporary solutions, more permanent fixes also should be made available. Columbia Gas has stated it intends to reimburse its customers for “reasonable costs” of permanently switching to an alternative fuel source for appliances or systems that were fueled by natural gas prior to the disaster. Customers may elect to hire their own contractor to do this work. As with its plan to reimburse other costs, Columbia Gas should define what constitutes a “reasonable” cost so that customers are clear about what costs the Company will pay. Columbia Gas should also make clear that it will pay for the installation of these permanent fixes for customers who are unable to pay for them upfront.

In addition, Columbia Gas should design its alternative fuel plan to support and encourage customers to switch to energy efficient and clean technologies. As a program administrator in the Mass Save™ plans, Columbia Gas is familiar with alternatives to gas for cooking, heating, hot water, and dryers that rely on energy efficient technologies and minimize energy costs. Indeed, recent legislation ensures that these alternatives will play a critical role in the upcoming 2019–2021 energy efficiency plans. To advance this state policy, Columbia Gas should (1) detail the timeline for inspecting existing appliances and for replacements, (2) educate every customer on the availability and details of heat pump technologies, (3) cover any cost for these technologies which exceed the costs for a one-for-one replacement, and (4) collaborate with my office, Department of Energy Resources, Mass Save™ program administrators, and the

Massachusetts Clean Energy Center on the availability and deployment of heat pumps and other energy efficient and clean technologies.

9. Columbia Gas's Restoration Plan Should Address How Work Will Be Completed if a Property Owner Is Not Present to Authorize Repairs.

Columbia Gas must address the fact that many properties may be owned by out-of-town landlords who may not be available to file claims or authorize necessary repairs. Nonetheless, work will need to be completed to make the properties habitable for tenants. This may include, for example, repairing or replacing appliances. The Company should address, at a minimum, how it plans to help tenants who find themselves in these circumstances. We urge the Company to prioritize the needs of tenants.

10. Columbia Gas Should Clarify in a Written Statement Its Plan Not to Bill Affected Customers for Any Gas Service Until Service Is Restored.

Columbia Gas should issue a written statement regarding how it will revise its billing practices for customers whose service has been interrupted. My understanding is that Columbia Gas suspended billing for affected customers and intends to retract bills for September consumption that have already been sent. The Company should provide the public with a written notice confirming these measures. The notice should specifically state that billing for any affected customer will remain suspended until the Company fully restores gas service to that customer. Full restoration should include inspection and verification by trained personnel that confirms each piece of gas-fired equipment in the customer's home is safely reconnected and operable. The notice, and all materials associated with it, should be published in all primary languages used by affected customers.

Further, the notice should explain how Columbia Gas intends to make whole those affected customers who participate in the Company's Budget Payment Plan. The Budget Payment Plan spreads heating costs for the entire year across each month from May through April. As a result, affected customers that have now lost gas service—and likely will not have service through the colder fall months—may have overpaid during the months of May, June, July, August, and September. Columbia Gas must adequately describe in its notice how it will review the bills paid by affected Budget Payment Plan customers during these off-peak months and reimburse customers for any overpayment resulting from loss of service. Finally, the Company should individually contact any customer currently utilizing the Company's arrearage management program, which helps customers manage their current energy bills while resolving past-due debt, to modify the customer's plan.

11. Columbia Gas Should Confirm, and Take Steps to Ensure, Customers Will Not Pay for Any Part of This Disaster Through the Regulatory Ratemaking Process.

Columbia Gas must publicly commit now that it will not seek to recover any costs or losses it incurs due to the gas explosions through its customers' rates. Specifically, the Company should commit to the following: (1) it will revise its revenue decoupling adjustment such that it will not recover from customers any revenue that was lost because the Company could not provide gas service due to this disaster; (2) it will not seek to recover from customers emergency response, restoration, and investigation costs as an extraordinary, non-recurring expense or otherwise; and (3) it will not seek a deferral of emergency response, restoration, and investigation costs.

To ensure that Columbia Gas does not try to pass the costs of this disaster onto its customers, it also must track its expenditures related to this disaster. I expect that the Company will separately track incremental expenditures related to (1) its emergency response, (2) restoration of service, and (3) investigation into cause as three separate categories of expenditures incremental to this disaster. For each type of incremental expenditure, I also expect that Columbia Gas will identify which incremental expenditures, for both labor and equipment, were operational and maintenance or capital-related. My office will request all of this information in any future proceeding before the Department of Public Utilities through which Columbia Gas seeks to adjust its customers' rates and will oppose any request for recovery of these incremental costs from ratepayers.

Conclusion

I look forward to meeting with you next week to discuss Columbia Gas's response to each of these points and to working with you on a plan to provide all of the requested information to the Company's customers and state and local officials.

Very truly yours,



Maura Healey

cc: Angela M. O'Connor, Chair, Department of Public Utilities
Robert E. Hayden, Commissioner, Department of Public Utilities
Cecile M. Fraser, Commissioner, Department of Public Utilities
Shane Early, General Counsel, Department of Public Utilities
Matthew A. Beaton, Secretary of Energy and Environmental Affairs
Patrick Woodcock, Assistant Secretary of Energy and Environmental Affairs
Tori Kim, General Counsel of Energy and Environmental Affairs