

**TESTIMONY OF**  
**UIL HOLDINGS CORPORATION**  
**RE: HB 5410 - AN ACT CONCERNING GAS COMPANIES' RECOVERY OF LOST**  
**AND UNACCOUNTED FOR GAS**  
**BEFORE**  
**THE ENERGY & TECHNOLOGY COMMITTEE**  
**MARCH 4, 2014**

Good morning, Senator Duff, Representative Reed and members of the Energy & Technology Committee. UIL Holdings Corporation (UIL), on behalf of its gas operating companies, Connecticut Natural Gas Corporation (CNG) and The Southern Connecticut Gas Company (SCG) appreciates the opportunity to offer these comments in opposition to **HB 5410 An Act Concerning Gas Companies' Recovery of Lost or Unaccounted for Gas**.

My name is Gregg Therrien, Director of Regulatory & Tariffs for UIL Holdings Corporation. With me today is Robert Jalette, Director of Gas Engineering for CNG and SCG.

This bill as drafted requires the Public Utilities Regulatory Authority ("PURA") to adopt regulations that specify the manner in which a local distribution company ("LDC") calculates lost and unaccounted for gas ("LUF") in establishing the purchased gas adjustment clause and establishes a fixed LUF factor that can be recovered by the gas companies.

Incentivizing gas companies to reduce LUF is a laudable goal. However, the application of a singular LUF calculation that attempts to establish an "incentive" via a complicated formula based on meter reads and accounting entries does not address the root cause of methane gas leakage and losses. The regulatory focus should be on the number and type of gas leaks and the utility's plan to repair leaks or replace mains/services rather than reduce a calculated LUF percentage. Leak repair and the replacement of aging infrastructure is critically important in combating system leaks, and the equitable and timely recovery of any accelerated investment in these activities is a key component to enabling the gas companies to have resources to do this needed work.

LUF is currently reported as a percentage of unaccounted for gas for the sum of all gas received into the gas company's system over a given period of time. This measurement includes several accounting adjustments, meter and billing tolerances, company use of gas for its own operations, and even captures the effect of temperature and pressure variations on the gas we measure. The calculation is a multi-column spreadsheet comprised of categories of gas receipts, gas uses and accounting adjustments. It is not a measurement of true gas emissions into the atmosphere and therefore is not an appropriate means to measure the integrity of a gas company's distribution system.

If the legislature wishes to address gas distribution system leaks, then it should craft legislation directed at company investment dedicated to the repair and replacement of aging infrastructure – the leading cause of gas leaks (actual losses) - not calculated (unaccounted for) gas loss. This method would reduce leakage and incentivize the companies rather than punish them.

Over 30 states<sup>1</sup> in the U.S., including our neighboring state of Rhode Island, have either legislative or regulatory mechanisms related to the acceleration of the replacement of cast iron and bare steel gas piping – a known leading source of leakage in the gas distribution industry for many years. Such a program has recently been approved by PURA and is now in effect for CNG. This Distribution Integrity Management Program (“DIMP”) tracking mechanism approved in January 2014 allows for accelerated spending and the timely recovery of this replacement activity between rate cases. As a result, CNG will be accelerating the remaining 31 years of its 50-year replacement program to 20 years. The DIMP for CNG should be given an opportunity to replace cast iron and bare steel pipe and achieve a reduction in methane emissions into the atmosphere.

This regulatory mechanism best meets the goal of addressing root-cause methane loss on the Companies' systems rather than introducing an overly complex, and potentially unfair, mechanism that relies on an artificial benchmark that is based on accounting and metering data. The legislature should require that the DIMP Mechanism be adopted by PURA for all three of the Connecticut gas distribution companies or through legislative mandate.

---

<sup>1</sup> See PURA Docket No. 13-06-08, Application of the Connecticut Natural Gas Corporation to Increase its Rates and Charges, pre-filed testimony of G. Therrien and J. Rudiak.

For the reasons stated above, the Companies respectfully request raised bill 5410 be rejected in its present form.

Thank you for the opportunity to submit this testimony in opposition of **HB 5410 An Act Concerning Gas Companies' Recovery of Lost or Unaccounted for Gas**. Bob and I would try to answer any questions you may have.