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John B. Rhodes, Chair

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National Grid Faces Possible Financial Penalty in Enforcement Action

Investigation Started by Anonymous Tip Finds National Grid's Downstate Gas Utilities Failed to Adequately Train Natural Gas Pipe Installers

ALBANY — The New York State Public Service Commission (Commission), after a lengthy and detailed investigation by the staff of the Department of Public Service, ordered National Grid's two downstate gas utilities — Brooklyn Union Gas Company, or KEDNY, serving Brooklyn, and KeySpan Gas East Corporation, or KEDLI, serving Long Island — to explain why the Commission should not commence a penalty action after the utilities failed to comply with the Commission's gas safety rules related to gas infrastructure work in their service territories. In addition, the investigation found that the companies failed to inspect work completed by its contractors during construction at sufficient intervals to ensure compliance, and that it allowed work to be completed by plastic fusers and plastic fusion inspectors who were not properly qualified to do the work.

"We will hold utilities strictly accountable when they do not comply with our gas safety rules, designed specifically to protect life and property," **said Commission Chair John B. Rhodes.** "In this instance, staff's investigation presented credible information warranting the Commission to require National Grid to respond formally to the investigation's findings."

The Commission determined that the Department's investigation presented credible information to warrant Commission action requiring National Grid to formally respond to the investigation's findings. As a result, National Grid was ordered to respond within 45 days and explain why a penalty action should not be commenced and why a penalty should not be assessed against National Grid for multiple and continuing failures to comply with gas safety rules. The Commission is also considering a prudence proceeding against National Grid to ensure that all costs incurred to correct hundreds of construction deficiencies will not be borne by ratepayers. Today's order starts an enforcement proceeding; it is not a final determination by the Commission concerning the allegations.

In addition to the Department's 2015 investigative findings that violations had occurred during National Grid's Northern Queens Pipeline Project, the anonymous tipster, in late 2016, alleged that work by Network Infrastructure, Inc., a contractor working on behalf of National Grid was not completed in compliance with State safety regulations.

The anonymous letter also alleged that Network employees had been given the answers to online operator qualification tests. In one instance, the letter alleged, high schoolers took the tests, and snapped cell phone pictures of test questions from which answer sheets were then created. The

anonymous letter included copies of the answer sheets that had been circulated to workers. The allegations specified that Network was a contractor that worked on behalf of National Grid.

After Department of Public Service staff confirmed allegations received in the 2016 anonymous letter claiming utility contractors had cheated on operator qualification exams, Staff immediately directed gas companies to confirm the operator qualification of their workers and contractors and to reinspect the work completed by anyone whose qualifications were in question. The Department required that National Grid re-dig much of its completed work from 2015 and 2016. Staff's National Grid investigation resulted in finding at least 1,500 regulatory violations. In the meantime, the two utilities have tested the gas systems to ensure their safety.

Whether the case against National Grid is resolved by settlement or a penalty, such potential costs — including the nearly \$7 million National Grid spent to re-dig work to correct any problems found — will be the responsibility of utility shareholders, not customers. The actions taken today were made possible by reforms to the Public Service Law put in place by Governor Andrew M. Cuomo in 2013. The reforms strengthened the Commission's enforcement mechanisms to ensure that major electric and gas utility companies are held accountable first and foremost to the safety of New Yorkers before utility failures cause any damage.

National Grid's KEDNY has approximately 1.2 million customers and KEDLI has 590,000 customers.

Today's order to show cause may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 17-G-0317 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.