

G-011/M-91-989 ORDER REJECTING PROPOSAL, ALLOWING SERVICE, AND  
REQUIRING FURTHER FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of Peoples Natural Gas Company's Request to Establish a Tariff for Repairing and Replacing Farm-Tap Lines

ISSUE DATE: October 26, 1992

DOCKET NO. G-011/M-91-989

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ALLOWING SERVICE, AND REQUIRING  
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**PROCEDURAL HISTORY**

On December 19, 1991, Peoples Natural Gas Company (Peoples or the Company) submitted a proposed tariff entitled Farm-Tap Fuel Line Repair/Replacement Rate.

On March 12, 1992, the Department of Public Service (the Department) filed its report and recommendation regarding Peoples' proposed tariff.

On March 26, 1992, Peoples filed comments in response.

On April 3, 1992, the Department filed a letter expressing its basic agreement with the Company regarding the farm-tap proposal.

The matter came before the Commission for consideration on October 8, 1992. At the meeting, oral comments from the Department, the Company, and the Office of Pipeline Safety (OPS) were heard.

**FINDINGS AND CONCLUSIONS**

**I. Factual Background**

Farm-tap gas pipelines first came into existence in Minnesota over 40 years ago, when Northern Natural Gas Company (NNG) built the interstate natural gas pipeline that serves Minnesota. At that time, NNG began offering to farmers the privilege of tapping into NNG's gas pipeline, in exchange for the granting of easements enabling NNG to lay pipe across the farmers' property.

A farm-tap pipeline is equipped with a tap and a meter at the site of the interstate pipeline; the line from the tap to the customer's house is owned by the customer.

Peoples, a local gas distribution company, began providing certain services for Minnesota farm-tap customers when Peoples was affiliated with NNG. Although now separated from NNG, Peoples continues to provide the services to approximately 2,400 farm-tap customers. Peoples reads meters and provides billing, sets rates, odorizes the gas, and provides emergency service for its farm-tap customers.

In October, 1991, a construction crew installing fiber-optic cable in southern Minnesota hit three unmarked farm-tap lines served by Peoples. While Peoples was able to repair two of the lines, the third proved to be substandard and could not be reconnected. The Office of Pipeline Safety, a Minnesota agency concerned with the safety of pipelines, noted the three incidents in a subsequent press release.

On December 19, 1991, Peoples filed its proposal for a tariff clarifying responsibility for maintaining and repairing farm-tap lines, and setting rates for the service.

In a letter dated March 26, 1992, and in a conversation with the Department on the same date, Peoples indicated its agreement with certain Department modifications and clarifications of the December 19, 1991 filing. Among other things, the Company indicated its agreement with the idea of leaving farm-tap maintenance service nonregulated.

## **II. Farm-Tap Maintenance Service**

The Commission agrees with the Department's recommendation that Peoples' farm-tap maintenance and repair service be nonregulated. There are licensed contractors who can and do provide this service for rural landowners, who are the owners of the lines. Since this service is competitive by nature, it is proper that the Company offer the service as a nonregulated enterprise.

The unique nature of the farm-tap system also means that it would be difficult if not impossible for Peoples to offer the repair and maintenance service on a rate-tariffed, regulated basis. Because the landowners own the farm-tap lines, Peoples would not be able to create a tariffed class to which customers must belong. If the tariff were offered on a voluntary basis and farm-tap customers were allowed to self-select, customers needing repairs would be most likely to come on the tariff, thus skewing rates for other ratepayers.

The Commission therefore finds that Peoples' farm-tap maintenance and repair service should be offered as part of a nonutility,

nonregulated enterprise. As with any such competitive entity offered outside a utility's regulated business, issues of potential cross-subsidization must be addressed. The Commission will therefore require the Company to apply proper cost allocation and separation methods in its accounting practices which will allow the monitoring of possible cross-subsidization.

### **III. Issues Related to Safety**

#### Responsibility for maintenance of the farm-tap lines

Issues of safety were discussed by all parties to this proceeding. Many of the farm-tap lines were installed 40 or more years ago by farm owners or unlicensed contractors and are not up to industry safety standards. Because the lines are privately owned, there is no requirement of ongoing safety inspections. In some cases, rural landowners do not even know that they own the lines until a problem arises. When incidents do occur, the responsibility for maintenance and repair has often been at issue.

Although the Department recommended deregulating Peoples' maintenance and repair service, the Department advocated certain changes and additions to Peoples' tariff which would spell out the responsibility for maintenance and repair of farm-tap lines. The Commission agrees with the Department's recommendation and will require the Department's suggested revisions to Peoples' tariff. The Department's wording clearly indicates that customers must repair and maintain their farm-tap lines, and must keep them at pipeline code standards as a condition of gas distribution service from Peoples.

#### Emergency Leak Calls and Safety Inspections

Although farm-tap customers will clearly be responsible for normal maintenance and repair of their lines, Peoples will continue to provide certain emergency services as part of its utility service under the tariff. The Department and the Company agreed that Peoples' farm-tap customers should not be charged for the costs of emergency leak calls provided by Peoples, or for the costs of Peoples' gas line inspections required by the OPS. These costs would be spread among all ratepayers in base rates. On the other hand, the parties agreed that farm-tap customers should pay for routine inspections, locating their own lines, and for pipeline repairs following an emergency disconnect.

The Commission agrees with the cost responsibility proposals of the Company and the Department. Response to certain emergency situations should be part of Peoples' utility service. Requiring farm-tap customers to pay for emergency leak calls or OPS-mandated gas line inspections could discourage customers from

essential safety practices. Such a result would be against public policy.

On the other hand, matters of a nonemergency nature, such as line locations or repairs following disconnection, could be borne by customers without working against public policy. In these cases, more customer choice is involved. Even a customer who has undergone an emergency disconnect has the choice of converting to propane rather than repairing the existing line. It is therefore equitable to have customers who have chosen to obtain nonemergency services from Peoples pay for the costs as part of their responsibility for line maintenance and repair.

### Safety reports

The Department and Peoples agreed that Peoples should file annual reports which would indicate the number of customer requests for maintenance and repair from Peoples, safety issues reported by customers to Peoples, and significant actions taken by the OPS. The Commission agrees that these reports will provide important information on safety issues which have been recognized by all parties to this proceeding.

The Commission recently became aware that Peoples has been continuing to install farm-tap lines, up to the present. The Commission will therefore require Peoples to file answers to certain questions which are meant to address Peoples' ongoing provision of farm-tap service. Peoples will be required to file a report answering the following questions:

- a. Address the propriety of continuing to distribute gas into existing customer-owned farm-tap lines when questions have been raised regarding the safety of those lines. What are the alternatives to continuing this practice?
- b. Address the propriety of continuing to hook up new farm-tap customers with customer-owned gas lines when their lines may eventually present safety problems. What are the alternatives?

### Brochures

The Commission agrees with the Department that Peoples must inform all its farm-tap customers of relevant safety issues and the customers' responsibility for the lines. Although Peoples has already sent out a letter on these issues, the Commission will require more formal notification. The Commission will require the Company to submit for Commission approval a brochure detailing the consumer ownership of these lines, the responsibility of customers to keep them in repair, and the fact that repair work can be done either by the Company or by outside licensed contractors. The Commission-approved notice must be

sent to any new farm-tap customers at the time they first take service, and to all existing farm-tap customers on an annual basis.

#### ORDER

1. Peoples farm-tap proposal as filed is rejected, but Peoples may provide maintenance and repair of farm-tap lines on a nonregulated basis. Farm-tap repair and maintenance service shall be subject to the same cost separation and record keeping requirements as the Company's other unregulated businesses.
2. The tariff language on standards for customer-owned fuel lines, emergency leak calls, inspections, and emergency service disconnection proposed in the Department's March 12, 1992 report is approved.
3. Peoples shall file annual farm-tap safety reports on:
  - a. The number of requests for repair and maintenance service from Peoples;
  - b. Safety issues reported by customers to Peoples;
  - c. Significant actions taken by the Office of Pipeline Safety.
4. Within 60 days of the date of this Order, Peoples shall submit for Commission approval a brochure that describes safety concerns, customer responsibilities for customer-owned farm-tap lines, and customer options for obtaining maintenance and repair service. The Commission-approved brochure shall be mailed to all prospective new farm-tap customers before they take service and to all existing farm-tap customers on an annual basis.
5. The cost of locating farm-tap lines when done as a part of an inspection required by the Office of Pipeline and the cost of emergency leak calls shall be included by Peoples in base rates, and shall not be charged individually to farm-tap customers.
6. Within 30 days of the date of this Order, Peoples shall file a response to the following questions:
  - a. Address the propriety of continuing to distribute gas into existing customer-owned farm-tap lines when questions have been raised regarding the safety of

those lines. What are the alternatives to continuing this practice?

- b. Address the propriety of continuing to hook up new farm-tap customers with customer-owned gas lines when their lines may eventually present safety problems. What are the alternatives?
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)