

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

**ENERGY LOUISIANA, LLC,)
EX PARTE. *IN RE*: APPLICATION)
FOR EXTENSIONS OF GAS RATE)
STABILIZATION PLAN AND)
INFRASTRUCTURE RIDER AND)
REQUEST FOR EXPEDITED)
HEARING)**

DOCKET NO. U-_____

DIRECT TESTIMONY

OF

JAMES DILLARD

ON BEHALF OF

ENERGY LOUISIANA, LLC

APRIL 2022

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I. INTRODUCTION

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Q1. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is James J. Dillard. My business address is 5755 Choctaw Drive, Baton Rouge, LA, 70805. I am employed by Entergy Services, LLC (“ESL”) as Manager, Gas Infrastructure Programs. In this role, I am responsible for, among other things, activities related to the Company’s gas infrastructure replacement programs that improve the safety and reliability of the gas distribution system for the Company and its customers.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Entergy Louisiana, LLC (“ELL” or the “Company”).

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received my Bachelor of Science in Civil and Environmental Engineering from Louisiana State University in 2004. I received my Master of Science in Civil and Environmental Engineering from Louisiana State University in 2015. I am a licensed Professional Engineer in Civil Engineering and received my license on June 19, 2009 (PE 34701). During my nine-year tenure with ESL, I have held positions of increasing responsibility within the gas distribution business. I started with ESL in 2013 as an Engineer and was promoted to Supervisor over Gas Engineering in 2017. In 2019, I was promoted to my current role, Manager, Gas Infrastructure Programs. Prior to my employment with ESL, I started out as a Civil Engineer Intern in 2005 and was promoted to Civil Engineer when I

1 received my Professional Engineer license in 2009. I was employed at various consulting
2 engineering companies prior to my time at ESL.

3

4 Q4. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY PROCEEDING?

5 A. Yes. I have previously testified in LPSC Docket No. U-35370, *Entergy Louisiana, LLC, ex*
6 *parte., In re: Request for Extension of Entergy Louisiana, LLC's Gas Rate Stabilization*
7 *Plan and Request for Expedited Hearing.*

8

9 Q5. WHAT ARE YOUR CURRENT DUTIES?

10 A. As Manager, Gas Infrastructure Programs, I am responsible for, among other things, the
11 oversight of the infrastructure programs of ELL's gas distribution system, as well as the
12 oversight and management of ELL's utility conflict program, which involves assessing and
13 repairing any gas line cross-bores in the sanitary sewer system. I provide strategic direction
14 for these programs to ensure they meet their goals and budgets, ensure safe and reliable
15 service to customers, and remain in compliance with applicable federal and state pipeline
16 safety requirements.

17

18 Q6. WHAT IS PURPOSE OF YOUR TESTIMONY?

19 A. As discussed in the testimony of Company witness Ryan D. Jones, ELL is requesting an
20 extension of the Gas Infrastructure Investment Recovery Rider ("IIRR-G") Rider, through
21 which the Company obtains recovery of the costs associated with its accelerated pipe
22 replacement program. The purpose of my testimony is to describe, from an operational and
23 safety standpoint, the technical aspects of the Company's accelerated pipe replacement

1 program, and the corresponding need for the IIRR-G Rider to be extended in order to ensure
2 this critical program continues.

3

4 **II. ACCELERATED PIPE REPLACEMENT PROGRAM**

5 Q7. PLEASE PROVIDE A DESCRIPTION OF ELL’S GAS SERVICES.

6 A. ELL provides local gas distribution service for approximately 96,000 customers located
7 within East Baton Rouge Parish and is responsible for the safe and reliable operation,
8 planning, engineering, construction, maintenance, and monitoring of ELL’s gas
9 distribution system. ELL’s current gas system is comprised of approximately 1,844 miles
10 of distribution mains, and approximately 1,391 miles of distribution service lines.

11

12 Q8. PLEASE PROVIDE A DESCRIPTION OF THE CURRENT ACCELERATED PIPE
13 REPLACEMENT PROGRAM.

14 A. ELL’s accelerated pipe replacement program is intended to modernize and upgrade its gas
15 infrastructure to improve the safety and the reliability of the gas distribution system. As
16 discussed by Mr. Jones in his testimony, the current program was instituted to replace
17 approximately one hundred miles of cast iron, bare steel, and early vintage plastic piping.
18 These materials were identified through ELL’s Integrity Management (“IM”) program as
19 presenting safety and reliability concerns. The IIRR-G Rider was developed and approved
20 by the Commission to allow ELL to recover the costs of replacing these materials, as
21 discussed by Mr. Jones.

22

1 Q9. WHAT HAS ELL ACCOMPLISHED IN ITS ACCELERATED PIPE REPLACEMENT
2 PROGRAM?

3 A. ELL has enhanced the safety and reliability of its pipeline system by replacing cast iron,
4 bare steel, and early vintage plastic pipe with newer, more modern construction materials.
5 To date, the Company has replaced approximately sixty-nine (69) miles of vintage pipe
6 material with medium-density, distribution pressure polyethylene pipe through a
7 directional boring process, which is intended to minimize the effect on traffic in the area
8 and on customers. This particular pipe is industry standard and resistant to corrosion; it is
9 also cost-effective. As this new pipe has been installed, an excess flow valve also has been
10 installed, which helps to minimize the gas flow if the line is severed, and thus further
11 improves the safety of the system. The Company's pace of replacing 11 miles of vintage
12 material per year is in line with industry standards. The Company has recovered the costs
13 of the program through the IIRR-G Rider.

14
15 Q10. HAS THE COMPANY'S ACCELERATED PIPE REPLACEMENT PROGRAM, IN
16 CONJUNCTION WITH THE IIRR-G RIDER, BEEN SUCCESSFUL?

17 A. Yes. To date, the Company has replaced all of its low-pressure cast iron pipe and bare
18 steel pipe at a pace that is ahead of schedule and at a lower cost per mile than initially
19 projected. Replacing the materials identified by the IM program has allowed for the
20 conversion from low pressure to high pressure, which also increases operational safety and
21 reduces risk. For instance, this conversion allows for a hardening of the gas system that
22 makes it less prone to flood damage. Additionally, the work being done includes increasing
23 the amount of excess flow valves installed, which helps to minimize escaping gas if a

1 service line is severed. The Company is on target to replace the remaining vintage plastic
2 by the end of the current ten-year term of IIRR-G Rider in 2025.

3

4 Q11. ONCE THE REMAINING VINTAGE PLASTIC IS REPLACED, WILL THE
5 COMPANY NEED TO CONTINUE THE REPLACEMENT PROGRAM?

6 A. Yes. Consistent with the gas industry trend, and as discussed in more detail below, ELL
7 needs to continue its accelerated pipe replacement program in order to further improve the
8 safety and reliability of its gas distribution system for the benefit of the Company and its
9 customers. While the replacement program has focused and continues to focus on the
10 replacement of cast iron, bare steel, and early vintage plastic pipe, the Company intends the
11 extension of the program to focus on the replacement of vintage steel pipe that has been
12 identified by the IM program as in need of replacement. Given the Company's ongoing
13 efforts, the remaining work to be performed, and the additional focus on replacing vintage
14 steel pipe, the accelerated pipe replacement program continues to be necessary and
15 beneficial for customers.

16

17 **III. REQUEST FOR IIRR-G RIDER EXTENSION**

18 Q12. PLEASE EXPLAIN WHY THE COMPANY SEEKS AN EXTENSION OF THE IIRR-G
19 RIDER BEYOND 2025.

20 A. The IIRR-G Rider expires in 2025. As discussed above, the Company's replacement
21 program needs to continue beyond 2025 to address the additional safety and reliability
22 issues that have been identified by the IM in the time period since the IIRR-G Rider was
23 originally approved. The IIRR-G Rider is necessary to provide reasonable and timely cost

1 recovery for the program, and thus the Company is seeking an extension of IIRR-G Rider
2 in this docket. An extension of Rider IIRR-G will enable ELL to continue the necessary
3 work of the program, in particular with regard to the replacement of vintage steel pipe, and
4 will further the Company's overall objective of maintaining a reliable and safe gas system
5 in compliance with applicable pipeline safety regulations, while also balancing customer
6 needs and costs.

7

8 Q13. IS CONTINUING THE ACCELERATED PIPE REPLACEMENT PROGRAM AND
9 EXTENDING THE IIRR-G RIDER CONSISTENT WITH THE COMPANY'S PLANS
10 AND INDUSTRY STANDARDS?

11 A. Yes. ELL is seeking to continue its accelerated pipe replacement program in accordance
12 with its continued implementation of its IM plan, as filed with the State of Louisiana's
13 Department of Natural Resources, Office of Conservation, Pipeline Division. The
14 continued need for replacement of vintage piping is also strongly supported by other gas
15 distribution companies that own and operate vintage facilities, the American Gas
16 Association ("AGA"), and retail regulators across the country.¹ Similar to other gas
17 distribution companies around the country, it is critical that the Company continues
18 replacement of vintage pipe, which is considered the most effective mechanism for
19 addressing risks inherent in the operation of vintage gas facilities.

20 To that end, the Commission should extend the IIRR-G Rider such that the
21 Company can continue to timely recover costs associated with its ongoing need to replace

¹ Natural Gas Distribution Infrastructure Replacement and Modernization: A Review of State Programs, January 2020, NARUC, <https://pubs.naruc.org/pub/45E90C1E-155D-0A36-31FE-A68E6BF430EE>.

1 the vintage pipe materials in its gas system. Indeed, the long-term efficacy and safety of
2 the Company's gas distribution system depend on the continuation of the accelerated pipe
3 replacement program and the extension of the IIRR-G Rider to recover its costs. Absent
4 the IIRR-G Rider, traditional ratemaking is not designed to recover the investment
5 necessary to continue to strategically replace a significant amount of vintage pipe material.

6 A recent study conducted by the National Association of Regulatory Utility
7 Commissioners ("NARUC") cited the importance of the continued collaboration between
8 regulators and stakeholders on developing proper policies that include mechanisms that
9 give LDCs the financial capability to replace aging infrastructure.² The Commission
10 already has an important and effective policy in place – the IIRR-G Rider. The Commission
11 should extend it to allow the Company to continue to recover the costs of pipe replacement
12 for the benefit of the Company and its customers.

13
14 Q14. YOU MENTIONED THAT THE CONTINUATION OF THE ACCELERATED PIPE
15 REPLACEMENT PROGRAM (BEYOND 2025) WOULD FOCUS ON
16 REPLACEMENT OF VINTAGE STEEL PIPE. WHY IS THAT NECESSARY?

17 A. ELL has approximately 187 miles of pre-1950s vintage steel pipe. Through its IM plan,
18 the Company has identified rising risks associated with vintage steel pipe, specifically
19 corrosion of the pipe and failures of the mechanical fittings, which can lead to leaks on the
20 distribution system. At the time that the vintage steel pipe was installed, the primary means
21 of corrosion resistance was the use of asphaltic wrapping on the pipes. The cathodic

² Natural Gas Distribution Infrastructure Replacement and Modernization, *supra*, note 1.

1 protection used for corrosion resistance now did not become common until the 1970s.
2 Mechanical fittings were used in early vintage steel mains to couple the segments of pipe
3 rather than welding the pipes together. Mechanical fittings utilize seals and threads to join
4 the two sections of pipe together. Over the life of the pipe, the fittings are prone to gas
5 leaks from the seals, due to thermal expansion and contraction. Mechanical fittings coupled
6 with the corroding steel main have increased the Company's need to replace vintage steel
7 infrastructure. Figure 1 below provides details regarding the approximately 187 miles of
8 vintage steel pipe in need of replacement:

9
10 Figure 1 – STEEL PIPE IN NEED OF REPLACEMENT
11

Vintage Steel Decade	Feet of main	Miles
1920	4258	1
1930	232752	44
1940	750581	142

12
13 The Company's concern about this 80-100 year old steel has heightened in recent
14 years, particularly following an explosion at a facility in Texas, where one of the key
15 findings during the investigation was the need to mitigate the risks of aging and/or
16 degraded gas main infrastructure.³ In reviewing this event, ELL noted a specific risk, as
17 articulated by San Diego Gas & Electric ("SDG&E"), related to vintage steel and asphaltic
18 wrapped steel mains (intended to provide corrosion resistance). Over time, the wrap

³ Abstract of Virtual Meeting of January 12, 2021, Atmos Energy Corporation Natural Gas-Fueled Explosion, p. 4, National Transportation Safety Board. <https://www.nts.gov/news/events/Documents/2021-01-12%20--%20Abstract%20--%20Dallas%20Texas%20--%20Atmos%20Energy%20Corporation%20Natural%20Gas-Fueled%20Explosion.pdf>.

1 separates from the steel main resulting in a decrease of cathodic protection effectiveness,
2 which in turn leads to an increased risk of leaks on the vintage steel.⁴

3 Accordingly, extending the IIRR-G Rider will allow the Company to continue to
4 replace vintage pipes, in particular vintage steel pipe, with safer and more reliable materials
5 in a systematic and proactive manner, and minimize the potential for danger and a more
6 costly, reactive response.

7
8 Q15. CAN YOU ELABORATE ON HOW AN EXTENSION OF THE IIRR-G RIDER
9 WOULD FURTHER THE GOALS OF THE ACCELERATED PIPE REPLACEMENT
10 PROGRAM?

11 A. The IIRR-G Rider, as discussed by Mr. Jones, provides a means for the Company to plan
12 the replacement of aging infrastructure, and timely and gradually adjust rates to account
13 for the non-revenue producing nature of those replacements. Pursuant to its replacement
14 program and the requested extension of the IIRR-G Rider, ELL would continue to enhance
15 its system by replacing aging infrastructure with new, safer materials, resulting in greater
16 reliability of service and fewer interruptions for customers. As noted above, the Company
17 would focus its replacement efforts during the proposed extension of the IIRR-G Rider on
18 the replacement of vintage steel and would expect to replace a similar number of miles per
19 year as are currently being replaced. Extending the IIRR-G Rider will allow the program
20 to continue improving the safety and reliability of the gas distribution system without major
21 modifications.

⁴ Risk Assessment Mitigation Phase, Medium Pressure Gas Pipeline Incident, SDG&E, November 27, 2019, p.25, https://www.sdge.com/sites/default/files/regulatory/SDG%26E-6%20%20SDGE%20Medium%20Pressure%20Pipeline%20Incident%20Risk%20Chapter%20FINAL_0.pdf.

1 The accelerated pipe replacement program, however, contributes to more than just
2 safety and reliability. Continuing to remove and replace aging pipe facilities also provides
3 environmental benefits, minimizing the impacts of gas leaks (*i.e.*, methane) flowing into
4 the atmosphere. The Department of Transportation has identified aging distribution pipe
5 as a significant source for methane leaks contributing to greenhouse gas emissions.⁵
6 Extending the IIRR-G Rider will therefore continue to reduce such emissions and avoid
7 harmful environmental impacts.

8

9 Q16. SHORT OF REPLACEMENT, IS THERE A WAY TO ADDRESS THE CONCERNS
10 ABOUT VINTAGE STEEL?

11 A. Not over the long term. Corrosion leakage and mechanical coupling failures will continue
12 to occur. They will not slow down. In fact, the rate of leakage will only accelerate as the
13 facilities continue to age and deteriorate.

14

15 Q17. WHY IS THE COMPANY PROPOSING TO EXTEND THE IIRR-G RIDER FOR 15
16 YEARS?

17 A. In his testimony, Mr. Jones shows the estimated miles and annual cost of steel pipe
18 replacement over 15 years. The timeline of 15 years is intended to keep the amount of pipe
19 replacement and annual spend (subject to inflation) roughly commensurate with the current
20 program. Under the existing IIRR-G Rider, the Company is on track to replace
21 approximately 100 miles of pipe over 10 years. The Company contemplates replacing 187

⁵ DOT's Federal Pipeline Safety Program: Background and Key Issues for Congress, Congressional Research Service March 29, 2019, p.24, <https://crsreports.congress.gov/product/pdf/R/R44201/12>.

1 miles of pipe over 15 years under an extended IIRR-G Rider, with the work beginning in
2 2025. The proposed pace allows the Company to maintain similar levels of internal
3 personnel and contract crews working on the replacement program without major
4 modifications. The pace also balances the risks associated with the aging pipe material, as
5 well as the interests of the customers.

6
7 Q18. IS ELL FOCUSED ON MANAGING THE COSTS ASSOCIATED WITH
8 CONTINUING ITS REPLACEMENT PROGRAM?

9 A. Yes. ELL is always focused on managing costs and making prudent capital investments
10 that benefit customers. The same is true with its replacement program, whereby ELL has
11 taken, and plans to continue to take, a variety of steps to manage costs:

- 12 i. Periodically renegotiating with contractors and suppliers to ensure competitive pricing
13 for materials and services provided to ELL;
- 14 ii. Installing polyethylene pipe ("PE") where appropriate in most areas of the service
15 territory;
- 16 iii. Designing pipe installation projects to minimize street cuts and certain sidewalk
17 locations; and
- 18 iv. Coordinating ELL gas replacement projects with the City of Baton Rouge and Parish
19 of East Baton Rouge Departments of Public Works improvement projects to minimize
20 excavation and restoration.

21 The Company is always looking for ways to control costs, and the above steps help to
22 mitigate the upward projection of costs associated with the IIRR-G Rider.

23

1 Q19. CAN YOU DISCUSS HOW ELL'S CONTRACTING PRACTICES WITH POTENTIAL
2 GAS UTILITY CONTRACTORS CAN AFFECT OVERALL CONTRACTOR COSTS?

3 A. With regard to the replacement program, ELL has typically issued a Request for Proposals
4 every three years for contractor services and contracted with the selected contractors for
5 three-year terms. This has kept contractor pricing competitive and provided contractors
6 with an incentive to remain operational in the Baton Rouge area. By providing contractors
7 with a steady, predictable pace of work, they are more able to preserve economies of scale
8 and experience of the workforce, which in turn means lower costs and higher quality work
9 for the Company and its customers. It has been the Company's experience that assigning
10 very small projects to contractors, and starting and stopping contractor crews, can
11 unnecessarily increase costs. It has also resulted in contractors leaving the area because
12 there is such a high demand for contractor resources across the country due to the numerous
13 utility infrastructure replacement programs. The Company intends to maintain its current
14 contracting practices during the proposed extended term of the IIRR-G Rider. The
15 Company expects that these practices will maintain pipe replacement levels similar to the
16 current replacement program and will serve the dual purpose of keeping costs low and
17 helping to retain a qualified and efficient contractor workforce.

18

19 Q20. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

20 A. Yes, at this time.

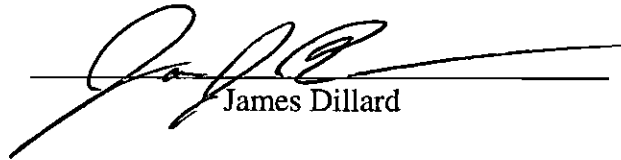
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STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

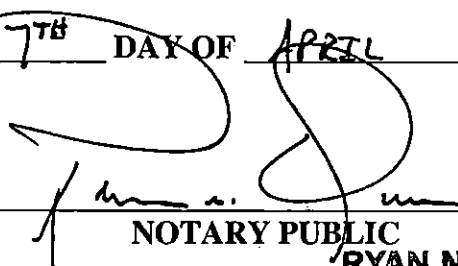
NOW BEFORE ME, the undersigned authority, personally came and appeared, **James Dillard**, who after being duly sworn by me, did depose and say:

That the above and foregoing is his sworn testimony in this proceeding and that he knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, he verily believes them to be true.


James Dillard

SWORN TO AND SUBSCRIBED BEFORE ME

THIS 7TH DAY OF APRIL, 2022



NOTARY PUBLIC

RYAN N. OURS

NOTARY PUBLIC

My commission expires: _____
STATE BAR NO. 27735

STATE OF LOUISIANA

MY COMMISSION EXPIRES AT DEATH