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NY pipeline contractors' cheating on tests sparks inquiries in other states

By Sarah Smith

Utility regulators across the East Coast are investigating the possibility that natural gas pipeline contractors have cheated on qualifications tests.

New York has confirmed some contractor cheating, looking into how widespread it is; Virginia is investigating cheating allegations; and prompted by other states' revelations, New Hampshire has opened a formal inquiry into contractor qualification test integrity. The gas companies working with contractors in question serve millions of residential, commercial and industrial customers.

The New York State Department of Public Service, or DPS, has proven that two contracting companies had access to compromised tests under the Northeast Gas Association's testing program, according to spokesman James Denn. Some contract employees had access to exam questions and answers before being tested. The regulator then required all of the state's gas utilities to retest contractors or employees qualified exclusively under the association's program, unless the local distribution companies can prove that the workers are qualified to do their jobs. Retesting plans were due April 10.

Under federal code, gas pipeline operators have to use an explicit qualification program that includes an evaluation process. Anyone, including contractors, who performs work on a regulated gas system must be qualified to do so. Coalitions, such as the Northeast Gas Association, are sometimes entrusted with testing large swaths of the workforce, allowing companies to share workers with the understanding that they will be qualified to mutually agreed on standards.

This operator qualification testing applies to so-called covered tasks, which can include welding, pipe burying, leak surveying, corrosion monitoring and dozens of other common contractor job duties.

In New York, the two contractors that the DPS found cheating, Bond Brothers and Network Infrastructure, were working for [Consolidated Edison Inc.](#) subsidiary [Consolidated Edison Co. of New York Inc.](#) and in [National Grid Inc.](#)'s downstate operations.

Toward the end of 2016, National Grid received an anonymous letter alleging that one of its contractors violated the operator qualification process and protocols, according to company spokeswoman Wendy Ladd. "National Grid is conducting an investigation and has terminated our contracts and business relationship with this contractor," Ladd said in a recent email to S&P Global Market Intelligence.

ConEd found out about the cheating, which involved contractors having advance access to test answers, from the state regulator, company spokesman Allan Drury said in an email to S&P Global Market Intelligence. ConEd ended its contract with Network Infrastructure as a result, he said.

As is the case in other states, New York does not have direct authority over contractors. The DPS has not indicated whether the companies' lack of oversight constitutes a punishable violation.

In light of the cheating uncovered in New York, the New Hampshire Public Utilities Commission has also opened an investigation into operator pipeline safety programs and testing practices. Concerned about reports of "test answers being available to test takers prior to test administration and numerous proctoring irregularities," the New Hampshire commission told staff in March to investigate worker qualifications and produce a report by Sept. 22.

"While staff has not found, or been made aware of, any improprieties in the testing and qualification of New Hampshire pipeline operators, it believes that, given the scope and breadth of the allegations in other states, an investigation into testing practices and operator qualification programs within this state is warranted," the order opening the investigation said.

[Unitil Corp.](#)'s [Northern Utilities Inc.](#) and [Liberty Utilities \(EnergyNorth Natural Gas\) Corp.](#) will be required to participate in the staff's investigation, the order said.

The New York protocol breach resembles allegations under [investigation](#) in Virginia, which is not a part of the Northeast Gas Association. The Virginia State Corporation Commission, [WGL Holdings Inc.](#) subsidiary [Washington Gas Light Co.](#), [Southern Co.](#) subsidiary [Virginia Natural Gas Inc.](#) and [NiSource Inc.](#) subsidiary [Columbia Gas of Virginia Inc.](#) have all been investigating pipeline contractor cheating allegations on Virginia Gas Operators Association operator qualifications tests. As is the case in New York, the Virginia utility regulator does not have direct authority over contractors.

News of contractor cheating issues has spread across much of the country. The North Carolina Utilities Commission, for instance, said its pipeline safety division told operators in the state to be on the lookout for illicit testing activity. So far, no one in North Carolina has come forward with complaints, commission general counsel Sam Watson said in a recent email to S&P Global Market Intelligence.

David Chislea, manager for the Michigan Public Service Commission's gas operations section, said commission engineers responsible for operator qualifications inspections have been paying careful attention to the types of issues that arose elsewhere, although no cheating was uncovered in Michigan during 2016 inspections.

"The engineers responsible for the inspections were aware of the issues in New York. One of our engineers specifically had conversations with the Virginia inspectors, too," Chislea said recently. "We have planned some additional [operator qualification] inspections in 2017."

The New Mexico Public Regulation Commission, too, has intensified its focus on qualifications oversight. While the regulator has not found the same types of issues that New York and Virginia are investigating, the commission is "conducting thorough [operator qualification] audits to ensure cheating is not occurring or even possible," Jason Montoya, the commission's pipeline safety bureau chief, said in an April 19 email.

Written testing is not the only way contractor skills are tested. Tennessee Regulatory Authority spokesman Greg Mitchell noted that the authority also does field tests with pipeline workers during annual inspections to confirm that the workers know how to perform certain tasks. Mitchell said the Tennessee Regulatory Authority is not aware of cheating by contractors or operators in Tennessee on qualifications testing.

Both National Grid and ConEd emphasized that contractor work is inspected regularly under the companies' quality assurance and quality control programs. Drury, ConEd's spokesman, noted that paper tests are not the only way the company gauges contractors' qualifications.

"All contractors who do gas work for us, in addition to passing written exams, must also pass physical skills tests that involve demonstrating the ability to properly perform gas pipe installations, including welding, plastic fusion and other street work," he said. "Contractor work in the field is also inspected by on-site supervisors, construction inspectors, and quality assurance/quality control. In addition, post installation pressure testing is conducted to confirm the integrity of newly installed piping."

Contractor qualification issues were linked with a deadly 2014 [explosion](#) on ConEd's system in New York City's East Harlem neighborhood. The National Transportation Safety Board [found](#) that the contract employee who performed a faulty pipe fusion involved in the explosion was not current on his plastic-pipe-joining operator qualifications at the time he did the work.