



NHPUC 12APR'17PM1:28

April 11, 2017

BY OVERNIGHT MAIL AND E-MAIL

Debra A. Howland, Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: 49 C.F.R. §192.383 - Excess Flow Valves

Dear Director Howland:

On October 14, 2016, the Pipeline and Hazardous Materials Safety Administration ("PHMSA") of the U.S. Department of Transportation amended 49 C.F.R. §192.383 regarding Excess Flow Valve ("EFV") Installation. In pertinent part, the amended regulation requires gas operators to install an EFV on any new or replaced service line for specified types of services before the line is activated [49 C.F.R. §192.383(b)]. In addition, 49 C.F.R. §192.383(d) generally provides that a customer with an existing service line may request that an EFV be installed on that service line and that operators must notify customers of their right to request an EFV installation. The final rule requires operators to notify customers of their right to request installation of an EFV on service lines that are not being newly installed or replaced, and leaves the question of who bears the cost of such replacement up to each individual state's regulatory authority that has jurisdiction over such matters. The amendment is scheduled to become effective April 14, 2017. This letter proposes Northern Utilities, Inc.'s ("Northern") plan for compliance with 49 C.F.R. §192.383(d).

A. Notification to Customers of the Right to Request Installation of an EFV

The first element of Northern's compliance plan is with respect to the method of customer notification of the right to request installation of an EFV. PHMSA has stated that:

[A] combination of methods, including Internet Web site postings, bill

Gary Epler
Chief Regulatory Counsel
epler@unitil.com

6 Liberty Lane West
Hampton, NH 03842

T 603.773.6440 F 603.773.6640 www.unitil.com

stuffers, new customer packets, statements on billing materials, et cetera, can be used to notify all customers. PHMSA has determined that, as many of the commenter-proposed methods would theoretically notify, on a regular basis, all customers about their potential right to request an EFV, a broad, electronic method of communication would meet the intent of the regulation and be acceptable.

49 C.F.R. Part 192, Federal Register Vol. 81, No. 199, at 70984 (October 14, 2016).

Consistent with this determination by PHMSA, Northern proposes to establish notification to all gas customers using a broad variety of methods. Beginning on April 14, 2017, notice will be provided on the Company's website, and will remain posted on a permanent basis to inform new and existing customers. In addition, Northern will provide additional notification to customers through its (i) customer newsletter; (ii) bill inserts; (iii) new customer welcome kits; and (iv) gas safety ad brochure. The proposed form of website notification is enclosed as Attachment 1.

B. Scheduling and Cost Treatment

The second element of Northern's compliance plan pertains to the scheduling of EFV installation and the associated cost. Northern is concerned regarding the impact of the requirements encompassed in 49 C.F.R. §192.383(d) on customers exercising their option to request an EFV installation. Although the language of 49 C.F.R. §192.383(d) states that "the operator's rate-setter determines how and to whom the costs of the requested EFVs are distributed," PHMSA's guidance suggests that individual customers could be charged directly for the cost of EFV installation on an existing service. This raises a substantial concern because customers may perceive a safety need for EFV installation as a result of the notification, but may not be willing or able to pay for the requested installation. Northern estimates that the cost of an EFV installation is anticipated to be in the general range of \$2,000 - \$4,000, depending upon the circumstances of installation.

Moreover, any requirement for an individual customer to pay for the EFV installation on an existing service is out of line with the fact that Northern has been installing EFVs as a routine course on new services for some time. The cost of EFVs on new or replacement services is not charged to individual customers, but

rather is collected through Northern's cost of service, as such investments are placed in rates through base rate proceedings. As a result, there is a material inequity involved in charging individual customers for EFV installations that are requested in accordance with 49 C.F.R. §192.383(d) following the required notification, where other customers with new services, or services which have been replaced through the Company's ongoing cast iron and bare steel replacement program, are not required to pay for the same installation.

To address the inequity that the amended regulation creates for customers with existing services that qualify for EFV installation, and to preclude the potential for strong customer dissatisfaction with an approach that requires payment of \$2,000 - \$4,000 before an EFV is installed, Northern intends to propose, in its next distribution rate case, a process to allow for the recovery of costs through rates rather than requiring the costs to be charged to specific customers. This proposal will address the timeframe and schedule for installation, given that there are a large number of customer services that do not have an EFV. Northern will require the flexibility to schedule EFV installations in a manner that is reasonable and practicable for both the Company and the customer. If, however, a customer requests an EFV installation on an expedited date, the customer may obtain the expedited installation from Northern at the customer's cost.

Please note that Northern is required under 49 C.F.R. §192.383(d) to commence notification to customers as of April 14, 2017. Accordingly, Northern may begin fielding inquiries and requests for EFV installations following the required posting.

Please do not hesitate to contact me directly if you have any questions or concerns regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler". The signature is fluid and cursive, with the first name "Gary" being larger and more prominent than the last name "Epler".

Gary Epler
Attorney for Northern Utilities, Inc.

Enclosure

cc: D. Maurice Kreis, Consumer Advocate