

STATE OF NEW HAMPSHIRE

Inter-Department Communication

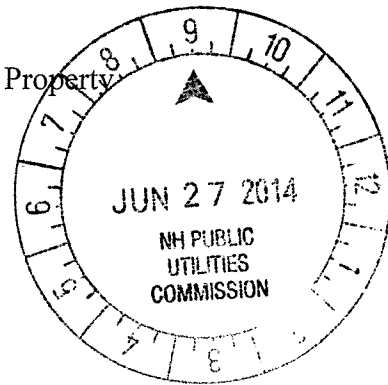
DATE: June 27, 2014

AT (OFFICE): NHPUC

FROM: Stephen P. Frink ^{SPF}
Assistant Director, Gas & Water Division

SUBJECT: DG 14-154 Northern Utilities, Inc.
Petition to Extend Franchise to Brentwood and Cross State Property

TO: Commissioners
Docket File
Service List



Staff Recommendation

Staff recommends the petition be granted by order *nisi* for the following reasons: 1) Brentwood is contiguous with the Northern's existing service territory; 2) the towns through which the new main extension will pass support the expansion; 3) expansion of the service territory will not adversely affect existing gas supply resources; 4) the expected revenues from the line extension satisfy the return requirement set forth in Northern's tariff; and 5) consumers along the new line and in the expanded franchise territory will have access to natural gas as an alternative to more expensive fuels.

Background and Analysis

On June 4, 2014, Northern Utilities, Inc. (Northern or Company), filed with the New Hampshire Public Utilities Commission (Commission) a petition for approval of authority to operate in the Town of Brentwood and to cross State waters and lands. The petition includes letters of support from the Towns of Exeter and Brentwood Board of Selectmen. There are no interveners.

Prior to filing, Commission Staff (Staff) and Northern met to discuss Northern's business and engineering plans related to the proposed expansion and Northern provided detailed maps and customer specifics. Following the filing, Staff issued data requests and reviewed the Company's filing and data responses.

Contiguous Service Territory

Northern currently serves the Town of Exeter and will be extending an existing main located in Exeter 4.2 miles west to serve Brentwood, which borders Exeter.

Support of Towns along Proposed Main Extension

The Chairman of both the Exeter and Brentwood Boards of Selectmen filed a letter of support with the Commission strongly supporting Northern's request to extend natural gas service in their community, stating that the extension would have a positive impact on the community.

No Adverse Effect on Supply Resources

Other than two large industrial customers located in Brentwood, Northern does not have definitive plans to provide service to any specific, new customers in Exeter or Brentwood at this time. The expected combined usage of the two new customers is well below two percent of Northern's annual sales and both of those customers are expected to take transportation service. As transportation customers, they will not be purchasing natural gas from Northern and will have very little impact on Northern's supply resources. Additional sales or transportation customers that are added along the extension should not have an adverse effect on supply resources, as Northern's current supply capacity is sufficient to meet the potential growth along the new extension. There are 24 residential and 43 business premises along the proposed route, 34 of the businesses are classified as small (annual usage below 8,000 therms) and 9 are classified as medium (annual usage between 8,000 and 80,000 therms).

Expected Revenues Satisfy Return Requirements

The Northern Line Extension Policy, as provided for in its approved tariff, requires a positive return within 10 years on the cost of a line extension to serve commercial and industrial customers. The two new customers to be served by the extension have each agreed to pay a non-refundable customer contribution in aid of construction, a combined contribution of nearly \$1 million, to fund the nearly \$2 million capital cost of the main extension. Northern should realize a positive return on the investment within 10 years based on the results of the discounted cash flow analysis of projected revenue and cost streams associated with the proposed main extension over 10 a ten year period.

Expanded Access to Natural Gas

Expanding service to Brentwood will enable two new large customers to lower energy costs by converting to natural gas and make it more economical for businesses and residences along the main extension to convert. In addition, the extension will bring gas service within 3,000 feet of Exeter High School and to within 2.3 miles of the Rockingham County Complex located in Brentwood, two large energy users that may now find it economical to convert to natural gas given the closer proximity to Northern's distribution system.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.