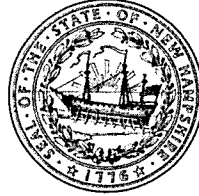


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STATE OF NEW HAMPSHIRE



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April 1, 2015

Gary Epler, Esq.  
Northern Utilities, Inc.  
6 Liberty Lane West  
Hampton, NH 03842

Re: DG 14-222, Northern Utilities, Inc.  
Request for Waiver of Puc 505.07(a)

Dear Mr. Epler:

On September 4, 2014, Northern Utilities, Inc. (Northern) requested a waiver of Puc 505.07(a), which provides as follows:

Each utility shall maintain the equipment and facilities necessary for accurately testing all types and sizes of meters employed for the measurement of gas to its customers, unless arrangements approved by the commission, pursuant to Puc 201.05, have been made to have such testing done elsewhere.

Northern alleged that the annual costs to conduct meter tests in-house (which includes the upfront costs to retrofit Northern's facilities) would be substantially more expensive than what Northern pays its third party vendor to perform the tests. Northern thus asked the Commission to waive the requirements of Puc 505.07(a) and authorize Northern to "have such testing done elsewhere" for a period of three years or when Northern determines it can economically establish its own testing facility, whichever occurs first.

The Commission approved, with conditions, a similar request for a three year waiver in DG 10-245, effective October 28, 2010. Northern contracted with Utilities & Industries (U&I) of Reynoldsville, PA, to perform the meter tests during the time covered by the prior waiver. U&I continues to test Northern's meters.

Staff reviewed the documents supporting Northern's petition, Northern's data responses and annual E-7 meter test reports, notes from a technical session, conversations with company representatives, further analysis by Northern and by Staff, and relevant materials from other dockets. Staff presented its analysis, conclusions, and recommendations in a letter filed with the Commission on March 25, 2015. Staff recommended approval of Northern's waiver request with conditions.

Staff concluded that the “cost per meter tested” for Northern’s New Hampshire division is approximately \$26 (a \$22,445 average yearly payment to U&I divided by the average of 864 meters tested per year). Staff also calculated that, accepting Northern’s estimated \$127,740 yearly cost to bring the meter testing in-house for its New Hampshire, Maine, and Massachusetts customers, and assuming Northern continues to test approximately 3,837 meters per year for all three gas divisions, the average cost-per-meter-tested would exceed \$30. Staff noted that economies of scale do not reduce the projected in-house costs to the level now charged by U&I until Northern performs approximately 5,000 tests per year, which estimate assumes no change in the \$127,740 annual cost as the number of tests rise.

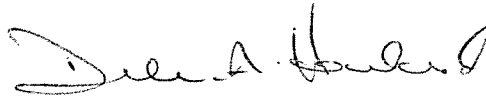
Staff concluded that Northern will likely “continue to save operating costs across its three gas operations by outsourcing its meter testing requirements [although] it may become cost effective for the Company to bring this operation back in-house at some point in the future.” Staff thus recommended approval of Northern’s waiver request, with the following conditions:

1. That the waiver should be for a period of four years, beginning October 28, 2013, which is the expiration of the previous waiver approved in DG 10-245;
2. That any subsequent requests to waive Puc 505.07(a) should be filed at least 60 days prior to the expiration of the current waiver;
3. That the waiver not be assignable or transferrable due to a change of control or ownership of Northern;
4. That if Northern anticipates or experiences significant change in its vendor’s testing capabilities, practices, or costs, it should immediately notify the Commission in writing with reference to this docket;
5. That the Commission reserve the right to revisit the waiver in the event of changes in statute or regulatory requirements, or other relevant developments related to meters and meter testing; and
6. That throughout the term of this waiver, the Company should file annually for each calendar year: (a) a detailed meter testing program cost analysis, including a reconciliation of the NH Division’s annual outsourced gas meter testing program costs to identified costs in its third party vendor’s purchase order agreement(s); and (b) a cost benefit analysis that compares the combined annual costs of Northern’s three gas divisions to outsource the meter testing program to updated cost estimates for bringing the meter testing and servicing operation back in-house. All reporting should provide detailed cost per meter test and repair information for each meter group classification. The 2014 report should be filed with the Commission by July 1, 2015, with subsequent filings due on March 31 of each year throughout the term of the waiver.

Puc 201.05 authorizes the Commission to waive any rule if it finds a waiver serves the public interest and does not disrupt the orderly and efficient resolution of matters before the Commission. A waiver request requires consideration of whether compliance with the rule would be onerous given the circumstances or whether the purpose of the rule is satisfied by the alternative method proposed.

For the reasons discussed in Staff's recommendation, the Commission has determined that the standards for a waiver are satisfied here and that granting a waiver is consistent with the public good mostly because Northern's vendor continues to perform the tests required by Puc 505.07(a) at a cost less than Northern could do in house. In order to monitor these costs and to avoid some of the problems with information experienced in this docket, we also adopt Staff's recommended conditions as listed above.

Sincerely,

A handwritten signature in black ink, appearing to read "Debra A. Howland". The signature is fluid and cursive, with a large initial "D" and a long horizontal stroke extending to the right.

Debra A. Howland  
Executive Director

cc: Service list (Electronically)

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**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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Docket #: 14-222-1 Printed: April 02, 2015

**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  
EXEC 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.**