



Michael J. Sheehan, Esq.
Senior Counsel
Phone: 603-724-2135
Email: Michael.Sheehan@libertyutilities.com

June 20, 2018

Via Hand Delivery and Electronic Mail

Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

NHPUC 21JUN18AM9:36

**Re: Docket No. DG 18-064; Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
2018 Cast Iron / Bare Steel Replacement Program Results**

Dear Ms. Howland:

On behalf of Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities, I write to formally request that the Commission approve recovery of \$579,887¹ in excess carryover costs that Liberty incurred in the 2017-2018 CIBS construction season, which costs consist of the final paving for the CIBS replacement work addressed in this proceeding. See Frost/Furey testimony at Bates 9-10 ("All of the carry-over costs are related to final trench restoration work that could not be completed in the planned fiscal year due to city rules regarding minimum temperature requirements, or a requirement that trenches be allowed to settle for one full freeze-thaw cycle before final restoration"); see also Knepper testimony at Bates 20.

The rules governing the CIBS program exclude from its accelerated recovery those "carryover costs in aggregate exceeding 5% of the approved estimated total expenditures under the CIBS program for the construction year, unless approved by the Safety Division" (emphasis added). See Knepper testimony at Bates 6 and at Bates 30. There is no dispute that the current excess carryover costs are \$579,887. See Furey/Frost testimony at Bates 27. Excess carryover costs have been a topic of discussion during recent CIBS hearings. See [Transcript](#) of 6/19/17 hearing in Docket No. DG 17-063 at 21-26; and throughout the [Transcript](#) of 6/19/16 hearing in Docket No. DG 16-449.

The Safety Division's testimony notes that Liberty did not formally request to recover the excess carryover costs in this proceeding. Knepper testimony at Bates 16 ("Liberty has not requested with its petition approval from the Safety Division for recovery of all of the actual \$2,718,259 in [carryover] costs"), and Bates 26 ("but Liberty has not petitioned to recover these in FY 2018. It remains to be seen if they will request an exception"). Although the settlement agreement does not require a formal request, and Liberty has informally asked the Safety Division to recommend recovery, Liberty files this letter to assert a formal request to recover \$579,887 in excess carryover costs for the following reasons.

¹ This would add \$63,763 to the revenue increase sought in this docket, from \$762,488 to 826,224.

Debra A. Howland
June 20, 2018

The Safety Division supports the Company's aggressive work to remove the leak prone pipe:

Staff welcomes the proposed increased rate of replacement projects. For FY 2019, Liberty is now the lone gas utility with cast iron and bare steel mains in New Hampshire. It will not cost less per mile in 2024 than the unit expenditures of today.

Knepper testimony at Bates 25. The Safety Division also recognized the growing problem with carryover costs as Liberty continues to extend the construction season into winter and beyond the end of the calendar year to a time when city rules preclude final paving:

Q. Can the carry over cost problem worsen in FY 2019?

A. Yes, the problem continues as more replacement projects are undertaken but Liberty has not petitioned to recover these in FY 2018. It remains to be seen if they will request an exception.

Knepper testimony at Bates 26. Liberty requests the exception here.

The Safety Division testified in the past that the purpose of the cap on recovering carryover costs was to encourage the Company to complete CIBS projects before year-end. *See 6/19/16 transcript in Docket No. DG 16-449 at 85-86.* It has become clear, however, that it is impossible for the Company to do so because of city rules that preclude final paving until after the site goes through a winter freeze/thaw period, or that preclude final paving when the temperature falls below a certain threshold, which would require the Company to cease work in late October or early November, losing out on several months of work.

Therefore, Liberty respectfully asks the Safety Division to recommend recovery of the excess carryover costs, and respectfully asks the Commission to approve recovery of those excess carryover costs in this proceeding.

Thank you.

Sincerely,



Michael J. Sheehan

cc: Service List