

State of New Hampshire
Public Utilities Commission

Docket No. DG 18-064

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Cast Iron/Bare Steel Replacement Program Results

Liberty’s Response to Staff’s Recommendation to Terminate the CIBS Program

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities, through counsel, respectfully provides this response to the Staff Memorandum of February 14, 2019, which recommended that “recovery under the CIBS program should be terminated but that Liberty should continue to replace cast iron and bare steel pipelines within its distribution systems under traditional rate recovery mechanisms.”

Staff’s recommendation that the Commission terminate Liberty’s Cast Iron Bare Steel (CIBS) replacement program is based on the following five factors:

1. Liberty’s hard work over recent years has caused “a significant decline in system leaks,” giving rise to “substantially reduced” safety risks due to “leaks and pipe failures;”
2. Termination of the program will reduce “regulatory burden and expense;”
3. Liberty will recover CIBS costs incurred during the 2019 and 2020 construction seasons through the rate case that the Company intends to file in 2020;
4. Reviewing the 2019 and 2020 CIBS spending in the context of that rate case will cause gains in “administrative efficiency;” and

5. “Discontinuation of Liberty’s CIBS program is consistent with the Commission’s decision” to discontinue Northern’s similar bare steel replacement program in 2000 “due to reduced leaks and a similarly anticipated general rate filing.”

Recommendation at 4. For purposes of this response, these five factors can be condensed into two: (1) gains in administrative efficiency by eliminating the separate CIBS proceedings and addressing the next two years of CIBS recovery through the expected 2020 rate case; and (2) Liberty’s current situation is analogous to that of Northern Utilities (“Northern”) in 2000 when the Commission terminated Northern’s program.

Liberty objects to Staff’s recommendation because any gains in administrative efficiency would be minor, and, much more importantly, the condition of Liberty’s remaining CIBS pipe is different than the bare steel that remained in Northern’s system when its program was terminated in 2000. Despite the considerable effort and removal of approximately 80 miles of CIBS in Liberty’s service territory during the life of the CIBS program (which includes removal of CIBS through public works projects and as part of the Company’s gas main encroachment policy), the current leak rate, measured as CIBS-related leaks per mile of CIBS pipe, has not declined as it had in Northern’s service territory by 2000.

At the beginning of Northern’s bare steel program in about 1990, there were approximately 137 miles of bare steel in Northern’s system and 174 leaks, which yields a leak rate of 1.3 leaks per mile. When the Commission approved the termination of Northern’s program in 2000, the amount of bare steel had been cut in half to about 73 miles, and the number of leaks had declined to 45, resulting in a leak rate of 0.6 leaks per mile. Order No. 23,576 at 3 (Oct. 30, 2000). That is, the bare steel remaining in Northern’s system in 1990 was relatively sound.

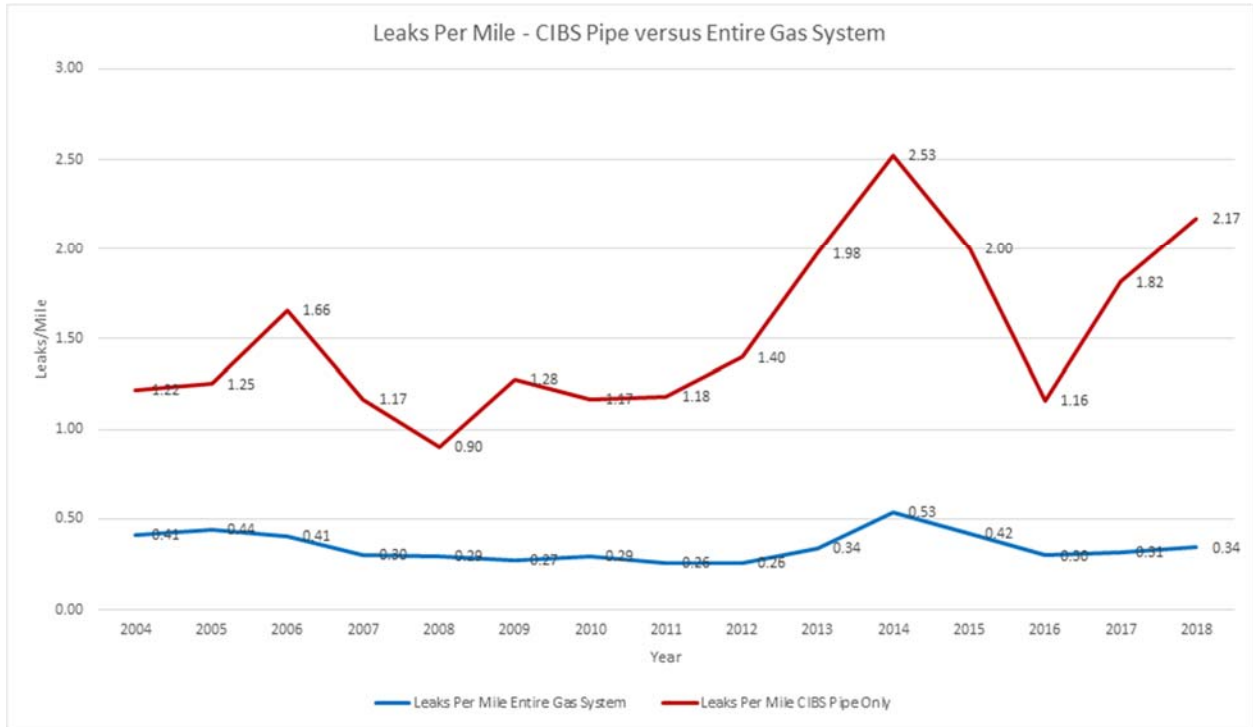
The Commission thus approved termination of the program: “[T]he replacement program was implemented in order to minimize active corrosion and gas leaks and has accomplished those objectives. As the magnitude of the problem has decreased [and] the risk to public safety has been substantially reduced ... we find that the factors which contributed to our approval of the [replacement program] have been minimized and we approve this step adjustment as the last step adjustment” under the program. Order No. 23,576 at 9-10.

The situation involving Liberty’s remaining CIBS pipe is very different.

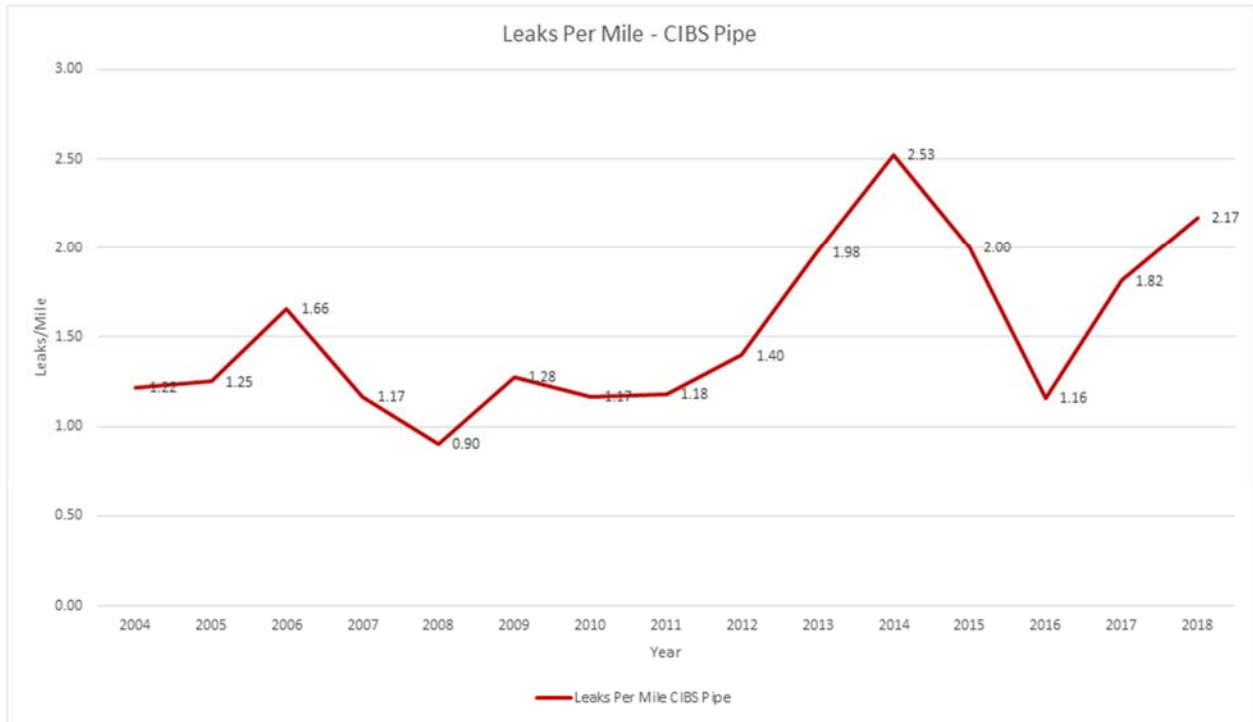
At the beginning of Liberty’s CIBS program in 2007, there were approximately 155 miles of CIBS in the system, which had a rate of 1.2 leaks directly attributable to CIBS failure per mile of CIBS pipe. See Chart below. Today, there are approximately 76 miles of CIBS remaining in Liberty’s system (including Keene) which have a CIBS-related leak rate of 2.1 leaks per mile. That is, the condition of the 76 miles of CIBS remaining in Liberty’s system is worse than the condition of the 155 miles of CIBS that was in EnergyNorth’s system ten years ago. Thus, Liberty’s situation now is far different than Northern’s in 2000 – Liberty still has CIBS pipe of poor condition in the ground, which the Company believes should be removed quickly and efficiently.

The chart attached to Staff’s recommendation at Bates 7 is does not accurately illustrate the issue because it shows the leaks over the entire 1,300 miles of the EnergyNorth system. It is not limited to the 76 miles of remaining CIBS pipe that is the focus of the program. The Company is proud of the fact that it has drastically reduced the number of leaks on its system since Liberty acquired EnergyNorth in 2012, as Staff’s table shows. However, as stated above, the leak rate on the remaining CIBS pipe remains too high to support termination of the CIBS

program. A more appropriate chart showing the CIBS leak rate is in red below (with the leak rate of the rest the Company's system in blue):



The leaks per mile of on the remaining CIBS pipe is actually higher now than it was when the CIBS program started ten years ago. Even though the Company has removed half of the CIBS pipe, the system experienced a similar number of CIBS breaks in 2018 (six) as during the early years of the program (two in 2005, five in 2006, and six in 2007):



Attached are photographs of pipes removed in recent years, which photographs were filed in recent CIBS dockets. It is a near certainty that pipes remain in the ground that are in similarly poor condition, and they are only getting worse over time.

The rationale that supported the Commission’s early support of the CIBS program remains equally persuasive today:

We start by noting our agreement with Staff and National Grid that the CIBS program is important for ensuring safe and reliable service of natural gas in New Hampshire. Through this program, the Company is able to remove from service those pipes most likely to endanger public safety by leaking or failing, while permitting the Company the ability to recover the reasonable costs of replacing pipe without being subject to the degree of regulatory lag often associated with the replacement of such assets.

Order 24,996 at (July 31, 2009).

With the intense, and appropriate, attention on distribution system safety in the aftermath of the Columbia Gas tragedy, Liberty Utilities does not believe this is the time to terminate a

successful program. Note that, should the Commission approve Staff's recommendation, New Hampshire will become the only state in the nation that has CIBS and does not have a CIBS removal program.

Respectfully submitted,
Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a
Liberty Utilities

By its Attorney,



Date: March 15, 2019

By: _____
Michael J. Sheehan, Esq. #6590
116 North Main Street
Concord, NH 03301
Telephone (603) 724-2135
Michael.Sheehan@libertyutilites.com

Certificate of Service

I hereby certify that on March 15, 2019, a copy of this response has been forwarded to the Office of the Consumer Advocate.



Michael J. Sheehan