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June 29, 2010

Debra A. Howland
New Hampshire Public Utilities Commission
21 S. Fruit Street
Concord, NH 03301

Re: DG 10-139; National Grid NH

Dear Ms. Howland:

During the hearing held in this docket on June 18, National Grid NH requested that the Commission consider addressing in its order the issue of the substantial roadway degradation fees that the cities of Manchester and Concord have attempted to assess. I recognize that the Commission may be close to finalizing its order in this matter, but wanted to provide some proposed language (see enclosure) for the Commission's consideration for inclusion in the order. I would appreciate it if you could bring this to the Commission's attention at your earliest convenience.

Sincerely,

Steven V. Camerino

SVC:hsp
Enclosure

cc: Service List

Proposed Language Regarding Road Degradation Fee
National Grid NH
DG 10-139

Because of concerns regarding the leak prone nature of cast iron and bare steel (“CIBS”) mains and services in the Company’s distribution system, in Docket DG 06-107 the Commission approved a process that requires the Company to submit for review by the Commission’s staff on an annual basis a plan for the replacement of such facilities. The work plan proposed each year by the Company is part of its ongoing obligation to maintain its distribution system in a manner that enables the Company to provide safe and reliable service to the public, and anticipates that the Company will replace its CIBS mains and services on an accelerated basis, subject to cost considerations and other factors deemed relevant. A majority of the work to be carried out under the CIBS program for the 2010 construction year is located in the cities of Manchester and Concord. A significant cost of the CIBS program is the cost of restoring the public rights of way that the Company excavates. RSA 231:185 provides that roadways excavated by the Company must be restored “to as good condition as it was in before so doing.” In turn, the Company is allowed to recover through rates amounts that it prudently incurs in performing work reasonably necessary to provide service to customers and otherwise fulfill its legal obligations. The Company indicated through testimony that it has recently been assessed or anticipates being assessed roadway degradation fees in the cities of Manchester and Concord that are in addition to the pavement restoration costs and regular excavation permit fees that it incurs. The testimony indicated that these roadway degradation fees are expected to constitute approximately 10% of the annual CIBS program budget for the current construction year, thereby reducing the extent of the actual main replacement work that can be performed if the rate impact to customers is to be limited in the manner contemplated by the Commission staff. While we recognize the Company’s obligation to pay all validly assessed governmental fees, it is our expectation that the Company will not incur costs that could reasonably be avoided through prudent action. In particular, where the Company has good reason to believe that an amount assessed by a municipality has been assessed illegally, the Commission expects that the Company will take such legal action as is reasonable to contest and otherwise avoid incurring such fees, taking into account all appropriate factors including the likely costs and benefits of such action.