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October 26, 2012

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429



**Re: DRM 11-077: EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities  
Comments on Proposed Changes to Puc 500 Rules for Gas Service**

Dear Ms. Howland:

On behalf of EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities ("Liberty" or the "Company"), I am submitting comments on the proposed N.H. Code of Administrative Rules Puc 500 Rules for Gas Service. Liberty Utilities appreciates the opportunity to provide these comments. While there are many proposed changes to the rules, the Company is focusing its comments on those proposed changes that it believes will have the largest impact on its business operations. Based on the comments below, which do not incorporate every proposed rule change, Liberty estimates that it will incur approximately \$271,000 in annual expense and \$943,000 in one-time expense to comply with the provisions addressed below.

We encourage the Commission to consider not only the costs associated with the various proposed rules, but also the need associated with each proposed change and whether there is a corresponding benefit that would accrue to stakeholders. The Company is unaware of any safety related incidents that have resulted from the current regulations which we believe is an important consideration for the Commission.

**Puc 508.04: Leakage Survey and Inspections**

The proposed changes to Puc 508.04 introduce a new leak classification system, as well as the response that is required by the gas utility based on that classification. The current version of Puc 508.04 contains a succinct standard for the classification of leaks. EnergyNorth has been conducting leak classifications consistent with the GPTC Guide for Gas Transmission and Distribution Piping Systems since at least November 1990. For the reasons set forth below, EnergyNorth does not believe that the proposed changes to this rule are necessary.

Implications of Proposed Rule: The proposed rule would require Liberty to reevaluate all active Class II leaks every 30 days compared to Liberty's current O&M procedures which require reevaluation every 60 days. In addition, the proposed rule would require Liberty to survey and reevaluate each Class III leak every 6 months, in comparison to its current reevaluation every 12 months. There has been no information presented that the current rule governing leak classification or re-evaluation is ineffective or inappropriate or that there have been any safety related incidents as a result of the current formulation of the rule.

Cost to Comply: The proposed rule would result in significant additional operational expense for the Company. It would double the number of inspections of Class II and III leaks, which we estimate will cost approximately \$163,000 in additional operating expense per year based on the Company's current costs. In addition, the Company will be required to entirely re-write its written procedures and training materials on leak investigation and leak classification, which in turn will require re-training of all employees involved in leak classification. The Company estimates that it will incur \$72,000 to revise its training materials and re-train all employees involved in leak classification. In addition to the expense associated with this undertaking, it may result in increased costs for other Company work that is delayed.

Stakeholder Impact: Liberty Utilities does not believe that these increased inspections will result in a corresponding increase in safety to its customers or the public. If the rule is adopted, the Company will be forced to allocate more time to inspections of low-grade leaks that do not pose a safety threat and thereby delaying the completion of other critical work such as other mandated and growth related work.

Recommendation: Liberty requests that the current version of Puc 508.04 remain in effect. To the extent that the Commission were to determine that changes to the leak classification system are necessary, Liberty requests that the Commission convene technical sessions among gas utilities where a collaborative process can be employed to determine a mutually agreeable leak classification methodology.

#### **Puc 506.01(I): Pipeline Safety Standards**

The proposed rule would require Liberty to mark gas service line valves at multi-service installations designating the building or part of the building being served. Currently, the tagging of gas service line valves is governed by NFPA 54, which is enforced by local fire marshals. As proposed, Puc 506.01(I) would require additional tagging.

Implications of Proposed Rule: Liberty is concerned that the proposed rule will result in double regulation of the marking of gas service line valves, which could result in confusion in the field when emergency personnel encounter double tags and seek to make a determination about which, if any, gas service line valves to disconnect. Once on the



scene of an emergency, the gas utility determines which valves to operate and/or disconnect.

Cost to Comply: If the proposed rule is adopted, the Company will have to undertake the following activities in order to comply with the rule: (a) the Company will have to identify all customers who are served by a multi-service installation and create new data fields in its customer information system to notate this information; (b) the Company would need to procure equipment that will generate tags to place on gas service line valves; and (c) field technicians would need to create tags to place on the valves when conducting field work. While the Company has not quantified the costs associated with these tasks, we believe that the costs will be significant.

Stakeholder Impact: The Company is concerned that the proposed rule will not result in any improvements to safety for stakeholders and could result in confusion in the field, all while increasing customer costs.

Recommendation: The Company recommends that the Commission reject the proposed Puc 506.01(l).

#### **Proposed Rules Which Shift the Legal Risk From Customers to the Utility**

Under Section 9(B) of the General Terms and Conditions of Liberty's Tariff for Gas Service, customers are legally responsible for the safekeeping of Company property on the customer's premises and are required to pay the costs of any repairs and replacements to the utility property. This is a long standing provision and is common to most gas utility tariffs. Proposed Puc 505.01 (Meter Installation) would require Liberty to protect meter installations from anticipated or potential dangers such as vehicles, snow, flooding or corrosion, while Puc 506.01(i)(2)(Pipeline Safety Standards) would require Liberty to resolve encroachments caused by the property owner after the initial installation of the meter and regulator vent.

Implications of Proposed Rule: In both instances, the proposed rules are shifting the legal risk and costs from the customer to the utility.

Cost to Comply: If the proposed rule is adopted, the Company will incur increased costs associated with moving meters that may be impacted by snow or other conditions outside of its control, as well as resolving encroachments on meters and regulator vents not caused by any action of the Company. While it is difficult to anticipate how many meters may have to be moved each year due to conditions on customers' property, we anticipate that this expense will be significant given that currently, it costs approximately \$1,200 to relocate one customer meter. In addition, the Company would need to initiate a proceeding at the Commission to obtain approval to revise the language in Section 9(B) of its tariff, which would result in regulatory expense.

Stakeholder Impact: The proposed rule will result in an inequitable shifting of costs from individual customers who have conditions on their property which require that the meter or regulator vent be moved to all customers.

Recommendation: The Company recommends that the Commission reject the proposed Puc 505.01 and 506.01(i)(2).

### **Proposed Rules With Insufficient Compliance Periods**

There are a number of proposed rules that contain a time for compliance which is not sufficient given the practical reality of gas utility operations. The following is a list of rules and recommended revised compliance periods:

Puc 506.01(d): This proposed rule requires that welders be certified every 27 months. Unitil has proposed that the certification period be extended to five years, which Liberty supports. More frequent certification will result in increased costs for gas utility contractors, which costs will be passed on to the gas utilities.

Puc 506.02(v): This proposed rule will require gas utilities to take remedial action on any cathodic protection deficiency within 3 months. This time frame is insufficient given that if such a deficiency is detected during a winter month, the gas utility would be unable to obtain the necessary permit during the winter to conduct the work. Thus, Liberty proposes that the proposed rule be revised to allow 9 months for correction.

### **Reports Required Under Proposed Puc 500 Rules**

The rules contain a number of reports which are overburdensome or vague as proposed. Liberty proposes the following changes to the reporting requirements identified below:

E-6, E-8, E-23 and E-24: Each of these reports is required to be filed with the Commission on a monthly basis. The Company's experience has been that more often than not, its monthly report consists of a statement that there have been no reportable events. As a result, the Company requests that these reports only be required when there is an occurrence to report.

Puc 504.05(a)(8): This proposed rule requires reporting to the Commission's Safety Director "A gas facility-related incident that the utility is aware of, including any incident that is likely to be, or has been, reported in the news media." This proposed standard is vague and would be subject to differing interpretations regarding what is "likely" to happen in the future. As a result, Liberty requests that this proposed rule be eliminated.

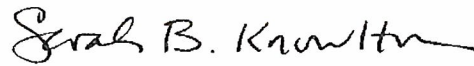
Finally, the Company would like to note that at the public comment hearing on October 19, the Staff appeared to question the value of the Northeast Gas Association in developing

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industry standards for safety and operations. The Company believes that the Association plays a vital role in developing high quality safety standards and practices for gas utilities in the region, and encourages the Commission to consider the Association's views on the proposed rules.

Thank you for your consideration of these comments.

Very truly yours,

A handwritten signature in black ink, reading "Sarah B. Knowlton". The signature is written in a cursive, flowing style.

Sarah B. Knowlton

cc: Service list