STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: December 12, 2019
AT (OFFICE): NHPUC

FROM: Stephen Frink, Director – Gas & Water Division SPF

SUBJECT: DG 17-023 & DG 17-065
Liberty Utilities (EnergyNorth Natural Gas) Corp. and
Northern Utilities, Inc.
Excess Flow Valve Regulations

TO: Commissioners
Docket File
Service List

SUMMARY OF STAFF RECOMMENDATION

The Commission should issue a secretarial letter rejecting Liberty's proposed tariff change and closing Docket DG 17-023 and DG 17-065. Both of New Hampshire's local gas distribution companies, Liberty Utilities (EnergyNorth Natural Gas) Corp. (Liberty) and Northern Utilities, Inc. (Northern), have disseminated information to customers on the availability and installation of excess flow valves (EFVs), in accordance with recent changes in federal requirements. Very few, if any, customer requests for the installation of EFVs have been submitted to either company to date. The changes in federal EFV regulations have had a negligible impact on utility costs and cost recovery should be addressed in future rate proceedings.

BACKGROUND

EFVs are safety devices installed on natural gas distribution pipelines to reduce the risk of potential pressure-related accidents. EFVs are currently required for new or replaced gas service lines to single-family residences. The revised U.S. Department of Transportation/Pipeline and Hazardous Materials Safety Administration (PHMSA) federal regulations, effective April 14, 2017, added four new categories of service for which EFV installation is now mandatory, and required operators to notify customers of their right to request installation of an EFV on service lines that are not being newly installed or replaced. The question of who bears the cost of installing EFVs on service lines not being newly installed or replaced was left to state regulatory agencies responsible for setting gas system operator rates. **See Exhibit 1 - Pipeline and Hazardous Materials Safety Administration (PHMSA) Rulemaking Document.**

Liberty's EFV notification to customers consisted of a bill insert disseminated to all customers in 2017 and to new customers thereafter. Liberty's website also includes information for customers regarding the installation of an EFV. **See Exhibit 2 – EFV information on Liberty website and website link.**

Northern's notification to customers is provided on its website, with information on the function of EFVs, how to request an EFV, and EFV installation procedures. **See Exhibit 3 – EFV information on Northern website and website link.**

On January 30, 2017, Liberty filed a petition to revise its tariff to include cost recovery relating to the installation of EFVs pursuant to the new rules promulgated by PHMSA. The proposed tariff language required customers requesting installation of an EFV to pay associated expenses in advance of installation. The Commission established Docket No. DG 17-023 regarding the filed petition.[1] **See Exhibit 4 – Liberty proposed tariff change.**

On April 12, 2017, Northern submitted a letter outlining how it intended to recover the costs expended for the installation of EFVs pursuant to the new federal rules. Northern proposed to install EFVs at no cost to customers unless a customer requested an expedited installation, and to address future EFV cost recovery in its next rate case.[2] The Commission established Docket No. DG 17-065 to address the Northern proposal.

An Order of Notice was issued in each docket, setting pre-hearing conferences, and raising the issues of cost recovery and how EFV charges would be determined and communicated to customers.

At the pre-hearing conference held in DG 17-065, Staff made an oral motion to consolidate Docket No. 17-023 with Docket No. 17-065. The Commission issued a Secretarial letter on June 22, 2017, consolidating both dockets and setting a procedural schedule.

On August 15, 2017, Staff filed a motion to postpone a scheduled hearing to allow additional time for settlement. The Office of the Consumer Advocate, Liberty, and Northern assented to the request. On August 16, 2017, the Commission issued a secretarial letter postponing a hearing until further notice. A draft settlement agreement was developed by the parties, but never finalized, due to intervening proceedings.

On September 17, 2019, Staff issued data requests seeking update information on EFV costs and installations. Liberty and Northern responses were provide on September 26 and 27, respectively.

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[1] Order No. 25,992 issued February 24, 2017 suspended the proposed tariff until May 25, 2017. Because the consolidated dockets remain open, Liberty has not implemented the proposed tariff change.

[2] On June 5, 2017, Northern filed for a rate increase (Docket No. DG 17-070) and proposed to recover EFV as outlined the April 12, 2017 letter (Northern Rate Request, Volume 1 of 3, Bates Pages 204-205).

STAFF FINDINGS

At the time of the EFV rule change that required Liberty and Northern to notify customers of their right to request installation of an EFV on their existing gas service lines under certain circumstances, Liberty had 25,723 service lines without EFVs and Northern had 13,718.

As a result of the rule change, Liberty has had to install eight EFVs on existing service lines (April 2017 through September 2019) and Northern has not had to install any. Liberty's average cost to install an EFV in response to customer requests is $3,156 and Northern estimates a comparable cost for a customer requested EFV installation.

Liberty's average annual cost for EFV installations is $10,447, based on eight installations over 29 months, which would result in a $0.00006 per therm charge based on projected annual therm sales of 187,178,686 for November 1, 2019 thru October 30, 2020. The impact on a residential heating customer's annual bill would be less than five cents.

The Liberty and Northern tariffs currently allows for delays in construction when climatic conditions would cause abnormally high construction costs and/or for customers to pay extra costs. **See Exhibit 5 – Tariff language on winter installations.**

STAFF RECOMMENDATIONS

Staff recommends that the Commission issue a secretarial letter rejecting Liberty proposed tariff change, given the intervening practice and reporting by the companies, and close the consolidated dockets.

Staff concludes that customers should not incur any fee or charge for an EFV installation, unless the customer requests installation at a time or in physical circumstances that result in higher-than-normal installation costs, in which case the customer should be provided a cost estimate for the installation and required to pay the incremental cost.

Routine EFV installation costs in response to customer requests should be recovered through base rates, consistent with how EFV installation costs on new services are recovered.

The Liberty and Northern tariffs should be revised to include a customer's right to request an EFV pursuant to the applicable federal rule now in effect. The proposed tariff changes should be filed prior to, or as part of, the next general rate filing for each company.

EXHIBIT 1
Pipeline and Hazardous Materials Safety Administration
Rule Making Document on Excess Flow Valves

Pipeline Safety: Expanding the Use of Excess Flow Valves in Gas Distribution Systems to Applications Other Than Single-Family Residences

Action: Final rule.

Summary: Excess flow valves (EFV), which are safety devices installed on natural gas distribution pipelines to reduce the risk of accidents, are currently required for new or replaced gas service lines servicing single-family residences (SFR), as that phrase is defined in 49 CFR 192.383(a). This final rule makes changes to part 192 to expand this requirement to include new or replaced branched service lines servicing SFRs, multifamily residences, and small commercial entities consuming gas volumes not exceeding 1,000 Standard Cubic Feet per Hour (SCFH). PHMSA is also amending part 192 to require the use of either manual service line shut-off valves (e.g., curb valves) or EFVs, if appropriate, for new or replaced service lines with meter capacities exceeding 1,000 SCFH. Lastly, this final rule requires operators to notify customers of their right to request installation of an EFV on service lines that are not being newly installed or replaced. PHMSA has left the question of who bears the cost of installing EFVs on service lines not being newly installed or replaced to the operator's rate- setter.

Pipeline and Hazardous Materials Safety Administration
Rulemaking Document
FR Document Number:2016-24817
Published Date: 10/14/2016
Effective Date: 04/14/2017
Docket Number:PHMSA-2011-0009
CFR Part: 192

Q:\Gas-Water\Gas\Liberty Utilities\17-023 ExcessFlow Valve\Regulations _ PHMSA.html

EXHIBIT 2
Liberty EFV Website Information and Link

https://new-hampshire.libertyutilities.com/concord/residential/safety/efv-page.html

Excess Flow Valve

An Excess Flow Valve (EFV) is a mechanical safety device installed inside a gas service line between the gas main in the street and the gas meter and is designed to minimize the flow of natural gas in the event of a service line break. A potential safety benefit is if an excavator accidentally digs up the gas service line, the valve would automatically minimize the flow of gas.

EFVs do not operate on all gas service lines and certain parameters may exist where installation of an EFV is not warranted. Many customers already have an EFV installed on their existing service line. If you are interested in getting an EFV installed on your property, we first need to determine if your gas service line is eligible.

Please contact us at 1-800-833-4200 or fill out the form below.

Installation requires a Dig Safe notification and excavation where the existing gas service line connects to the gas distribution main. This means that gas service will be interrupted to the customer for a brief period of time. The average standard cost of an EFV installation is estimated at $2,600, which will be covered by the utility in full. The installation of an EFV will be scheduled at a mutually agreeable date pending the approval of city permits and weather conditions.

EXHIBIT 3
Northern EFV Website Information and Link

https://origin2.unitil.com/energy-for-residents/safety/natural-gas-safety/excess-flow-valves-0

Excess Flow Valve Notification

Federal regulations at 49 C.F.R. §192.383(d) regarding gas pipeline safety requires Northern Utilities, Inc. (Unitil) to notify customers of their right to request installation of an Excess Flow Valve (EFV) on their existing gas service line under certain circumstances. An EFV is a mechanical safety device installed inside a gas service line between the gas main in the street and the gas meter. The EFV is designed to minimize the flow of natural gas in the event of a service line break. A potential benefit is, in the event that an excavator accidentally digs up the gas service line, the valve would operate to minimize or shut off the flow of gas.

If the customer's service line operates at a pressure of less than 10 pounds per square inch gauge throughout the year, the customer's service line is exempt from EFV installation. An exemption will also apply if: a customer's load exceeds 1,000 standard cubic feet per hour; the operator has experience with contaminants in the gas stream that could interfere with the EFV's operation or cause loss of service to a customer; there is a potential for interference with necessary operation or maintenance activities, such as blowing liquids from the line; or an EFV meeting the performance standards in federal rules (§192.381) is not commercially available to the operator.

EFV Conditions & Information

EFVs do not operate on all gas service lines and certain parameters may exist where installation of an EFV is not warranted. Many customers already have an EFV installed on their existing service line.

To install the excess flow valve, Unitil will excavate the service line at its connection to the gas mainline piping that runs along the street. Unitil will then turn off the customer's gas service line, install the excess flow valve, backfill the excavation and relight the customer's appliances. Typically, within a few weeks a restoration contractor will return to restore the customer's property. Under certain conditions, Unitil may need to replace the entire gas service at no additional cost.

The cost of installing the EFV is estimated to range between $2,000 -$4,000 depending on specific circumstances. Installations will be scheduled to align with other upcoming work or as soon as practicable where mutually agreeable to the customer. When scheduled at a mutually agreeable time selected by Unitil, the cost will be covered by the Company. The cost of installation may be at the expense of the customer if requested to be scheduled on an expedited basis. Individual estimates will be provided upon request.

To inquire about having an EFV installed on your gas service line, call our customer service center:
For New Hampshire Gas customers: 866-933-3820

EXHIBIT 4

I. GENERAL TERMS AND CONDITIONS

9 - COMPANY EQUIPMENT ON CUSTOMER'S PREMISES (Cont'd)

9(G) Ownership and Removal. All equipment supplied by the Company shall remain its exclusive property and the Company shall have the right to remove the same from the premises of the customer at any time after the termination of service for whatever cause.

10 - SERVICE CONTINUITY

10(A) Regularity of Supply. The Company will use reasonable diligence to provide a continuous, regular and uninterrupted supply of service, but should the supply be interrupted by the Company for the purpose of making repairs, changes or improvements in any part of its system for the general good of the service or the safety of the public, or should the supply of service be interrupted or fail by reason of accident, strike, legal process, state or municipal interference, or any cause whatsoever beyond its control, the Company shall not be liable for damages, direct or inconsequential, resulting from such interruption or failure.

10(B) Notice of Trouble. The customer shall notify the office of the Company immediately should the service be unsatisfactory for any reason or should there be any defects, leaks, trouble or accident affecting the supply of gas.

11 - CUSTOMER'S USE OF SERVICE

11(A) Resale Forbidden. The customer shall not, directly or indirectly, sell, sublet, assign or otherwise dispose of to others, gas purchased from the Company, or any part thereof, without the consent of the Company. This rule does not apply to a public utility Company purchasing gas in bulk expressly for the purpose of delivering it to others.

11(B) Fluctuations. Gas service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system. In the case of violation of this rule, the Company may discontinue service or require the customer to modify his installation, and/or equip it with approved controlling devices.

11(C) Additional Load. The service supply pipe, regulators, meters and equipment supplied by the Company for each customer have definite capacities. The customer shall notify the Company of substantial changes in service requirements or location of appliances.

11(D) Excess Flow Valves. The customer has the right under Department of Transportation "DOT" 49 CFR Part 192 to request the installation of an Excess Flow Valve "EFV" on service lines not exceeding 1,000 Standard Cubic Feet per Hour "SCFH" as long as the customer pays for the expense in advance of the installation and that the following standards are followed:

i. A single service line to one single-family residence "SFR";

ii. A branched service line to a SFR installed concurrently with the primary SFR service line;

iii. A branched service line to a SFR installed off a previously installed SFR service line that does not contain a EFV;

iv. Multi-family residences with known customer loads not exceeding 1,000 SCFH per service, at time of service installation based on installed meter capacity, and

v. A single, small commercial customer served by a single service line with a known customer load not exceeding 1,000 SCFH, at the time of meter installation, based on installed meter capacity.

EXHIBIT 4

Issued: January 27~~July 6~~, 2017~~5~~
Effective: April 14, 2017~~July 1, 2015~~

Issued by: /s/ James M. Sweeney~~Daniel G. Saad~~
James M. Sweeney~~Daniel G. Saad~~
Title: President

Issued in compliance with ~~NHPUC~~ DOT Final Rule ~~Order No. 25,797~~ dated October 14, 2016~~June 26, 2015~~ in Docket No. PHMSA-2011-0009~~DG 14-180~~.

EXHIBIT 5

Tariff Language on Winter Installations

Northern Utilities

Original Page 8 of Northern's tariff, NHPUC No. 12-Gas, paragraph II.8 Service Connections, which provides:

The Company reserves the right to postpone to a more favorable season the extensions of mains and connection of services during seasons of the year when climatic conditions would cause abnormally high construction costs.

Original Page 16 of Northern's tariff, NHPUC No. 12-Gas, paragraph III.4 Winter Conditions, which provides:

Ordinarily no new service pipes or main extensions are installed during winter conditions (when frost is in the ground) unless the Customer defrays the extra expenses.

Liberty Utilities

Original Page 11 of Liberty's tariff, NHPUC No. 10-Gas, paragraph 7 Service and Main Extensions, B.4.F, which provides:

Winter Construction. Ordinarily, no new service pipes or main extensions are installed during the winter conditions (when frost is in the ground) unless the customer defrays the extra expenses.

Second Revised Page 8 of Liberty's tariff, NHPUC No. 10-Gas, paragraph 7 Service and Main Extensions, A.5, which provides:

Abnormal Costs are service and/or main construction costs that are attributable to frost or ledge (including ditching or backfilling necessitated as a result of the presence of frost or ledge),and/or other conditions not typically encountered in service and/or main construction that are peculiar to the particular service and/or main construction concerned. Abnormal Costs are to be paid by the customer.

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