

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** March 19, 2021

**AT (OFFICE):** NHPUC

**FROM:** Randall S. Knepper  
Director of Safety & Security, Safety Division

**SUBJECT:** Unitil's NH Gas Division, Northern Utilities, Inc.  
DG 20-142 Request for Waiver of Puc 505.07(a)  
Staff Recommendation

**TO:** Debra A. Howland, Executive Director, NHPUC

**cc:** Paul Kasper, Assistant Director, Safety Division  
Stephen Frink, Director, Gas and Water Division  
Lynn Fabrizio, Staff Attorney, Legal Division

On September 2, 2020, Unitil (Unitil, or the Company) filed a letter on behalf of its NH Gas Division, Northern Utilities, Inc. (Unitil/Northern NH), seeking a waiver of Puc 505.07(a) for a period of three years beginning November 1, 2020. Puc 505.07(a) requires that the Company:

maintain the equipment and facilities necessary for accurately testing each type and size of meter employed for the measurement of gas to its customers, unless arrangements approved by the commission, pursuant to Puc 201.05, have been made to have such testing done elsewhere.

This request for waiver is similar to a previous request made by Unitil/Northern NH in Docket DG 17-134, which was conditionally approved by the Commission for a three-year term in secretarial letter dated December 19, 2017.

The secretarial letter conditionally approving Unitil/Northern NH's waiver request in Docket DG 17-134, dated December 19, 2017, required the Company to file annual reports of its reconciliation of the Unitil ME/NH/MA Gas Divisions' outsourced meter testing program costs. The annual reporting provides a cost-benefit analysis that compares Unitil's ME/NH/MA gas divisions' outsourced annual meter testing program costs to updated cost estimates for bringing the gas meter testing and servicing operation back in-house.

In the latest Unitil/Northern NH waiver request filing of September 2, 2020 (dated September 1, 2020), Unitil estimates that providing meter testing within its own facilities by internal employees would be more than twice the cost than having the meters tested out of state and delivered back to NH.

## **Staff Review and Analysis**

Staff has completed its review of the Company's Request for Waiver of Puc 505.07(a), filed on September 2, 2020. Staff also reviewed other pertinent reports and documents filed by Until, including: Annual Reports of Gas Meter Testing for 2018, 2019 and 2020<sup>1</sup>; E-7 Annual Reports of Gas Meter (Accuracy) Tests for 2018, 2019 and 2020<sup>2</sup>; and prior requests in related dockets for waiver of Puc 505.07(a)<sup>3</sup>.

The results show that overall costs for the outsourced meter testing program have remained stable.

Even though the NH Division cost per meter test has increased over the past three years, actual aggregate average cost per meter testing costs are significantly lower than Until's estimated cost for bringing the meter testing program back in-house. Staff did not attempt to verify and validate the Company's estimates of In-House Operating Costs because of the significant difference with the outsourcing option.

Based on the current cost figures provided by Until, Staff concludes that the Company will continue to save operating costs across its three gas operations divisions by outsourcing its meter testing function. Staff did not attempt to validate Until's assertions for cost assumptions used in performing meter tests in-house. Previous Staff recommendations made in Docket DG 17-134 found that the quantity of meters tested would need to total approximately 9,000 before it became more cost effective than outsourcing.

In previous waiver request dockets, Until/Northern NH provided assurance to Staff that it has a process in place to meet the requirements of Puc 505.05, customer-witnessed meter tests. The Company's third party vendor provides testing services from a mobile van that is equipped with a prover that can be used for testing meters. These tests are able to be arranged and scheduled so that customers can witness the procedures at Until/Northern NH's Portsmouth facility. Staff recommends that Until/Northern NH address this issue by confirming its capability to meet the requirements of Puc 505.05 as a condition of Commission approval of the waiver request.

## **Conclusion and Staff Recommendation**

Until/Northern NH's current waiver period expired on October 31, 2020. Staff suggests the new waiver period be effective with a start date to begin on the first day of November 2020 with an end date on the last day of the month of October 2024, resulting in a four-year waiver period.

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<sup>1</sup> See Commission Secretarial Letter dated December 19, 2017, approving the Northern Utilities request for a waiver of Puc 505.07(a), at p. 2, in Docket DG 17-134.

<sup>2</sup> Puc 509.09 E-7 Annual Report of Gas Meter Tests, reporting requirement related to meter accuracy test results.

<sup>3</sup> See, e.g., Dockets DG 10-245, DG 14-222, and DG 17-134.

Unitil/Northern NH did not address the requirements of Puc 505.05, related to how it would meet customer requested tests, which may be witnessed locally by the customer, the customer's agent, or by Commission Staff.

Additionally, based on its review of the Unitil/Northern waiver request of Puc 505.07(a) and Unitil/Northern's Annual Reporting of Gas Meter Testing for 2018, 2019, and 2020, Staff recommends the Commission approve the request for a waiver of Puc 505.07(a) with the following conditions:

1. Unitil/Northern NH should be directed to confirm its capability to meet the requirements of Puc 505.05 as a condition of approval of the waiver request.
2. The recommended waiver should begin on November 1, 2020, following the October 31, 2020 expiration of the prior waiver granted in Docket DG 17-134.
3. Waiver of Puc 505.07(a) should be for a period of four years, commencing retroactively on November 1, 2020, with an expiration date of October 31, 2024. While Unitil requested a 3-year waiver, Staff has determined that a four year waiver is warranted since the number of meters that will be added within the four years are not anticipated to reach a point at which in-house testing will become economically reasonable.
4. Subsequent waiver requests of Puc 505.07(a), if necessary, should be filed by the Company at least 60 days prior to the expiration date of an effective waiver.
5. This waiver should not be assignable or otherwise transferrable to another entity as a result of a change of control or ownership of Northern Utilities.
6. In the event Northern anticipates or experiences any significant change in its third party vendor's testing capabilities or practices, including costs, it should immediately notify the Commission by letter, with reference to this docket number.
7. The Commission should reserve the right to reassess, revise, or otherwise revisit the waiver in the event of changes in statutory or regulatory requirements, or other relevant developments related to meters and meter testing.
8. Throughout the term of this waiver, Unitil shall file Annual Reports of Gas Meter Testing, with sufficient detail to allow Commission Staff to evaluate the effectiveness of the outsourcing option over alternative in-house options. The annual reporting shall include:
  - a. A written narrative summarizing overall meter testing program results with observations related to year over year average cost per meter test variances by class;
  - b. Reconciliation of actual outsourced gas meter testing program costs to identified costs in its third party vendor's purchase order agreement(s);

- c. Cost benefit analysis that compares sufficiently detailed actual costs of outsourcing its meter testing program for each of Unitil's three gas divisions' to updated cost estimates to bring the meter testing and servicing operation back in-house;
- d. An updated status of what steps have been taken by the Company, or its meter testing program vendor, to determine the defect responsible for failure for any group of meters that have been flagged with accuracy rates of 87% or less.

All Annual Reports of Gas Meter Testing should be filed by March 31 of each year throughout the term of the waiver.

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