

DE 03-205

GRANITE STATE ELECTRIC COMPANY

Application for Waiver of Puc 305.03 for Periodic Tests of Meters
in Service

Order Nisi Granting Application for Waiver

O R D E R N O. 24,278

February 6, 2004

I. Procedural Background

On October 29, 2003, Granite State Electric Company (GSEC) filed with the New Hampshire Public Utilities Commission (Commission) an Application for Waiver of N.H. Admin Rules Puc 305.03 for Periodic Tests of Meters in Service. In connection with this Application, GSEC requested that, as an alternative to filing Form E-3 and Form E-3A pursuant to Puc 308.03 and Puc 308.04, it be permitted to file a single consolidated annual report containing information from the statistically-based testing program which is the subject of GSEC's proposal.

The Application was filed pursuant to Puc 201.05, which provides that the Commission may waive the provision of any rule upon a finding that the waiver serves the public interest and the waiver shall not disrupt the orderly proceeding of the Commission. In determining the public interest, Puc 201.03(e) provides that the Commission shall waive a rule if compliance with the rule would be onerous given the circumstances of the affected party, and the purpose of the rule shall be satisfied by

an alternative method proposed.

II. Positions of the Parties

A. Granite State Electric Company

GSEC proposes to implement a defined, statistically-based meter testing plan based on the provisions of ANSI/ASQC Z1.9-1993, *Sampling Procedures and Tables for Inspection by Variables for Percent Nonconforming* as an alternative to Puc 305.03, "Test Schedules for Watt-hour Meters and Demand Devices," which prescribes the periodic in-service testing of single-phase, network, and polyphase watt-hour meters, .

According to GSEC, the ANSI/ASQCZ 1.9-1993 based testing plan has several advantages over the testing requirements contained in the current regulations, including improved quality and collection of meter performance data, an improved ability to monitor meter performance trends to assure the accuracy of the meter population, and lower implementation and execution costs for in-service meter testing.

GSEC states that test results for each group would be analyzed using the weighted average result of full load (testing of a meter at 100 percent of rated test amperage) and light load (testing of a meter at 10 percent of rated test amperage). GSEC states that the analysis would be conducted as follows: The mean and standard deviation for the weighted average for each group would be calculated and used to estimate the failing percentage

of meters in each group, called the "percent nonconformance." To determine the pass/fail status for each group, the calculated percent nonconformance for each group would be compared to the allowed percent nonconformance established in ANSI/ASQC Z1.9-1993.

GSEC states that if a meter group fails, GSEC would observe the following protocol for dealing with outliers: meters with test results beyond the normal range would initially be excluded from the statistical calculation and further investigated. With respect to testing of a specific portion of a meter group population that is responsible for a group's failure, GSEC would employ the following procedure: If GSEC can determine a specific cause for failure for a specific group, GSEC would implement a remediation program for that group; if GSEC cannot determine the cause of failure for a specific meter group, GSEC would replace the failing meters.

GSEC avers that the total cost of meter exchange and testing are expected to increase from \$11,618 in 2003 to \$16,770 in 2004. GSEC states that this increase is the result of an

expected increase in the number of meters to be tested.¹ GSEC indicates that its meter testing activities are part of its normal on-going operations and maintenance functions in providing distribution service. Therefore, recovery of these costs would be provided for in GSEC's base distribution rates. GSEC indicates that the typical residential customer who consumes 500 kilowatt-hours in a month will pay about \$0.010 per month for meter testing as a result of this program. This represents a \$0.003 increase from the previous cost of \$0.007 per month. GSEC contends that such additional costs are negligible.

GSEC states that because the purpose of Puc 305.03 is satisfied by the proposed alternative, statistically-based meter testing plan, and because the alternative plan has several advantages over the testing requirements contained in the rule, the alternative testing plan is in the public interest and the Commission should therefore grant the waiver by an Order Nisi.

B. Staff Position

On February 5, 2004, the Commission Staff submitted a recommendation supporting a waiver subject to certain conditions. Staff indicates concern about the increase in the unit cost of

¹ As part of GSEC's Automated Meter Reading (AMR) Project, the vast majority of the Company's meters were recently changed out over a very short period of time, ending in 2001. This significantly reduced the number of tests required in the near-term under the current periodic test program. As a result of the AMR project, the near-term costs of converting to the statistical sampling methodology will be higher than if GSEC were to remain on a periodic testing plan. However, over the long-term, remaining on the periodic testing program would result in higher costs. This is especially true as the recently changed batch of AMR meters comes due for test. Therefore, although Granite's near-term testing costs may be higher using the statistical sampling program, long-term costs will be lower. Moreover, National Grid's goal is to use consistent meter testing programs for all of its distribution utilities, which will lower overall testing costs due to economies of scale.

meters associated with this proposal. According to GSEC, the unit cost of testing meters will increase as a result of this program from a three year average of \$21.42 per meter to \$24.13 per meter during the first year. In response to a Staff data request, GSEC indicated that the increase in unit costs reflects recent trends in labor costs. Staff believes the cost increase is reasonable given the benefits of the testing program proposed by GSEC.

In response to Staff's request for investigation of key characteristics other than type of meter and manufacturer, GSEC responded by saying that, if a group of meters fails the quality test, GSEC will conduct a root-cause analysis to detect the cause for failure. Staff believes that this additional analysis will enable GSEC to identify appropriate replacement meters. GSEC asserts, and Staff agrees, that as GSEC replaces failing meter groups, the overall quality and accuracy of GSEC's meters should improve.

Staff believes that there are benefits associated with the proposal. First, unlike the current rules, the proposed method allows the utility to classify metering groups by manufacturer and type. Second, poorly performing meters can be easily identified and those meters can be replaced. Third, due to the higher quality of data, GSEC will be able to make better informed meter purchasing decisions.

Staff recommends that the Commission grant GSEC a waiver of Puc 305.03, under the condition that when root-cause analysis is conducted, the Company must test for characteristics such as meter age and the number of years in service. Staff also recommends that the Commission approve GSEC's reporting proposal and waive Puc 308.03 and 308.04, under the condition that the proposed report includes all the information required by Puc 308.03 and 308.04, because a single report is less confusing and aids in the State of New Hampshire's paper reduction efforts.

Staff notes that the Commission has approved statistical sampling plans in lieu of periodic testing of the meters of two local natural gas distribution companies. *Northern Utilities, Inc*, 84 NH PUC 442 (1999); *EnergyNorth Natural Gas, Inc.*, 83 NH Puc 388 (1998) and *EnergyNorth Natural Gas, Inc.*, 81 NH PUC 440 (1996). In these dockets, the companies explained that use of the proposed statistical sampling plan would ensure that their meters continued to demonstrate a high level of accuracy and provided operating efficiencies as well, and the Commission found that the proposed alternative testing procedure based on statistical sampling was in the public interest.

IV. Commission Analysis

This Application was filed pursuant to Puc 201.05 which provides that the Commission "shall waive the provisions of any rule, except where precluded by statute, upon request by an

interested party . . . if the commission finds that:

(1) The waiver serves the public interest; and

(2) The waiver shall not disrupt the orderly proceeding of the commission." Puc 201.05(a) The rule further states that "In determining the public interest, the commission shall waive a rule if:

(1) Compliance with the rule would be onerous given the circumstances of the affected person; and

(2) The purpose of the rule shall be satisfied by an alternative method proposed." Puc 201.05(e)

GSEC has applied for a waiver of Puc 305.03, Test Schedules for Watt-hour Meters and Demand Devices. The rule prescribes time frames by which a utility must test various kinds of meters. In lieu of following the requirements of Puc 305.03, GSEC is requesting that it be allowed to use a statistical sampling method of meter testing based on the provisions of the ANSI/ASQC Z1.9. GSEC asserts, and Staff agrees, that use of the alternative testing methodology has advantages over the testing requirements contained in the regulation.

We have reviewed the methodology of GSEC's statistical sampling of meters proposal, and have also reviewed Staff's analysis and recommendations. We find that GSEC's use of the alternative meter testing methodology set forth in its Application for Waiver satisfies the requirements of Puc 305.03,

and that granting the waiver is therefore in the public interest pursuant to Puc 203.05(e). We further find that as GSEC will continue to comply with reporting requirements regarding its testing of meters, the adoption of this alternative to Puc 305.03 will not interfere with the orderly conduct of any proceeding. Therefore, we grant the waiver of Puc 305.03 requested by GSEC.

We also find that it is reasonable to waive the requirement that GSEC submit Forms E-3 and E-3A as required by Puc 308.03 and .04 provided that a consolidated report include all the information required by Forms E-3 and E-3A.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, GSEC's Application for Waiver of Puc Rule 305.03 is granted; and it is

FURTHER ORDERED, that GSEC's Application for Waiver of the specific requirements of Puc 308.03 and 308.04 is granted subject to the condition that GSEC shall provide in its single consolidated report the same information required by Puc 308.03 and 308.04 on an annual basis beginning March 15, 2005; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than February 16, 2004 and to be documented by affidavit

filed with this office on or before March 1, 2004; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than February 23, 2004; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than February 27, 2004; and it is

FURTHER ORDERED, that this Order Nisi shall be effective March 8, 2004, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New
Hampshire this sixth day of February, 2004.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary