

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 11-106**

**ENERGYNORTH NATURAL GAS, INC. D/B/A NATIONAL GRID NH**

**Cast Iron/Bare Steel Replacement Program**

**Order Approving Revised Distribution Rate**

**ORDER NO. 25,244**

**June 29, 2011**

**APPEARANCES:** Thomas P. O'Neill, Esq., for Energy North Natural Gas, Inc. d/b/a National Grid NH; and Alexander F. Speidel, Esq., for the Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

On May 13, 2011, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid or Company) filed its fiscal year 2011 (April 1, 2010-March 31, 2011) Cast Iron/Bare Steel (CIBS) Replacement Program Results. As a result of work completed in fiscal year 2011, National Grid seeks a permanent increase in its base distribution rates of \$521,590 effective for usage on and after July 1, 2011. The program results and request for a rate increase are filed pursuant to the merger settlement agreement in Docket No. DG 06-107 as approved by the Commission in *National Grid plc, et al.*, Order No. 24,777 (July 12, 2007).

On May 17, 2011, the Commission issued an order of notice setting a hearing on the matter for June 17, 2011. Staff issued two sets of discovery requests, on May 18 and June 6, 2011. No other parties intervened in the docket and the hearing was held on June 17, 2011 as scheduled.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. National Grid**

National Grid's initial filing outlined the nature of the costs it may recover through the CIBS program and costs that are not to be included for recovery. The filing then stated that, prior to the submission of the fiscal year 2011 report, representatives of the Company had met with Staff to review the results of the fiscal year 2011 program against the scope of the program, and that no costs were removed as a result of that meeting. The Company's filing showed actual spending of \$4,059,700 for the fiscal year. As part of the CIBS program, the Company is not permitted to recover revenue relating to the first \$500,000 of CIBS spending. *See National Grid plc, et. al.*, Order No. 24,777 (July 12, 2007) at 29; *see also Energy North Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,127 (June 30, 2010) at 2. Therefore, before calculating the amount to be added to rate base, the Company subtracted \$500,000 from the actual spending figure. The result was an incremental expenditure of \$3,559,700 for inclusion in rate base and a resulting incremental revenue requirement of \$521,590. That incremental revenue requirement was converted, on a per unit basis, to produce a per therm increase based on the Company's annual throughput as calculated in its semi-annual cost of gas filings, as presented in Attachment B to the Company's filing; on an overall bill basis, the increase to a residential heating customer would be \$4.22 for a customer using 1,250 therms per year, representing a 0.27 percent increase. Transcript of June 17, 2011 Hearing (Tr.) at 12.

According to the Company's filing, on April 30, 2010, it submitted its proposed plan for fiscal year 2011, which called for the replacement of 2.79 miles of cast iron and bare steel pipes

at an estimated cost of \$4,106,680. During the year, the Company actually replaced 3.04 miles of pipe at a cost of \$4,059,700, which included \$280,630 of costs incurred in fiscal year 2011 for work completing three projects that were part of the fiscal year 2010 program.

In its testimony related to the 2010 CIBS program filing, *see Energy North Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,127 (June 30, 2010) at 4-5, the Company described continuing pending litigation related to so-called road degradation fees sought by the cities of Manchester and Concord. Tr. at 12-14. The Company testified that, for both its Manchester and Concord cases, litigation costs are not being sought as part of the CIBS program, though the Company did reserve the right to seek recovery of such expenses in the future. Tr. 13-14. The Company also testified that, though it had not paid Manchester's degradation fees, for accounting purposes, it accrued the potential fees to its costs for the relevant Manchester projects, while for Concord projects, the Company paid the degradation fees under protest, likewise accruing the degradation fees towards its calculated project costs. Tr. 14-16. The Company noted that, in the event of a reversal of the Manchester and Concord degradation fees, these monies would be applied to reduce the revenue requirement for the subsequent fiscal year's CIBS program. Tr. at 17.

#### **B. Staff**

Randall Knepper, Director of the Commission's Safety Division, testified generally to the need for further cost-control efforts by National Grid within its CIBS program. Tr. 18-22. Mr. Knepper noted that continued progress by the Company was necessary to avoid cost overruns related to such items as pipe of unnecessarily large diameter being used in CIBS replacement projects. Tr. at 19-20. In light of continued consultations between Staff and the Company

regarding this issue, Mr. Knepper supported the cost recovery as filed for without disallowances, a position reiterated in Staff's closing statement (which also referred to the need for further Company efforts to control costs). Tr. at 23, 37.

### **III. COMMISSION ANALYSIS**

Based upon our review of the record presented in this docket, we find that National Grid's proposed adjustments will result in rates that are just and reasonable as required by RSA 378:7. Specifically, we approve the addition of \$3,559,700 to the Company's rate base and the commensurate incremental increase in its revenue requirement of \$521,590.

As to specific issues raised by the participants, we reiterate our expectation that Staff and the Company continue to work together to identify cost saving opportunities within the CIBS program. Such efforts should provide National Grid ratepayers with the benefit of maximal substandard pipe replacement at reasonable cost. *See also Energy North Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,127 (June 30, 2010) at 8-9.

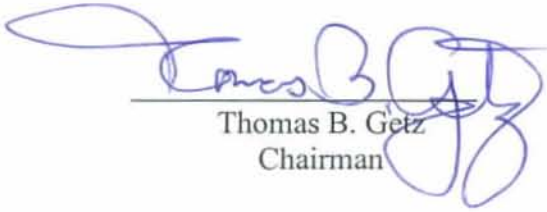
#### **Based upon the foregoing, it is hereby**


**ORDERED**, that National Grid be permitted to increase its base distribution rates to provide additional revenues of \$521,590 annually, effective July 1, 2011 on a service rendered basis; and it is


**FURTHER ORDERED**, that National Grid shall continue to work with Staff on developing cost control methods as outlined above prior to the next CIBS proceeding; and it is

**FURTHER ORDERED**, that National Grid file with the Commission properly annotated tariff pages consistent with this Order within 10 days of the date of this Order, as required by N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of  
June, 2011.

  
Thomas B. Getz  
Chairman

  
Clifton C. Below  
Commissioner

  
Amy E. Ignatius  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director

