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VIA E-MAIL AND OVERNIGHT MAIL

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

Re: Docket No.: DRM 11-077

Dear Director Howland:



During the technical sessions that were conducted in the above-referenced proceeding, the New Hampshire gas operators had an opportunity to meet with Commission Staff and try to resolve issues concerning the proposed Chapter 500 Rules. Commission Staff has asked Northern Utilities, Inc. ("Northern" or the "Company") to provide suggested language designed to address the Company's concerns expressed in its written Comments, while at the same time accomplishing the Staff's goals that were discussed during the technical sessions. In addition, there were two issues on which Staff and Northern were unable to reach a compromise.

This letter responds to Staff's request and is comprised of two segments. First, we provide the requested language suggested by Staff (in redline format). We believe that our proposed language will achieve the Staff's regulatory goals, while at the same time addressing the concerns that Northern has raised in this proceeding.

Second, on the proposed rules where no agreement was reached, we identify the issues that appear to be preventing a compromise.

Sections of the Proposed Rule on which the Company
and Staff Reached Agreement

A. PUC 504.03(e) Service I.D. Tags.

(e) For pressures at the outlet of any customer's service meter that exceed (b)(2) above, a permanent identification that includes the maximum delivery pressure shall be installed ~~and maintained~~ at the

service meter after July 1, 2013 during the utility's service line inspection program. If the utility determines that a previously installed identification is not present, it shall install a new permanent identification no later than the next service line inspection cycle for that service.

B. PUC 504.03(f) Written Agreements

(f) The utility shall retain a copy of all written customer agreements for the initial installation of any service with a All-written-agreements-with-the customer-that-include-delivering pressure greater than 13.8 inches of water column shall be retained for the service life of the service meter. Such records shall be retained until the service line has been abandoned.

C. PUC 504.05(a)(8) Gas Facility-Related Incident

(a) The utility shall notify the safety division of the commission by telephone when any of the following occur:

* * * *

(8) A gas facility-related incident that the utility is aware of, including any incident event that the utility believes will be that is likely to be, or has been, reported in the news media (e.g., shutdown of a major highway, arterial roadway or rail system, or where a person identified as a news reporter was present);

D. PUC 504.05(a)(9) Odorant Levels

(a) The utility shall notify the safety division of the commission by telephone when any of the following occur:

* * * *

(9) Any indication of insufficient levels of odorant that do not meet the requirements of 506.02(lm), regardless of how the operator becomes aware of such indication;

E. PUC 506.01(f) and (g) Calibration of Equipment.

(f) A utility shall ensure the periodic inspection and calibration of all equipment, including, but not limited to, equipment used for cathodic protection, pipe jacking, leak detection, plastic fusion, and pressure testing, which is used in construction, operations, and maintenance activities where improper calibration or failure to inspect could impact its performance.

Equipment calibrations shall be, in accordance with the frequencies defined in the manufacturers' procedures and specifications.

~~(g) Utilities shall have the means to verify equipment attach inspection stickers to all such equipment under (g) above [sic], indicating the date of the most recent inspection and/or calibration. In the event, an inspection sticker is not legible or has become detached, the operator shall make available upon request records of all periodic inspections and calibrations in the field upon the request of that will adequately enable the safety division to determine appropriate calibration of equipment.~~

F. PUC 506.01(l) Multi Service Line Installations.

~~(1) Gas service line valves at multi-service installations shall be plainly marked by permanent means designating the building or part of the building being served, in accordance with the following:~~

~~(1) If marking of the meter will readily identify its service line valve, the meter may be marked in lieu of the service line valve;~~

~~(2)(l) Each customer meter installed after June 1, 2013 shall be permanently marked to identify the operator's name and every gas regulating station and or any above ground transporting facility shall be permanently marked to identify the operator's name and phone number; and~~

~~Marking of facilities shall be accomplished by metal signs, line markers, plastic decals, or other appropriate means.~~

The Company notes that subsection (l)(2), as proposed, addresses customer meters (generally), regulating stations and above-ground transport facilities. Therefore, it appears to have been inadvertently included with Section 506.01 (dealing with multi-service line installations). The Company believes that Staff agreed during the technical sessions that multi-service installations should not be marked for first responders because it will provide a false sense of security that the scene has been made safe by shutting down only a portion of the gas service to the structure. Accordingly, Section 506.01(l) has been deleted from the proposed rule above.

G. PUC 506.01(m) Telemetering.

(m) Each single fed distribution system shall be equipped with telemetering or recording pressure gage or gages as may be required to properly indicate the gas pressure in the system when the following conditions are present:

- (1) the single fed serves more than 250 customers; or
- (2) the downstream temperature on the outlet side of the pilot operated pressure regulator(s) is predicted to be lower than 32° F and no system pre-heat or regulator pilot heat is installed.

~~at all times. At least once each year the pressure variation shall be determined throughout each system. Telemetry shall be the sole method to properly indicate the gas pressure at all times for each single fed distribution system by January 2016.~~

H. PUC 506.02(e) Pipeline Installation Notification.

(d) Gas pipelines (new proposed construction or scheduled replacement) which are to be operated at a pressure greater than 60 pounds per square inch gauge shall not, be installed under roads, public waters or railroad crossings without notification to safety division 10 days prior to construction of the crossing and vicinity.

It is our understanding that Staff will shorten the 10 day period based on the Company's concerns about emergency response and the need to adapt to changes in municipal projects.

I. PUC 506.02(u) Quality Assurance/Quality Control Plans.

(u) Construction Quality assurance plans shall be written, followed and documented as follows:

- (1) Each utility shall inspect any new construction by outside contractors that is or will be incorporated into the utility's system to verify that the resulting installation meets company specifications.
- (2) A representative number of field verification audits shall be conducted after field work is completed for specific tasks;
- (3) Performance Audits shall be conducted to evaluate a representative sample of various tasks are evaluated during the actual time that the work is being performed by the employee or contractor;
- (4) Construction Inspections that are frequent enough to encompass most of the new facility installation and repairs that are done on the utility system.

- (5) Detailed forms incorporating activity checklists prepared to cover normally performed work activities for evaluation or inspection of specified field work and construction.
- (6) Audits of employees and crews shall be conducted by management personnel (e.g., supervisors, engineers) to ensure that all personnel have reviewed the quality assurance plan and that all construction work is inspected on a regular basis; and
- (7) Utilities shall take remedial action within 3 months to correct or make substantial progress toward correction of any deficiencies indicated by construction quality assurance audit and inspection findings.

The Company continues to believe that the proposed rule is too prescriptive. The Company's present QA/QC plan complies with the rule, however, and Northern therefore withdraws its proposed alternative language for this rule.

J. PUC 506.02(v) Remedial Action on Cathodically Protected Pipelines.

(v) Each utility must take remedial action within nine ~~three~~ (39) months to correct or make substantial progress toward correction of any deficiencies indicated by monitoring of cathodically protected pipelines.

K. PUC 508.04(m)(1)(a)5) Class I Leak Grading and action criteria

(m) A utility shall assign a classification of leaks as follows:

(1) Class I shall be a leak that represents an existing or probable hazard to persons or property, and requires immediate repair within 24 hours or continuous action until the conditions are no longer hazardous.

(a) A Class I leak includes, but is not limited to:

* * * *

5) Any reading of 40% lower explosive limit (LEL) or greater in accordance with Table 508-1, in an enclosed ~~confined~~ space including but not limited to manholes, vaults, catch basins; . . .

L. PUC 508.04(p) Downgrading Leaks.

When a leak is re-evaluated, the utility shall classify it using the same

criteria as when the leak was first discovered. A utility shall not downgrade without repair more than 5% of its leaks during a calendar year, a leak unless it is repaired.

M. PUC 509.15(e) Leak Reporting

(e) Additionally, for those leaks reported during the month, the utility shall provide:

- (1) The leak address;
- (2) The date leak was reported;
- (3) The identification number of the leak;
- (4) The leak area (rural, residential, urban);
- (5) The classification of the leak;
- (6) Method of how the company became aware of leak (for example, public, employee, winter patrol);
- (7) Type of cover over leak (for example, asphalt, concrete);
- (8) The pipeline facility (for example, main, service);
- (9) The operating pressure (for example, low, intermediate, high); and
- (10) the most likely material(s) involved in any suspected Class III leaks.

Based on discussions with Staff during the Technical Sessions, the Company withdraws its Comments on this provision.

Sections of the Proposed Rule on which the Company and Staff could not Reach Agreement.

A. PUC 506.02(t)(5) Operator Qualification Plans.

(5) Operator Qualification plans shall list all covered tasks and include specific abnormal operating conditions for each task. All operator qualifications covered tasks shall be cross referenced with applicable construction standards or specifications or applicable operation and maintenance activities including emergency response.

This new requirement would mandate the development of abnormal operating conditions for every covered task. The Company and Staff were not able to reach agreement on whether any benefits of this new requirement would provide any increase in public safety to justify the significant cost. The Company explained its concerns with the proposed rule, including its fear that that departure from the Northeast Gas Association's ("NGA's") OQ program (which is widely adopted throughout the Northeast) would adversely affect the Company's ability to take

advantage of mutual aid assistance from other operators in the region that will continue to follow the NGA's program.

B. PUC 506.01(d)(1) Pipeline Safety Standards

(d) Utilities shall ensure that welders performing welding work on utility pipeline facilities are qualified, as follows:

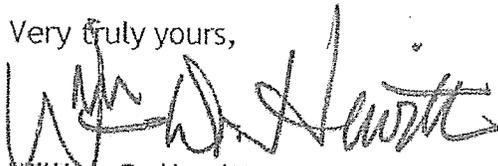
1. No utility shall permit a welder to make any pipeline weld unless the welder has qualified by destructive testing within 27 months, but at least once every 2 calendar years in accordance with 49 C.F.R. §192.7 and Appendix C to Part 192.

This new requirement would mandate qualification by destructive testing every 27 months. The federal code only requires a single destructive test, provided qualification is maintained by X-Ray testing of welds twice per year (at intervals not exceeding 7-1/2 months). Northern's current OQ plan follows the NGA standard that requires destructive testing every 60 months. We believe that 60 months strikes an appropriate balance between ensuring that welders continue to possess the physical skills necessary to perform the welding operation, and the cost of the destructive welding process. The Company and Staff were not able to reach agreement on whether any benefits of this new requirement would provide any increase in public safety to justify the significant cost. The Company expressed concerns, including that departure from the NGA's welder qualification program would adversely affect the Company's ability to take advantage of mutual aid assistance from other operators in the region that continue to follow the NGA's program and that this new qualification requirement will shrink the pool of qualified welders available to the Company.

* * * *

The Company hopes that this letter provides helpful guidance to Staff. We take this opportunity to again emphasize that the Staff's proposed departure from the long-standing and regionally adopted NGA OQ standards is an issue that raises significant concerns with the Company, including its ability to deploy mutual aid personnel in an emergency situation. If it would be helpful to Staff to convene a conference call or meeting to discuss this, or any other issue, we would be pleased to do so.

Very truly yours,



William D. Hewitt

WDH/rrp

cc: Service List (via e-mail only)