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July 8, 2013

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

NHPUC JUL08'13 PM 3:01

**Re: Liberty Utilities – Line Extension Policy**

Dear Ms. Howland:

On behalf of EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities, I am writing in response to the Staff's June 20, 2013 letter recommending that an investigation be opened regarding Liberty Utilities' line extension policy. The Company has reviewed the concerns raised by the Staff in its letter and would like to offer preliminary comments for the Commission's consideration.

Liberty has shared the Staff's letter with National Grid and is in the process of obtaining information from National Grid regarding its practices regarding customer charges for new residential gas service prior to Liberty's July 3, 2012 acquisition of EnergyNorth Natural Gas, Inc. While the Company's response to Staff 1-6 in DG 13-149 referred to the \$900 customer contribution as calculated "using an Internal Rate of Return model," that characterization is a misnomer. The Company understands that National Grid developed the \$900 charge based on the 25% test in Section 7 of the Company's tariff using four years of average margin for residential customers and an average construction cost for a residential service.

In an effort to address Staff's concern, and without conceding that the \$900 charge is non-compliant with Section 7 of its tariff, Liberty has ceased the use of the \$900 residential charge for new gas service. Because the customer order fulfillment process is a transition service provided by National Grid pursuant to the Amended and Restated Transition Service Agreement, Liberty informed National Grid on June 21 to terminate the use of the \$900 charge. The Company is conducting specific calculations pursuant to Section 7 of its tariff and will be providing customers who have recently requested gas service but not yet signed service agreements with updated estimates based on the 25% test contained in the tariff. All new inquiries to Liberty Utilities for new residential gas service installation will be quoted using the same methodology.

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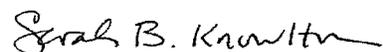
Since receiving Staff's June 20 letter, the Company has received signed service agreements and payments from 15 residential customers based on the \$900 charge. The Company takes very seriously the Staff's suggestion that fines and/or penalties should be considered in this docket, and for that reason, is holding these requests for service in abeyance pending further guidance from the Commission regarding whether those service agreements should be honored or additional payments sought from those customers requesting gas service. The Company has performed individual calculations for each of these proposed services and, in almost every instance, the customer's contribution would be in excess of \$900.

Based on the Company's preliminary calculations, the Company does not agree with Staff's contention that application of the \$900 charge for new residential gas service results in overcharges to customers. Rather, when applying the 25% test under Section 7 of the Company's tariff with respect to main extensions of 100 feet or less, the Company has found in most instances the cost for new residential service to be well in excess of \$900. For example, using Liberty's construction costs, the installation of a new residential gas service from 1 to 60 feet with paving, loaming and seeding will result in a customer contribution, on average, of \$3400 in most municipalities in which the Company provides service. In communities with high regulatory costs (e.g., Manchester), a similar job would cost \$4300. The Company is quite concerned that application of the 25% test will have serious repercussions on its ability to expand natural gas service to residential customers during this critical time of low gas prices. In addition, the Company is concerned about the potential resource implications of a strict reading of Section 7 requiring an individual construction estimate be completed for each request for a potential new service, as opposed to using an average cost methodology based of certain typical types of service installations.

Thus, we share Staff's concern about the urgency of this issue. As a result, we request that the Commission include in its order of notice opening this investigatory proceeding consideration of a new provision in Section 7 of Liberty's tariff that would allow for economical gas expansion to residential customers. The Company will be providing the Commission with a specific proposal in this regard in the next few weeks. The Company is not seeking a change to Section 7 as it relates to commercial and industrial customers.

The Company is committed to cooperating fully with any investigation of this matter, and appreciates your consideration of these comments.

Very truly yours,



Sarah B. Knowlton

cc: Susan Chamberlin, Consumer Advocate  
Alexander Speidel, Esq.