

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 12-128

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

Cast Iron/Bare Steel Replacement Program

Order Approving Revised Distribution Rate

ORDER NO. 25,378

June 26, 2012

APPEARANCES: Patrick H. Taylor, Esq. of McLane, Graf, Raulerson and Middleton, P.A. for Energy North Natural Gas, Inc. d/b/a National Grid NH; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On May 15, 2012, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid) filed its fiscal year 2012 (April 1, 2011-March 31, 2012) Cast Iron/Bare Steel (CIBS) Replacement Program Results. As a result of work completed in fiscal year 2012, offset by a one-time credit associated with overbilling for the period July 2011 through June 2012, National Grid seeks a reduction in its base distribution rates to reduce annual revenues by \$44,226 effective for usage on and after July 1, 2012. The program results and request for a rate decrease are filed pursuant to the merger settlement agreement in Docket DG 06-107 and approved by the Commission in *National Grid plc, et al.*, Order No. 24,777 (July 12, 2007).

On May 23, 2012, the Commission issued an order of notice setting a hearing on the matter for June 12, 2012. Staff issued discovery on May 23, 2012; no other parties intervened in the docket and the hearing was held on June 12, 2012 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 as well as costs excluded from recovery. The filing then stated that, prior to the submission of the fiscal year 2012 report, representatives of National Grid had met with Staff to review proposed projects and, based on Staff input, revised the fiscal year 2012 CIBS plan to incorporate lower-priced alternatives. Then, on March 16, 2012, National Grid met with Staff and reviewed year-to-date and projected year-end CIBS results for fiscal year 2012 against the agreed upon scope of the program. No costs were removed as being beyond the scope of the fiscal year 2012 CIBS Plan as a result of that meeting. National Grid's filing showed actual, recoverable CIBS spending of \$1,922,213 for the fiscal year 2012. As part of the CIBS program, National Grid 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 EnergyNorth 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, National Grid subtracted \$500,000 from the actual spending figure. The result was a total incremental expenditure of \$1,422,213 for inclusion in rate base and a resulting incremental revenue requirement of \$153,362.

That incremental revenue requirement, in turn, was offset by a fiscal year 2011 revenue requirement overstatement of \$98,794 and associated overbilling of \$98,794.¹ When this overstatement and related overbilling was applied as an offset, a final incremental revenue

¹ The combined offset of \$197,580 corrects the revenue requirement prospectively and provides a one-time credit for prior year overbilling.

requirement of (\$44,226) was calculated for fiscal year 2012.² This decrease would be applied by National Grid on a pro-rata basis to all customer classes.³

That incremental revenue requirement would then be converted, on a per unit basis, to produce a per therm decrease based on National Grid's annual throughput as calculated in its semi-annual cost of gas filings; on an overall bill basis, the decrease to a residential heating customer would be \$0.34 for a customer using 1,250 therms per year, representing a 0.02 percent decrease. Hearing Exhibit 2.

According to National Grid's filing, National Grid's proposed plan for fiscal year 2012 called for the replacement of 1.7 miles of cast iron and bare steel pipes at an estimated cost of \$2,932,831. During the year, National Grid actually replaced 1.56 miles of pipes at a total cost of \$2,009,031, or \$1,922,213 in recoverable costs, which included \$76,278 of costs incurred in fiscal year 2012 for work completing two projects that were actually part of the fiscal year 2011 program.

As during its testimony related to CIBS program filing in past years, *see, e.g., EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,127 (June 30, 2010) at 4-5, National Grid testified regarding continuing pending litigation related to so-called road degradation fees sought by the cities of Manchester and Concord. Transcript of June 12, 2012 Hearing (Tr.) at 13-15. National Grid also testified that, although it had not paid Manchester's degradation fees, for accounting purposes, it did apply the potential fees to its costs for the relevant Manchester projects. For Concord projects, National Grid did pay the degradation fees, under protest, likewise applying the degradation fees towards its calculated project costs. Tr. 14-

² See Hearing Exhibit 5, as late-filed by Staff on June 13, 2012.

³ *Id.*

15. National Grid noted that, in the event of a reversal of the Manchester and Concord degradation fees, that these monies would be applied towards reducing the revenue requirement for the subsequent fiscal year's CIBS program. Tr. at 41-42. National Grid identified the degradation fees as a significant driver of CIBS-related costs. Tr. at 27-28. National Grid also testified that it had integrated a Request for Proposals (RFP) process for its contractor procurement needs on CIBS-related projects; National Grid selected the most competitive bidder for a three-year services mains and services contract. Tr. at 13.

In its closing, National Grid stated that it hoped to continue working with Staff to enhance its CIBS-related cost-control measures; National Grid, therefore, recommended that the Company's filing be approved. Tr. at 48-49.

B. Staff

Staff supported approval of National Grid's petition, and stated that it expected to continue its work with Company in the area of cost control. Tr. at 47-48. On June 13, 2012, Staff filed a motion for acceptance of a late-filed exhibit, to be marked as Exhibit 5, presenting National Grid's explanation of how the proposed reduction in the revenue requirement would be applied across customer classes; National Grid supported Staff's motion.

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 \$1,422,213 in expenditures to the Company's rate base and the commensurate incremental decrease, after application of appropriate offsets, in its revenue requirement of (\$44,226).

We also expect that Staff and the Company will continue to work together to apply cost savings opportunities within the CIBS program, so that National Grid ratepayers can enjoy the benefit of maximal substandard pipe replacement at a 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. We also grant Staff's motion, filed pursuant to N.H. Code Rules 203.30 and 203.07, for late filing of Hearing Exhibit 5, as the material presented provides useful information regarding the application of the revenue reduction across customer classes, and admission would not impair the rights of National Grid, and would be in the public interest.

Based upon the foregoing, it is hereby

ORDERED, that National Grid be permitted to reduce its base distribution rates to decrease annual revenues by \$44,226, consistent with Hearing Exhibit 5, effective July 1, 2012 on a service rendered basis; and it is

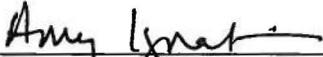
FURTHER ORDERED, that National Grid shall continue to work with Staff on applying cost control methods as outlined above prior to the next CIBS proceeding; and it is

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; and it is

FURTHER ORDERED, that Staff's motion for late filing of Hearing Exhibit 5 is
GRANTED.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of

June, 2012.



Amy L. Ignatius
Chairman



Michael D. Harrington (Kris)
Commissioner

Attested by:



Debra A. Howland
Executive Director