

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** Oct 18, 2010  
**AT (OFFICE):** NHPUC

**FROM:** Randy Knepper, Safety Director *RSK*  
**SUBJECT:** DG 10- 245 Waiver of Meter Testing for Unitil  
**TO:** ✓ Debra Howland  
Lynn Fabrizio  
Amanda Noonan  
Steve Frink



On July 9, 2010, Northern Utilities, Inc. (Northern), a subsidiary of Unitil Service Corp. (Unitil), filed a petition requesting a 5-year waiver on in-state meter testing as required by Puc 505.07(a). On September 23, 2010, the Safety Division met with Unitil representatives in person and via conference call to discuss the petition; on September 27, 2010, Staff submitted 10 written data requests concerning Northern's meter testing practices. On October 5, 2010, all written responses to requests were received. The Safety Division has reviewed the discovery responses and provides the following analysis for the Commission to consider:

As of 2010, Northern's inventory of residential class diaphragm meters with capacity ratings of less than 500 cubic feet per hour consists of approximately 27,300 meters. This represents 94% of the meters operated and maintained by Northern in New Hampshire. Of this total, less than 2.5% typically get tested each year for accuracy. Requirements under Puc 505.04 for testing of this type of meter range from .75% to approximately 7.5% of the total inventory of residential class meters, depending upon the accuracy of the previous year's testing results. According to Northern, it costs approximately \$23 per meter, including shipping, to test each residential meter using the company's current out-of-state vendors.

Northern's inventory for commercial meters with a rated capacity over 500 cubic feet per hour consists of approximately 1,750 diaphragm, rotary and turbine meters, of which only 6 are turbine meters. These commercial class meters account for the remaining 6% of the meters operated and maintained by Northern in New Hampshire. Of these, approximately 7% get tested annually, including each of the turbine meters. Required testing for the diaphragm and rotary type meters range from 2% to approximately 11% of the total inventory of each type depending on the previous year's test results. According to Northern, it costs approximately \$143 per meter, including shipping, to test each commercial meter.

Unitil further stated that to replace each meter with a rated capacity of less than 500 cubic feet per hour would cost approximately \$122.50 per meter, while diaphragm meters over of 500 cubic feet per hour would cost approximately \$250 per meter, thus making meter testing cost effective.

In addition, Unitil provided cost estimates for performing meter testing in state if Unitil itself were to operate and perform meter testing in-house. The resulting estimates were approximately \$62 per meter, not including construction costs for a meter testing shop and associated equipment, which would range from \$0.5 million to approximately \$1 million.

Based on this simple analysis it is apparent that Northern's use of out-of-state vendors is the lowest cost method for providing meter testing for residential rate payers.

Furthermore, the State of Massachusetts inspects all meters returned from testing facilities to the Unitil facility in Fitchburg to ascertain the proof of accuracy. This is another means of quality assurance for the approximately 1,050 meter tests that are performed by the out-of-state vendors.

Northern has a process in place to meet the requirements of Puc 505.05 customer-witnessed meter tests. Meters with a capacity of up to 1000 cubic feet per hour are tested at Unitil's Fitchburg, MA facility at an estimated cost of \$66 per meter. Meters with a capacity of greater than 1,000 cubic feet per hour are tested at the Portsmouth Operating Center by an outside vendor that comes to the site at an estimated cost of \$1,200 per test with a reduced cost per test if multiple tests are required during the same witness testing. Arrangements are made during regulator business hours to test the meters at the customer's convenience. The meter would be quarantined until the time of testing. There have been no customer requested meter tests during the preceding waiver period (see DG 09-073).

#### RECOMMENDATIONS BY THE SAFETY DIVISION:

##### ***Condition 1: Recommended Term of 3 years.***

The term of a waiver period should be limited to 3 years from the effective date of a Commission order. While it is evident that out-of-state testing is currently the lowest cost alternative, the Safety Division believes 5 years is too long a time frame before revisiting the issue. Staff offers the following reasoning:

- 1) Unitil concludes only short term agreements with its vendors; it does not enter into any long term agreements. Thus, there is no downside to a shorter waiver period since long term arrangements are not affected.
- 2) Shipping costs may potentially rise, as fuel, trucking and freight costs are dependent upon energy prices driven by highly volatile commodity markets, which could affect the current pricing.

- 3) The Puc 500 rules are expected to be revised significantly within the next five years, with the potential for changing meter testing requirements, including specifications for equipment accuracy, amount of meters tested, and testing facilities.

***Condition 2: Change of Control Requirement.***

The Commission should clarify that any waiver granted is granted to Northern Utilities, Inc. as a subsidiary of Unitil Service Corp. and will terminate in the event of a change in corporate control. A waiver of Puc 505.07 should not be assignable or otherwise transferable to another corporate entity by merger, acquisition or transfer of assets.

***Condition 3: Significant Change Notice Requirement.***

In the event Northern anticipates or experiences any significant change in its testing capabilities or practices including pricing, it should be required to provide immediate notice to Commission Staff.

***Condition 4: Reassessment of a Waiver.***

The Commission should reserve the right to reassess, revise or otherwise revisit the waiver in the event of changes in statutory or regulatory requirements, or other relevant developments concerning gas metering.

***Condition 5: Reporting Requirements.***

The Commission should require the following reporting from Northern on an annual basis as a supplement to the current E-7 report required by Puc 509.09:

- 1) Meter address location, meter identity, meter type sent for testing;
- 2) Age of each meter tested; and
- 3) Exact number and class of meters tested per testing facility.

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**FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),**

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