

STATE OF NEW HAMPSHIRE

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October 28, 2010

Gary Epler, Esq.
Chief Regulatory Counsel
Unitil Service Corp.
6 Liberty Lane West
Hampton, NH 03842-1720

Re: DG 10-245 Northern Utilities, Inc. Petition for Waiver of In-State Meter Testing

Dear Attorney Epler:

On July 12, 2010, you filed on behalf of Northern Utilities, Inc. (Northern), a subsidiary of Unitil Service Corp. (Unitil), a petition requesting a 5-year waiver of the in-state meter testing requirements of N.H. Code Admin. Rules Puc 505.07(a). In support of the petition, you attached a study produced in Docket No. DG 09-073 analyzing the cost-effectiveness of purchasing meter testing equipment and facilities in New Hampshire compared to contracting out for testing services. The study was submitted pursuant to a July 22, 2009 secretarial letter which granted a one-year waiver of the meter testing requirements of Puc 505.07 while Northern conducted the cost study. That waiver expired on July 22, 2010, and was renewed by secretarial letter on September 24, 2010, in Docket No. DG 09-073 until such time as a decision on the requested five-year waiver is made.

On October 18, 2010, Staff filed a memorandum in this docket concluding that Northern's use of out-of-state vendors is the lowest cost method for providing meter testing for residential rate payers, based on Staff's discussions with Unitil representatives and review of the company's discovery responses. Staff further noted that the State of Massachusetts inspects all meters returned from vendor testing facilities to Unitil's facility in Fitchburg to ascertain the proof of accuracy, thus providing another means of quality assurance for meter tests performed by out-of-state vendors on behalf of Northern.

Staff also observed that Northern has a process in place to conduct customer-witnessed meter tests pursuant to Puc 505.05. Meters with a capacity of up to 1000 cubic feet per hour are tested at Unitil's Fitchburg, MA facility, while meters with a capacity of greater than 1,000 cubic feet per hour are tested at the Portsmouth Operating Center by an outside vendor. Arrangements are made during regular business hours to test meters at the customer's convenience. According to Staff, the Commission has received no requests from customers for meter tests since the initial

one-year waiver was granted on July 22, 2009, and Northern has stated it has not received any such requests either.

In its October 18, 2010 memorandum, Staff recommended that a waiver of Puc 505.07(a) be granted with the following conditions:

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:

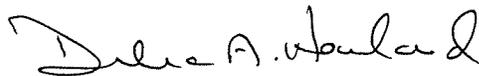
- 1) Meter address location, meter identity, meter type sent for testing;
- 2) Age of each meter tested; and
- 3) Exact number and class of meters tested per testing facility.

On October 22, 2010, you filed a letter on behalf of Northern accepting the recommendations set forth in Staff's October 18, 2010 memorandum and amending the company's request for a waiver accordingly.

In addition to Staff's recommended conditions, the Commission will include the following requirement as ***Condition 6: Customer Service Notification of Meter Testing Options***: Northern should include in its standard customer service script information regarding the option for meter testing pursuant to Puc 505.05. A copy of a sample script should be filed with the Executive Director by no later than 30 days from the issuance of this letter.

Under N.H. Code Admin. Rules Puc 201.05, the Commission may waive Puc 505.07(a) if it finds a waiver serves the public interest and does not disrupt the orderly and efficient resolution of matters before the Commission. Determination of the public interest requires consideration of whether (1) compliance with the rule would be onerous given the circumstances of Northern; or (2) the purpose of the rule is satisfied by the alternative method proposed. The Commission has determined that the applicable standards for a waiver are satisfied and that granting a three-year waiver, subject to the conditions enumerated herein, is consistent with the public good. Accordingly, a three-year waiver is granted with conditions as described above, effective October 28, 2010.

Sincerely,



Debra A. Howland
Executive Director