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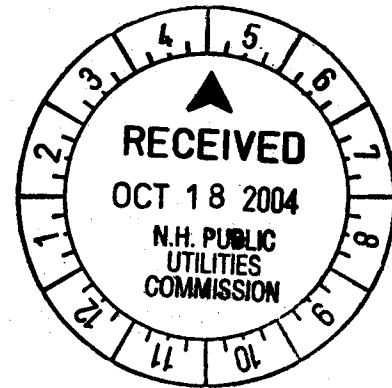
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HAND DELIVERED

October 18, 2004

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

Re: **Commission's Initial Proposal PUC 500**
Docket No. DRM 04-149



Dear Ms. Howland:

We write on behalf of Northern Utilities ("Northern" or the "Company") with respect to the above-captioned rulemaking. As I noted at the Public Hearing regarding this matter, Northern had several concerns regarding various provisions of the initial proposal. Since the Public Hearing, Northern has worked closely with the Commission Staff and representatives of other regulated gas utilities to resolve these concerns and to develop proposed modifications to the initial proposal. We appreciate the efforts of the Commission and its Staff to use this type of collaborative approach to rulemaking and believe that the resulting proposed rule will provide benefits to both Northern and its customers.

The following summarizes the Company's concerns with various provisions of the initial proposal and describes the proposed modifications:

Proposed N.H. Admin. Rule PUC 506.01(c): This proposed rule would modify the existing rule to require that individuals involved in any activities associated with new construction meet operator qualifications pursuant to 49 CFR Part 192, Subpart N. It is our understanding that similar regulations are being considered at the federal level and are likely to be adopted in the next two years. To ensure that New Hampshire remains consistent with federal regulations and to provide adequate time for the industry to develop and implement appropriate training and qualification programs, we have agreed that this provision should take effect no earlier than January 1, 2007.

Proposed N.H. Admin Rule PUC 506.02(l): This proposed rule would modify the existing rules to require that the utility notify an excavator of the presence of abandoned facilities

identified pursuant to PUC 506.02(j) and (k). We believe that this proposed provision raises serious safety concerns regarding the potential for excavator confusion because some, but not all, abandoned facilities would be marked as a result of the rule. Further, it is our understanding that the complex issues surrounding the marking of abandoned facilities are in the process of being considered by the Digsafe Advisory Committee. As such, it is our understanding that the Commission Staff will recommend removal of this proposed rule.

Proposed N.H. Admin. Rule PUC 507.02(b): This proposed rule would modify the existing rules to require that a utility receiving natural gas install and maintain adequate instruments and meters. Currently, at the locations where Northern receives deliveries of gas, such deliveries are metered by the interstate gas transmission pipeline company. Northern does not believe that it is an efficient use of resources to duplicate these metering facilities absent evidence of metering or billing inaccuracies. It is our understanding that the Commission Staff will resolve this concern by proposing to return to the existing text of the rule.

Proposed N.H. Admin. Rule PUC 508.01(b): This proposed rule would require the utility to ensure that its employees have been trained in safety practices. Northern strongly supports the intent of this provision; however, the Company believes that a more appropriate standard is to require that employees be properly "qualified" in safety practices.

Proposed N.H. Admin. Rule PUC 508.04(d) and (h): Both these rules appear to describe the same requirement that the utility conduct an annual gas detector survey of buildings used for public assembly. To alleviate concerns regarding the ambiguity that could result from having duplicative provisions, it is our understanding that the Commission Staff will recommend the removal of Proposed N.H. Admin. Rule PUC 508.04(d) and corrective changes to PUC 508.04(h).

Proposed N.H. Admin Rule PUC 508.04(e): This proposed rule would require that a utility conduct a leakage survey of main lines in business districts on a repeated basis during the months when frost is in the ground. Since safety concerns regarding frost's impact on the integrity of main lines are limited to cast iron pipe, it is our understand that the Commission Staff will limit this proposed rule to cast iron main lines.

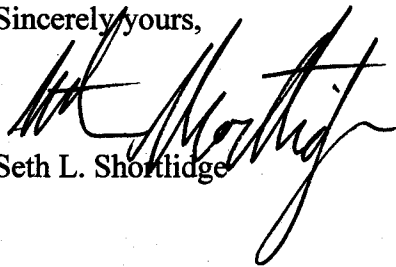
Proposed N.H. Admin Rule PUC 511.10(d): This proposed rule would require that a party responding to a Notice of Violation show by a preponderance of the evidence why the Commission Staff determination should be changed. Northern believes that the burden of proof for administrative enforcement proceedings is clearly established by state statute and the New Hampshire Constitution and cannot be modified through regulation. As such, it is Northern's understanding that the Commission Staff is considering removing this proposed provision.

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We again express our appreciation for the flexibility shown by the Commission and its Staff to address our concerns in a constructive manner. We look forward to continuing to work with the Commission and its Staff in a collaborative fashion as the JLCAR process unfolds.

Thank you for your assistance in this matter. If you have any questions, please give me a call at (603) 228-1181, ext. 260.

Sincerely yours,



Seth L. Shorlidge

SLS/mla

cc: Patricia M. French, Esq.