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December 7, 2018

Via Hand-Delivery and Electronic Mail

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

**Re: Docket No. DG 17-068; Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a
Liberty Utilities – Keene Division
Petition for Declaratory Ruling**

Dear Ms. Howland:

On behalf of Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities (“Liberty” or “the Company”), following is the Company’s “thorough status report ... on the proposed conversion to a CNG/LNG system [in Keene] and all related installations,” with the “anticipated timelines,” as requested in the Commission’s November 14, 2018, secretarial letter.

Background

Effective January 2015, Liberty acquired New Hampshire Gas Corporation, a regulated distribution utility that provides propane-air service to approximately 1,200 customers in Keene. *See* Order No. 25,736 (Nov. 21, 2014), which Liberty refers to as the Keene Division. Liberty acquired the Keene Division with the express intent of converting the system to natural gas, either in the form of compressed natural gas (CNG), liquefied natural gas (LNG), or a combination of both. *See* Transcript of October 30, 2014, hearing at 25-26 (“And, what we will do, following acquisition, is look into the economics of converting the system from a propane/air system to some other fuel source, like CNG or LNG. If it’s economical to do so, and results in lower cost to customers, we would go forward and do it.”) (Witness Hall).

On December 19, 2015, an operational incident involving the blower system occurred at the Keene propane-air production facility, resulting in significant costs to customers, emergency response, and the Company. *See* Docket No. IR 15-517, “Investigation into December 19, 2015 Operational Incident.” The blower system is required to increase pressures within the “high pressure” portion of the Keene distribution system to provide service to commercial customers. To avoid another such incident, the Company implemented a number of enhancements to the

production facility and began staffing the facility 24/7 while the blower system is in operation, mostly during the winter periods.

In the fall of 2016, prior to the first heating season after the December 2015 incident, the Company investigated and took steps toward installation of a temporary CNG facility at the Monadnock Marketplace. A temporary CNG facility serving just the marketplace and the few other customers on the “high pressure” system would allow the Company to permanently retire the blower system, which was the cause of the December 2015 incident, and allow the Company time to develop a permanent LNG/CNG facility to serve all of Keene, in order to replace the existing propane-air system. The Company also filed a request in 2016 to change the Keene Division tariff to allow for the distribution of natural gas. A number of factors, including the Commission’s rejection of the tariff filing, led to the inability to have the temporary CNG facility on-line before the 2016–2017 winter.

In 2017, the Company took several additional steps toward bringing a temporary CNG facility on-line to serve the high pressure system for the winter of 2017–2018.

- The Company designed and obtained approval to locate a temporary CNG “skid” on Company-owned land on Production Avenue in Keene.
- The Company acquired the end of Production Avenue from the City of Keene so that the Company could (and later did) install the temporary CNG facility on a circle of pavement. .
- The Company renewed its request in April 2017 to modify the Keene Division tariff to allow for the distribution of natural gas, Docket No. DG 17-069.
- In response to a suggestion that the Company may not have the right to serve natural gas, the Company also filed in April 2017 a request for a declaratory ruling from the Commission that the Company did have the franchise right to distribute natural gas, Docket No. 17-068.
- The Company ordered, retrofitted, and installed the temporary CNG facility.
- The Company entered a contract for the supply of CNG for the 2017–2018 winter.
- The Company installed the necessary piping along Production Avenue and across State Route 9 to connect the temporary CNG facility to the high pressure system within the Monadnock Marketplace, and installed the necessary valves to isolate the customers who would receive CNG from those customers who would continue to receive propane-air.
- The Company purchased the parts necessary to convert those customers on the high pressure system from propane-air to natural gas and scheduled the contractors to make the conversions in anticipation of the 2017–2018 winter.
- The Company connected a CNG trailer to the temporary CNG facility, pressurized the trailer, and made the trailer ready to provide CNG to the customers on the high pressure system.

On October 20, 2017, the Commission issued Order No. 26,065, which affirmed Liberty's right to distribute natural gas in Keene, and conditioned the start of service on the Safety Division's finding that the Company's "plans and reports [are] adequate" and the Safety Division's completion of "its physical inspection of the facilities."

The Company provided the Safety Division with the "plans and reports" in November 2017.

The Safety Division issued its evaluation of the plans and reports on October 5, 2018. The Safety Division's evaluation lists a number of items that require response or further action. On November 14, 2018, the Commission issued the secretarial letter that requested this status report on the Company's response to the Safety Division's evaluation.

Given the proximity to the upcoming heating season that the Company received the Safety Division's evaluation and the steps required to convert customer equipment, the Company was unable to proceed with customer conversions and the retirement of the blower system this winter.

Clarification

The operative paragraph of the Secretarial Letter states as follows:

The Safety Division completed its review of the Company's final plans and filed its Adequacy Assessment of the Proposed Compressed Natural Gas Installation by Liberty Utilities - Keene, NH Division on October 5, 2018. Now that the Safety Division has filed its assessment, the Commission requests a thorough status report from the Company on the proposed conversion to a CNG/LNG system and all related installations. The status report shall include anticipated timelines. Liberty is directed to file the status report no later than December 7, 2018.

The Company interprets the phrase, "status report ... on the proposed conversion to a CNG/LNG system and all related installations," to mean the temporary CNG facility discussed above. That facility is primarily intended to serve only the high pressure system, which will enable the Company to permanently retire the aforementioned blower system. The temporary CNG facility is distinct from the permanent CNG/LNG facility, which the Company intends to construct in order to replace the entire propane-air system over a number of years. The Company's understanding appears to align with the following statements on page 2 of the Safety Division's evaluation:

The Safety Division has concluded that a final assessment of the proposed phases (2 through 5) of the Keene Installation would be premature at the present time, as sufficient planning or review have not taken place for these subsequent phases.

and

As Liberty fully develops plans and schedules for subsequent phases of the Keene Installation the Safety Division would proceed with a review of the ensuing phases.

Based on this understanding, the Company provides below (and attached), a thorough status report of what needs to be done in response to the Safety Division's report on the temporary CNG facility and the status of those tasks.

To the extent the Company has misinterpreted the Secretarial Letter and the Commission also wants an update on the status of the permanent CNG/LNG facility that will be constructed in the future to serve all Keene customers, the Company also provides a description of those activities. Note that the Company has informally briefed Staff, the Safety Division, and the OCA on these plans for its permanent facility.

Status Report of Temporary CNG Facility

After receipt of the Safety Division's assessment on October 5, 2018, the Company's engineering department prepared a spreadsheet that: (a) categorizes and itemizes each task that is necessary for a complete response to the report; (b) that assigns a person or internal project team to prepare responses to each section and each item; and (c) that tracks progress on each task. The project team is meeting regularly to work through the various items. That spreadsheet, updated through December 5, 2018, is attached.

The Company intends to complete its internal work by February 1, 2019, and to submit the final comprehensive response to the Safety Division by March 1, 2019. Assuming the Safety Division finds these submissions to be sufficient, the Company plans to activate the temporary CNG decompression skid and to convert all customers of Monadnock Marketplace in the spring of 2019.

Status of Permanent CNG/LNG Facility

The high level status of the permanent facility is as follows. First, the Company is working with several outside consultants on the permitting and engineering design of the permanent LNG/CNG facility. The Company-owned site on Production Avenue, where the temporary CNG decompression skid is located, has previously received New Hampshire Department of Environmental Services ("NHDES") environmental permits for the construction of an LNG facility. The Company is currently reviewing alternative site locations, as is required by NHDES prior to a permit application. The Company is reviewing several potential locations, which may reduce cost and avoid environmentally sensitive areas. The alternatives review has not been completed, and has no further update on the location of the permanent facility at this time.

The Company has completed most of the design necessary for the permanent CNG/LNG facility. It is possible to complete this design before site selection because the design is portable. That is, the footprint of the planned facility is relatively small and the design can be applied to any site of sufficient size, with only modest adjustments to accommodate the specifics of the final site. Once the Company selects the final site, the engineers will make those final adjustments and fit the facility into the chosen site, and then apply for necessary approvals and permits.

The proposed conversion of the customers on the low pressure system, which comprises most of the Keene customers and will take a number of years over several phases, also depends on the final site selection. For example, if the Company finally decides to use the Production Avenue site, the first phase of converting the low pressure system will likely start in that southwest corner of Keene. However, if the final site is located in a different part of Keene, the low pressure conversion would likely start at that location. It is simply premature to have more specifics until selection and approval of the final site. The Company expects that to occur during the 2018–2019 winter.

The Company plans to keep the temporary CNG facility in operation until this permanent conversion process reaches Production Avenue or reaches the customers on the high pressure system that will be initially served by the temporary CNG facility.

Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read "M. Sheehan", written in a cursive style.

Michael J. Sheehan

Enclosures

cc: Service List