



NHPUC 6SEP18AM10:50

September 5, 2018

**BY HAND DELIVERY AND E-MAIL**

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

**RE: Docket No. DG 18-103: Petition for Authority to Operate as a Public Utility  
in the Towns of Kingston and Atkinson**

Dear Director Howland:

On August 28, 2018, the New Hampshire Public Utilities Commission Staff's Director, Gas and Water Division, issued a separate Recommendation supporting the Company's Petition to expand its distribution system in Kingston and Atkinson, noting, *inter alia*, that the Company's expansion will benefit existing customers through lower rates and is in the public interest. In its Recommendation, the Gas and Water Division recommended that the Commission forego a hearing on the merits in this matter and issue an order as soon as possible.

On August 24, 2018, the Staff's Director of Safety and Security issued a recommendation raising concerns that the Company was operating outside of its approved service territory. However, the Director of Safety and Security subsequently issued a revised recommendation on September 4, 2018 indicating that Order 19,852 in Docket DE 90-074 resolved those concerns and stating that an order *nisi* may be reasonable in this case.

The Company appreciates the Staff recommendations and, for the reasons expressed in its underlying Petition and in the recommendation of the Gas and Water Division, urges the Commission to forego a hearing in this matter and issue an order approving Northern's petition at the Commission's earliest convenience to allow the Company to commence construction as soon as possible. As the Staff notes in the recommendation of the Gas and Water Division, factors militating in favor of an order *nisi* include the need to complete construction in advance of a Department of Transportation paving moratorium and the fact that the Company's anchor customer in Atkinson, Lewis Builders Development, Inc. has requested service by December 1, 2018. Furthermore, the Boards of Selectmen for the Towns of Kingston and Atkinson submitted letters of support of the Company's Petition on June 27, 2018 and August 2, 2018,



respectively. No parties have submitted comments objecting to the Company's proposed expansion of its service territory in Kingston and Atkinson.

In its revised recommendation, the Safety Division recommends that any authority granted by the Commission in this docket include a condition that Northern "annually provide to the Commission, in an electronic format, a compatible layer of its gas locations for Kingston, Atkinson, and all other franchises." While the Company intends to submit an updated map of its franchise territories upon approval of its Petition, as well as any other future grant of franchise authority in other areas, the Company does not believe that requiring an annual filing is necessary. Imposing such an annual requirement will require the expenditure of Company resources for what will likely be regularly duplicative information.

The Safety Division also recommends that the Company amend its tariff to remove reference to "contiguous territory served by the Company." The Company intends to make a filing to expand its service territory in Rollinsford in the near future and will propose to remove this language from its tariff in connection with that filing.<sup>1</sup>

Finally, the Safety Division requests that the Commission impose a reporting requirement "for the first five years of actual expenditures and actual revenue margins in both Kingston and Atkinson" that would include "incurred expenditures associated with gas mains, gas services, and metering, on an annual basis, including a cumulative total as well as the actual margins received on an annual and cumulative basis." The Staff indicates that the company "informally agreed" to the "cost reporting" condition. The Company has agreed to report *costs* as requested, and will further report customers added on an annual basis for the first five years in these territories. However, the Company believes that reporting "actual revenue margins" over the next five years is unnecessary and burdensome. As noted in the recommendation of the Gas and Water Division, the Commission has found the use of a Discounted Cash Flow ("DCF") analysis, which uses a conservative annualized revenue estimate over a ten-year period, to be the appropriate framework for evaluating the financial viability of large system expansions. After reviewing the Company's DCF analysis of its proposed expansion into Atkinson and Kingston and conducting discovery as necessary, the Gas and Water Division has determined that the results of the Company's analysis justify the proposed Kingston and Atkinson expansions. There is no need to require additional reporting on actual annual revenues over the next five years in this case, as such reporting is not consistent with the DCF analysis customarily required by the Commission or probative of whether the Company is charging "just and reasonable" rates pursuant to RSA 374:2.

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<sup>1</sup> The Company's tariff indicates that the Company is authorized to serve "limited areas of Atkinson, Rollinsford and the contiguous territory served by the Company." NHPUC No. 12 – Gas, Northern Utilities, Inc., Original Page 1.



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Please contact me directly if you have any questions or concerns regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick H. Taylor", with a long horizontal flourish extending to the right.

Patrick H. Taylor

Attorney for Northern Utilities, Inc.

cc: D. M. Kreis, Consumer Advocate

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