

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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April 16, 2019 - 9:07 a.m.
Concord, New Hampshire

RE: DG 19-054
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a
LIBERTY UTILITIES:
2019 Cast Iron/Bare Steel
Replacement Program Results.
(Prehearing conference)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp., d/b/a
Liberty Utilities:
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Lynn Fabrizio, Esq.
Stephen Frink, Dir./Gas & Water Div.
Randall Knepper, Dir./Safety Division
Joseph Vercellotti, Safety Division

Court Reporter: Steven E. Patnaude, LCR No. 52

CERTIFIED
ORIGINAL TRANSCRIPT

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P R O C E E D I N G

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2 CHAIRMAN HONIGBERG: We are here this
3 morning in Docket DG 19-054, which is Liberty
4 Utilities (EnergyNorth Natural Gas) Cast
5 Iron/Bare Steel Replacement Program filing for
6 2019. We've got a prehearing conference
7 scheduled this morning, a technical session to
8 follow.

9 Before we do anything else, let's
10 take appearances.

11 MR. SHEEHAN: Good morning,
12 Commissioners. Mike Sheehan, for Liberty
13 Utilities (EnergyNorth Natural Gas).

14 MR. BUCKLEY: Good morning, Mr.
15 Chairman and Commissioners. My name is Brian
16 D. Buckley. I am the Staff Attorney with the
17 New Hampshire Office of the Consumer Advocate,
18 here representing the interests of residential
19 ratepayers.

20 MS. FABRIZIO: Good morning,
21 Commissioners. On behalf of Staff, Lynn
22 Fabrizio, Staff Attorney.

23 Thanks.

24 CHAIRMAN HONIGBERG: Any preliminary

1 matters this morning?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: All right.

4 Then, let's get the preliminary positions of
5 the parties. Mr. Sheehan.

6 MR. SHEEHAN: Thank you. This is yet
7 another of our CIBS hearings, where we are
8 recovering the costs of installing/replacing
9 cast iron/bare steel mains during, essentially,
10 last year. It is a routine filing in most
11 respects. We preplaced about 10 miles of pipe
12 last year. That number was down from what was
13 projected, largely due to the fact that we
14 released some contractor crews and sent a
15 number of our own employees to help with the
16 Columbia Gas recovery.

17 But, otherwise, it was a uneventful
18 replacement of 10 miles of CIBS main for which
19 we seek recovery in this proceeding. The cost
20 was about \$12 million, the recoverable cost
21 under the CIBS rules, which results in a
22 revenue requirement deficiency of about
23 1.3 million.

24 This hearing is a little unusual,

1 with regard to the fact that the Staff has
2 proposed elimination of the Program. And this
3 would be an opportunity to discuss that at the
4 hearing, and, of course, during the tech
5 session, and discovery between now and then.

6 On that topic, I would just like to
7 say that, in the response we filed, we
8 articulated the reasons that we believe CIBS
9 should continue. And the filing we made
10 yesterday, which I suspect you probably have
11 not had a chance to digest yet, the testimony
12 of Mr. Frost and Mr. Furey expands on that a
13 bit.

14 And there's a citation to a couple
15 federal laws that were passed in 2011 or '12,
16 and in 2016, that indicate the federal
17 government's preference for the continuation of
18 CIBS programs. In particular, one of them is
19 called the "PIPES Act of 2016". And it
20 directed PHMSA to submit a report to Congress
21 on state-level policies that encourage the
22 repair and replacement of leaking natural gas
23 distribution pipelines. And it directed PHMSA
24 to include recommendations in that report.

1 The report, which was issued in 2018,
2 did make three recommendations. The first is
3 as follows: PHMSA should continue to encourage
4 states, state utility commissions, and other
5 rate-setting organizations and operators, to
6 accelerate high-risk pipe replacement, as well
7 as promote cost recovery programs that
8 effectively facilitate decisions through the
9 cost-efficiency [cost-efficient?] and timely
10 repair and replacement of pipelines with leaks.

11 The other recommendations are not as
12 relevant. They pertain to education and
13 whether there are barriers to such programs.

14 So, as I highlight, we strongly
15 believe the program should continue. And we
16 will make that case at the hearing.

17 Thank you.

18 CHAIRMAN HONIGBERG: Thank you, Mr.
19 Sheehan.

20 Mr. Buckley.

21 MR. BUCKLEY: Thank you, Mr.
22 Chairman.

23 The Office of the Consumer Advocate
24 is still evaluating the issues presented in the

1 instant Petition, including whether it will be
2 reasonable and prudent to eliminate the
3 accelerated cost recovery mechanism that the
4 Company currently utilizes for recovery of its
5 investments and the removal of the cast
6 iron/bare steel.

7 We look forward to further discussion
8 of this and the other issues with the parties
9 at today's tech session.

10 We would also note that, as a result
11 of a slight oversight on our behalf, that as of
12 this morning the OCA had not yet filed a
13 participation letter in this docket. But it
14 is, however, my understanding that within the
15 last hour or so that oversight has been
16 rectified.

17 Thank you.

18 CHAIRMAN HONIGBERG: And that would
19 explain a cryptic phone call that came up to
20 the Commissioners' suite this morning about a
21 filing that no one could find. I think that's
22 the one we're talking about.

23 Ms. Fabrizio.

24 MS. FABRIZIO: Thank you, Mr.

1 Chairman.

2 Liberty filed a complete and updated
3 CIBS Fiscal Year 2019 rate proposal yesterday,
4 as recommended by Staff in its memorandum filed
5 on February 14th in this docket. Staff has not
6 had a chance to fully review the filing, and
7 does not yet have a position on Liberty's rate
8 proposal.

9 In its February 14th memo, Staff
10 recommended that the Commission allow recovery
11 of the CIBS 2019 spending, but that future CIBS
12 spending be recovered through traditional rate
13 recovery. The reasons behind Staff's
14 recommendation include Liberty's plans to file
15 a general rate case in 2020, through which it
16 can recover calendar years 2019 and 2020 CIBS
17 spending, thereby minimizing the regulatory
18 burden of litigating in 2020 and again in 2021
19 for accelerated recovery, which Staff believes
20 is not warranted at this time.

21 Staff also noted in its memo that
22 system leaks have declined since the Liberty
23 CIBS program was implemented. By comparison,
24 Staff also notes that annual step adjustments

1 that were part of Northern Utilities' Bare
2 Steel Replacement Program cited by Liberty in
3 its filing were discontinued before 100 percent
4 of the bare steel pipes in ground were
5 replaced, based on a reduction in leaks and an
6 anticipated general rate filing at that time.

7 On March 15th, Liberty filed an
8 objection to Staff's proposal, claiming that
9 the CIBS leak rate has increased from when the
10 current CIBS program was first implemented, and
11 that therefore Liberty's situation is not
12 analogous to Northern's.

13 Liberty also asserted in that filing
14 that any gains in administrative efficiency
15 would be minor.

16 Staff stands by its recommendation
17 that the CIBS annual step adjustment should be
18 terminated after the 2019 proceeding. Given
19 the limited data provided to date, it's
20 difficult to draw conclusions regarding the
21 current leak rate, but the remaining CIBS pipe
22 in the ground currently is less than half of
23 what it was in 2007. The magnitude of the
24 problem has decreased, and will decrease

1 further over the next two years in the normal
2 course of business, for which Liberty will be
3 able to recover continued CIBS spending through
4 its general rate case expected to be filed next
5 year.

6 If that turns out not to be the case,
7 Liberty can petition the Commission to provide
8 for accelerated recovery of such spending at
9 that time, as was suggested to Northern in the
10 Commission's order terminating Northern's
11 annual rate adjustments for bare steel
12 replacement.

13 Staff strongly disagrees with
14 Liberty's premise that the gains in
15 administrative efficiency will be minor. Not
16 only will terminating further CIBS step
17 adjustments eliminate annual rate proceedings
18 related to the CIBS program and all that that
19 entails, including the significant amount of
20 time required by the Commission's Gas, Audit
21 and Safety Divisions to review CIBS
22 replacements and the corresponding accounting
23 that supports each filing for accelerated
24 recovery.

1 It will also reduce the related
2 adjustments for CIBS that will otherwise be
3 required to be incorporated in Liberty's
4 general rate filing.

5 So, Staff does not question the need
6 for Liberty to continue to aggressively replace
7 leak-prone pipe, given the obligation of every
8 public utility to provide safe and reliable
9 service, but Staff does question at this time
10 the need for accumulated recovery of those
11 costs.

12 Thank you.

13 CHAIRMAN HONIGBERG: Can someone
14 refresh my memory about how much cast iron/bare
15 steel was in the system and how much is left to
16 be replaced?

17 MR. SHEEHAN: Roughly 150 beginning,
18 and roughly 75 now.

19 CHAIRMAN HONIGBERG: Thank you,
20 Mr. Sheehan. Anything else, before we leave
21 you to your technical session?

22 *[No verbal response.]*

23 CHAIRMAN HONIGBERG: All right. With
24 that, we will adjourn the prehearing

1 conference. Thank you all.

2 *(Whereupon the prehearing*
3 *conference was adjourned at 9:16*
4 *a.m., and a technical session*
5 *was held thereafter.)*

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