



ORIGINAL
N.H.P.U.C. Case No. <u>DG14091</u>
Exhibit No. <u># 6</u>
Witness <u>Panel'</u>
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**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 14-091

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

Request for Approval of Special Contract and Lease Agreement with Innovative Natural Gas,
LLC d/b/a iNATGAS

REBUTTAL TESTIMONY

OF

WILLIAM J. CLARK

June 6, 2014

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1 **I. INTRODUCTION**

2 **Q. Please state your name, occupation and business address.**

3 A. My name is William J. Clark and I am employed by Liberty Energy Utilities (New
4 Hampshire) Corp. as a Business Development Professional. My business address is 15
5 Buttrick Rd. Londonderry, NH 03053. In that capacity, I am responsible for creating new
6 business opportunities for Liberty Utilities (EnergyNorth Natural Gas) Corp. and Liberty
7 Utilities (Granite State Electric) Corp. while identifying and recommending new
8 products, services and businesses including enhancements of existing offerings to
9 improve the overall profitability, earnings production and strategic positioning of the
10 companies.

11
12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to provide a response to OCA's recommendation
14 regarding Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
15 request for Commission approval of a special contract with Innovative Natural Gas LLC,
16 d/b/a iNATGAS (iNATGAS) as well as provide an update to additional protections
17 recently agreed to by Liberty Utilities and iNATGAS as a result of Staff's
18 recommendations in its June 4, 2014 Report.

19

1 **Q. What are the additional forms of protection that have recently been proposed by**
2 **Staff and agreed to by Liberty Utilities and iNATGAS?**

3 A. Staff has two concerns. First, if only the “must take” provisions are achieved, the NPV
4 of the annual revenues for the first five years of the contract would be \$1,223,640. We
5 understand Staff’s concern to be the uncertainty of recovering that amount if iNATGAS
6 were to default on those must take payments. To address this concern, iNATGAS has
7 agreed to deposit this amount into an escrow account as security for such guaranteed
8 payments. The security amount would be adjusted at the end of each year based on the
9 NPV of the actual and assured revenues over the balance of the first 5 years of the
10 contract. The escrow provision will be filed with the Commission as an amendment to
11 the special contract.

12
13 Staff’s second concern is that Liberty should have control of and input into the operation
14 and maintenance of the compressors. To address this concern, iNATGAS has agreed to
15 sign a maintenance contract stipulating that Liberty has the final say on CNG compressor
16 operations and maintenance. This contract must also comport with the recommendations
17 of Liberty’s engineering consultant. This agreement will be filed with the Commission.

18
19 **Q. In testimony, the OCA discussed its view of CNG market risk. What is your**
20 **evaluation of the CNG market risk?**

21 A. I believe the market risk for bulk delivery of CNG is minimal. There are two primary
22 factors in this determination: 1) the continuing favorable cost of natural gas as compared

1 to fuel oil and propane due to the proven and probable reserves of the Marcellus and
2 Utica shale regions in the northeast; and 2) the potential size of the CNG bulk delivery
3 market. Information from the Energy Information Agency continues to reflect increasing
4 production levels of natural gas in the Marcellus and Utica regions which should keep the
5 commodity price of natural gas at a competitive advantage to other fuels. In addition,
6 there are several new pipeline projects that are designed to provide more direct supply
7 access to the abundant shale gas. Importantly, none of these pipeline projects is
8 contemplated to serve existing and future CNG load; however, these projects will provide
9 existing and proposed CNG facilities holding this firm pipeline capacity access to lower
10 cost gas supplies, further increasing the economic advantage of CNG over oil and
11 propane. Attachment Staff-1 states “the market for delivered CNG and LNG in New
12 England, New York and lower Canada is said to be between 5 and 12 Bcf/year” and
13 “suppliers and customers alike expect that niche market to continue growing given the
14 demand for relatively low-cost gas in regions currently served only by more expensive
15 fuels like oil and propane.” Currently, NG Advantage has a compressor station in
16 Milton, VT, which in a recent New Hampshire Business and Industry Association
17 presentation stated is “sold out.” A copy of that presentation is attached to Staff’s
18 Report. In response, NG Advantage has partnered with Clean Energy for the
19 construction of a 1.25 Bcf facility in Pembroke, NH. Combined with the
20 Liberty/iNATGAS CNG facility this will total 3.5 Bcf of new available production.
21 Along with the existing two CNG facilities in Maine and the one in development in
22 Massachusetts, I believe the 5-12 Bcf and growing CNG market can support all of the

1 facilities.

2

3 **Q. Are there other potential risks to the project and, in your opinion, have they been**
4 **adequately addressed?**

5 A. The other potential risk is an operational risk. This would occur if iNATGAS were
6 unable to execute on its business plan and meet, at minimum, the yearly take or pay
7 requirements. Liberty has procured a Guaranty from iNATGAS' president, Babak
8 Alizadeh, as well as from AVSG, LP which owns and operates CNG vehicle refueling
9 stations throughout the northeast and is an affiliated entity. In addition, as mentioned
10 above, iNATGAS has agreed to escrow \$1,223,640. Liberty believes these measures
11 have substantially mitigated the possible risks associated with this special contract.

12

13 **Q. Is the special contract beneficial to Liberty Utilities' customers?**

14 A. Yes. With the risks substantially mitigated for the reasons stated above, I believe that if
15 iNATGAS is able to achieve the level of sales it has committed to, customers will see a
16 very positive return. Based on the mitigated risks and large potential benefit to
17 customers, investing in the CNG facility is a prudent investment by the Company.

18

19 **Q. Does this conclude your testimony?**

20 A. Yes.