

**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**

**DG 14-155**

**Iberdrola USA Enterprises, Inc. /d/b/a New Hampshire Gas and  
Liberty Utilities Corp. (d/b/a EnergyNorth Natural Gas)**

**Joint Petition for Approval of Stock Acquisition**

**Direct Testimony**

**of**

**Randall S. Knepper  
Director – Safety Division**

**Sept 25, 2014**

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

2 A. My Name is Randall S. Knepper. I am employed as the Director of the Safety Division for  
3 the New Hampshire Public Utilities Commission. My business address is 21 S. Fruit  
4 Street, Suite 10, Concord New Hampshire 03301.

5 **Q. Please summarize your education and professional work experience.**

6 A. I received a Bachelor of Science in Mechanical Engineering from University of Rochester  
7 and a Master of Science in Civil Engineering from the University of Massachusetts. I am  
8 a licensed Professional Engineer in the State of New Hampshire, License No. 9272. I have  
9 been the Director of Safety for the New Hampshire Public Utilities Commission since  
10 December 2004. Prior to that I was an Environmental Consultant and Business  
11 Development Manager at The Smart Associates, Environmental Consultants, Inc., located  
12 in Concord, New Hampshire. My prior work experience includes a number of Business  
13 and Operations roles at Keyspan Energy Delivery New England and EnergyNorth Natural  
14 Gas Inc. (Keyspan, EnergyNorth), including Key Account Executive, Commercial &  
15 Industrial Sales Manager, Sales Engineer, Senior Engineer, Staff Engineer and CAD  
16 Supervisor. For many of those years, I designed natural gas distribution systems,  
17 recommended capital improvement projects, recommended system expansions, wrote  
18 Operations and Maintenance procedures and oversaw construction projects. While  
19 performing the duties of each of these occupations I was responsible for compliance  
20 related to applicable Local, State and Federal Codes. I worked at Westinghouse Electric  
21 designing high voltage transmission lines as a Project Engineer. I have completed 16 of 17  
22 Technical Training Sessions provided by the Training and Qualification Center of the  
23 Pipeline and Hazardous Materials Safety Administration (PHMSA). I serve as Staff

1 Engineer for the New Hampshire Site Evaluation Committee and as subject matter expert  
2 for the New Hampshire Advisory Council on Emergency Preparedness and Security. My  
3 professional work experience spans nearly 30 years.

4 **Q. Are you affiliated with any professional organizations?**

5 A. Yes. I am a member of the Association of Energy Engineers (AEE). I serve on multiple  
6 committees of the National Association of Pipeline Safety Representatives (NAPSR)  
7 including being a past Chair. I am Chairman of the Pipeline Safety staff subcommittee of  
8 the National Association of Regulatory Commissioners (NARUC). I have testified before  
9 Congress on Pipeline Safety Issues. I serve as chief editor of the 346 page comprehensive  
10 *Compendium of State Pipeline Safety Requirements & Initiatives Providing Increased*  
11 *Public Safety Levels compared to Code of Federal Regulations*. I also serve on the  
12 Common Ground Alliance Research and Development committee, and I am a board  
13 member of the New Hampshire Public Works Standards and Training Council.

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. The purpose of this testimony is to:

- 16 1. Share with the Commission the Safety Division's concerns regarding operational  
17 and safety impacts related to the proposed acquisition of New Hampshire Gas  
18 Corporation (NHGC) by Liberty Utilities (EnergyNorth Natural Gas) Corporation  
19 (Liberty).
- 20 2. Share with the Commission the Safety Division's comments of possible benefits  
21 regarding operational and safety impacts related to the proposed acquisition of  
22 New Hampshire Gas or NHGC by Liberty.

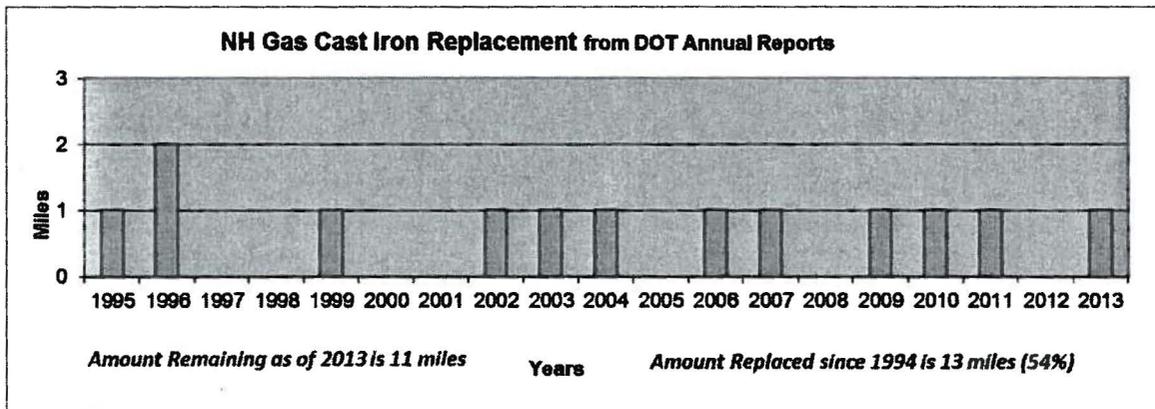
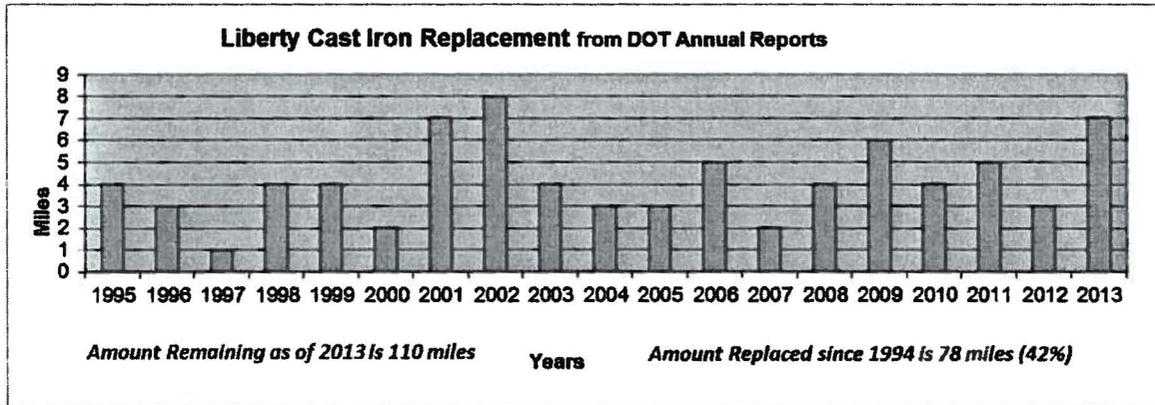
- 1           3. Highlight for the Commission statements within the petition or discovery that
- 2           appear contradictory for projected short term and long term plans being
- 3           considered by Liberty for the New Hampshire Gas service area.
- 4           4. Make determinations if overall the proposed acquisition meets the “no net harm”
- 5           standard for the operations and safety aspects of the proposed acquisition.

6

**I. HISTORICAL SYNOPSIS OF THE RESPECTIVE CAST IRON PROGRAMS**

**Q. Please summarize the rate of replacement of cast iron mains over the last twenty years for Liberty as well as New Hampshire Gas.**

**A. The charts below depict replacement rates of Cast Iron for each of the respective companies (including predecessor companies):**



Since 1994 New Hampshire Gas has replaced approximately 54% of the cast iron inventory that made up its distribution system. Comparatively over the same time frame Liberty has replaced only 42% of the cast iron inventory that makes up its distribution systems. Both companies have undergone acquisitions during that time frame and both companies recognize the cast iron distribution mains are considered leak prone pipe and have targeted replacement with more modern polyethylene. Also during this period 2007 to 2013, Liberty

1 has been able to take advantage of an accelerated cost recovery mechanism granted by the  
2 Commission to spur replacement rate incentives. New Hampshire Gas, because of its limited  
3 service area and customer base, has not utilized any accelerated cost recovery mechanism.

4 **Q. Does the petition discuss any future operational plans for changes to replacement rates**  
5 **of NHGC's cast iron pipelines that would be affected by the acquisition?**

6 A. No, the petition is silent regarding this important operational condition. The Safety Division  
7 has concerns that the acquiring company which has a broader customer base (approximately  
8 75 times larger) with only 7.8 times the original cast iron mileage inventory as well as more  
9 cost recovery options available to it has not historically performed (in terms of replacement  
10 of leak prone piping) as well as NHGC that has a smaller base and less capability to absorb  
11 any cost impacts.

12 **Q. Does Staff take exception to any of the Company's noted operational benefits that will**  
13 **come with the acquisition?**

14 A. Staff believes the operational benefits may be over stated. The petition does state that  
15 *"customers of the Keene System will benefit from the significant engineering and*  
16 *operational/technical expertise that is available in-house from EnergyNorth's existing*  
17 *operations and engineering departments which are based in Southern New Hampshire".*  
18 The Safety Division observes the "significant operational/technical expertise" has not  
19 transformed itself into any tangible higher replacement rates of leak prone piping than  
20 currently experienced by Keene customers. In fact Liberty's historical replacement rate of  
21 cast iron is 12% less than that of NHGC.

22

23

1 **II. EMERGENCY RESPONSE IMPACTS**

2 **Q. Does the Safety Division have any concerns about the potential for existing emergency**  
3 **response times for Keene customers to be degraded with the acquisition by Liberty?**

4 A. Yes, Puc 504.07 explicitly limits emergency response for New Hampshire Gas to 30 minutes  
5 for all conditions including normal business hours, after business hours, weekends and  
6 holidays, with no exceptions for inclement weather, staffing, and other conditions that can be  
7 planned into an emergency response. If New Hampshire Gas were absorbed into Liberty the  
8 data associated with Keene could be blended in with the larger Liberty quantity of emergency  
9 responses and Puc 504.07 may no longer be applicable. This can potentially result in a  
10 slower emergency response time experienced for Keene customers yet allow Liberty to still  
11 maintain and meet its overall emergency response goals outlined in Commission Order  
12 25,370 (May 30 2012). The Safety Division is concerned that this important metric  
13 developed by the Safety Division that acts as “a community safety valve” that limits the  
14 impacts of a potential hazard to life and property can result in harm to existing customers  
15 since the Safety Division would have no authority to review and enforce Puc 504.07. The  
16 testimony of Dan Saad states: *“In the short-term, EnergyNorth would integrate the Keene*  
17 *System into its ...emergency response programs”*. This is not acceptable to the Safety  
18 Division unless the 30 minute requirement is specifically addressed by the Commission.

19 **Q. How many emergency responses did New Hampshire Gas experience compared to**  
20 **Liberty over the last 3 years?**

<b>NH GAS &amp; LIBERTY EMERGENCY RESPONSE CALLS</b>						
		<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Total</b>
<b>2012</b>	<b>NH GAS</b>	6	4	7	10	<b>27</b>
	<b>Liberty</b>	690	395	432	692	<b>2209</b>
<b>2013</b>	<b>NH GAS</b>	13	4	3	8	<b>28</b>
	<b>Liberty</b>	754	408	612	834	<b>2608</b>
<b>2014</b>	<b>NH GAS</b>	18	9			<b>27</b>
	<b>Liberty</b>	860	604			<b>1464</b>

1  
2 A. The above table shows that New Hampshire Gas receives only approximately 1% of the calls  
3 that Liberty receives for gas odors, leaks and excavation damages that occur annually. New  
4 Hampshire Gas because of its size is only required to report quarterly while Liberty reports  
5 monthly. Each company has different emergency response performance metrics which it  
6 must attain. New Hampshire Gas has requirements that are detailed in the Puc 500 rules  
7 while Liberty’s are specified in the Commission Order 25,370 Attachment J Settlement  
8 Conditions.

9 **Q. Does the Safety Division have any concerns about the potential degradation regarding**  
10 **emergency response times of the potential acquisition by Liberty?**

11 A. Yes, the Safety Division concerns are:

12 1) There is no explicit commitment by Liberty of maintain operations at the Keene Area Work  
13 Center within the petition which can potentially unduly affect response times for Keene  
14 customers. The Safety Division has witnessed over the years in the course of many other  
15 New Hampshire utilities operations, the eventual closing down of local area work centers.  
16 PSNH has recently closed down the Hillsboro Work Center, and previously it had  
17 consolidated work centers in Laconia, Pittsfield and Franklin. Unitil (Northern Utilities)  
18 shut down the nearby work center serving Pelham/Salem area soon after acquisition of

1 Northern Utilities. Liberty has stated it intends to keep the same number of personnel that  
2 currently exist at the Keene work center but there is no limitation that says the employees  
3 will not or cannot be transferred to another existing work center on the EnergyNorth  
4 system such as Nashua, Manchester or Tilton. Given the 11.6% premium paid for by  
5 Algonquin in this potential transaction there indirectly may be pressure to explore such  
6 cost saving opportunities associated with potential consolidation of work centers.

7 2) Liberty states that, "*EnergyNorth also has at its disposal a large array of tools, equipment*  
8 *and vehicles, all in close proximity to the Keene System if needed. These resources will be*  
9 *available, as needed, during emergency restoration activities or other events outside of*  
10 *normal operations*. New Hampshire Gas and Liberty both use a well-established regional  
11 mutual aid system that allows one company to provide needed services to another. New  
12 Hampshire gas utilities participate in discussion of utilities located within the state  
13 typically prior to requesting assistance from out of state utilities. While it is unlikely that  
14 New Hampshire Gas can provide a significant amount of aid to Liberty in the event it is  
15 needed, it is likely that Liberty would already be called upon by New Hampshire Gas if an  
16 event were to happen. It is questionable how much greater this benefit is compared to the  
17 existing arrangement of mutual aid.

18 **Q. How many times within the last 10 years has New Hampshire Gas had a need for**  
19 **outside emergency response for a major gas outage?**

20 A. To my knowledge, there have been no instances where New Hampshire Gas has needed to  
21 call upon outside utilities (including parent organization) for aid during an emergency. This  
22 includes the October 2005 Flood and Mother's Day Flood (2006) that occurred in downtown  
23 Keene in which the State of New Hampshire opened up its Emergency Operations Center.

1        **III. OPERATIONAL LABOR IMPACTS**

2        **Q. Does the Safety Division have any concerns about the disparate labor rates between**  
3        **Keene employees and those of Liberty?**

4        A. Yes, the expectation of the Safety Division is that it is likely that Liberty would incorporate  
5        the Keene employees to comparable job classifications of EnergyNorth based on specific  
6        duties of each employee. The expectation is that Liberty's labor rates are higher than those  
7        of Keene employees which would have a negative and direct impact upon costs assuming  
8        existing operational functions continue as being currently performed. The efficiencies of the  
9        workforce at Keene are not expected to be replicated with the organizational structure  
10       currently utilized by Liberty.

11       **Q. Please describe the differences of how field labor is used between the two companies.**

12       A. NHGC does not typically use outside contractors when installing new pipelines or  
13       performing replacement work. There is little difference within the Keene organization  
14       between working on new pipelines that are not flowing gas and those existing pipelines that  
15       are pressurized and flowing gas. NHGC also takes advantage of municipal contractors  
16       providing trenching to save on installation costs. NHGC does not allow municipal  
17       contractors to actually perform work on pipeline systems that affect the integrity of the  
18       pipeline. The pipeline work is always done by NHGC. Liberty on the other hand contracts  
19       out all new pipeline installations and has recently contracted out much of the replacement  
20       work. There is a clear distinction in how the field work is accomplished between the two  
21       organizations. Liberty's in house field personnel are part of a collective bargaining unit  
22       while NHGC's are not. Liberty's petition does not state how this will be handled after the  
23       acquisition but the Safety Division has reservations that both systems with different practices

- 1 will remain as is. Any eventual outcome that separates the two functions including using
- 2 outside contractors will affect the operations of NHGC in a significant manner.

1 **IV. ANALYSIS OF LIBERTY PROPOSED OPERATIONAL ENHANCEMENTS**

2 **Q. Liberty estimated it will bring incremental enhancements to the Keene operational**  
3 **business processes associated with the Keene systems. Does the Safety Division have**  
4 **any comments regarding these associated incremental costs?**

5 A. Yes, Liberty has identified five safety enhancements it can bring to the Keene System (*Ref*  
6 *Dan Saad Testimony p 5. Lines 12-18*). The cited enhancements with Safety Division  
7 comments are outlined below:

8 A) DISPATCH AND CONTROL CENTERS are housed in the same room within Liberty's  
9 headquarters in Londonderry and provide two separate functions used in the EnergyNorth  
10 system. Liberty has envisioned that both services are needed for the Keene system. The  
11 combined Dispatch and Control would have an estimated one time capital cost of \$20,000 to  
12 incorporate New Hampshire Gas customers and an annual allocation of \$1,400 applied to  
13 Keene. Currently the existing cost at Keene is \$1,976 per year to use a Keene Answering  
14 Service which is equivalent to the Dispatch function. As respect to the control center,  
15 currently Keene's system has a single Remote Transmitter Unit located at the Gas Plant that  
16 monitors 4 parameters:

- 17 • the outlet (downstream) side of the single regulator station that controls the low pressure  
18 distribution system,  
19 • the outlet (downstream) side of the single regulator station that controls the 3.5 psig (5  
20 psig MAOP) distribution system,  
21 • the air pressure of the blowers used at the plant, and  
22 • BTU content of the mixed gas.

1 There is remote control capability by Energy East for fine adjustments but it has not been  
2 utilized and all control adjustments are made by local personnel at the gas plant. Thus the  
3 Safety Division does not see any inherent operational savings and or necessity of installing  
4 additional SCADA to monitor system operations given the tight operating budgets that  
5 NHGC uses. There are also 5 downstream system pressure locations within Keene that are  
6 manually recorded. NHGC staff routinely collects the pressure charts during the course of  
7 other duties such as odorization checks. There would be little cost savings associated with  
8 converting these charts since travel to the same locations is required for the odorization  
9 monitoring.

10  
11 B) PRESSURE REGULATOR AND INSTRUMENTATION EXPERTISE is identified by  
12 Liberty as a benefit to NHGC and is estimated to allocate \$5,800 annually in support  
13 expenses to the Keene System. The NHGC distribution system is a very simple system with  
14 a single source point located in the center of Keene. NHGC only has 2 basic regulator setups  
15 both located at the plant that provide system pressures of approximately 0.25 psig for the  
16 majority of the system and 3.0 psig for a small portion of the system feeding Monadnock  
17 Plaza. Its over pressure protection function is accomplished by a unique system that involves  
18 the gas controller tied into the mixing plant. Liberty does not have such set ups on the  
19 existing EnergyNorth System and does not use the same manufacturer of the regulating  
20 equipment for the main system. Liberty may be able to provide some general support for  
21 system modeling purposes but it would have to recreate the layout of the piping system in  
22 order to do it. Since the NHGC system has been stagnant in terms of customer growth and  
23 pipelines have been replaced mostly like in kind there is little need for engineering support as

1 the system currently exists. If the system is ever converted to LNG/CNG or the source of  
2 supply is relocated then it would be beneficial to run some alternatives using a system model  
3 before such a large investment is undertaken.

4  
5 C) GIS/MAPPING EXPERTISE AND ASSOCIATED SYSTEMS is a benefit for NHGC  
6 touted by Liberty. Currently NHGC has a single wall map that shows the system and  
7 individual paper records of the main segments and service lines. Liberty estimates that it will  
8 spend approximately \$123,000 to recreate the wall map into a GIS format and introduce  
9 mobile laptops within the field trucks that use ArcView for quickly attaining scanned records  
10 and mapping. Liberty did not identify an ongoing cost for maintenance that would be applied  
11 to NHGC. Currently, Iberdrola via NYSEG has avoided such a set up with NHGC most  
12 likely because of the investment required. This type of record retention proposed by Liberty  
13 is discretionary but would make NHGC consistent with the existing systems used at  
14 EnergyNorth. Liberty estimates that it can save 30 minutes for each Dig Safe markout  
15 required by NHGC with potential savings of \$20,000 annually. Staff questions the projected  
16 30 minute savings but even if there was such an indirect time savings it does not translate to  
17 actual labor dollars saved. This is because NHGC has 72 hours to complete the markout and  
18 the savings never tangibly materialize since the time displaced will be spent completing other  
19 tasks and there is no position reduction. NHGC does not dedicate individuals who only do  
20 markouts into job classifications as Liberty does.

21  
22 Liberty also indicated it will use its recently added Vero Track Leak Surveying Software that  
23 has just been implemented on the EnergyNorth systems. Staff is uncertain how much value

1 this adds to the Keene system since the entire distribution system is surveyed via bar holes in  
2 the ground surface, many which are used year to year so as to not disrupt municipal paving.  
3 Given the small number of leaks on NHGC's system it may not be a practical application for  
4 this computerized system. Liberty stated that it will incorporate it GPS recording equipment  
5 of exposed mains and new construction of pipelines. This was a requirement the Safety  
6 Division placed within the Settlement Agreement Attachment J of Commission Order 25,370  
7 of the Liberty/National Grid acquisition. The Staff does see value of incorporating that  
8 ability into NHGC operations.

9  
10 **D) CORROSION CONTROL ENGINEERING** is an enhancement that Liberty projects will  
11 cost \$3000 for repairs that may be necessary, assuming 2 repairs are made annually and  
12 \$1,000 annual costs allocated for performing this task two days per year. There are only 14  
13 coated steel services that require testing and a diminishing pipe system that is 3 miles of the  
14 existing 29 miles of the system. Because of the limited amount of corrosion work necessary  
15 the Safety Division believes any savings that materialize are marginal at best. It may relieve  
16 the duty from the existing Keene field workforce but add incremental coordination time with  
17 offsetting extra costs because those services would be coming from the EnergyNorth systems  
18 (coordination time, increased travel time, increased labor rates and crew delays).

19  
20 **E) DEDICATED INTERNAL TRAINING DEPARTMENT** is an enhancement that Liberty  
21 estimated will cost Keene approximately \$5,000 per year. The Safety Division agrees with  
22 Liberty's assertion that this will benefit the small number of Keene staff. An in-house  
23 training program coupled with an operator qualification program that Liberty is using will

1 alleviate a regulatory requirement that Keene currently has and provide more customized  
2 training and instruction for Keene field personnel.

3

1 **V. OTHER CONSIDERATIONS**

2 **Q. Does the Safety Division anticipate any performance enhancements associated with Dig**  
3 **Safe markouts for the Keene system with potential acquisition by Liberty?**

4 A. No, NHGC has had zero mismarks within the last 4 years on all Dig Safe locate requests.

5 There is no possibility in achieving any better. Comparatively over the last 4 years, Liberty  
6 has had 53 locates that have been mismarked. The Safety Division notes that Liberty has  
7 also had approximately 20 times the number of locate requests. Staff is concerned that if all  
8 locating functions are transferred to EnergyNorth personnel then in addition possibly not  
9 having the perfect track record that NHGC has experienced it could potentially increase cost  
10 by a minimum of \$15,000 per year.

11 **Q. Are there other operational benefits that Staff foresees if this transaction were to be**  
12 **approved?**

13 A. 1) Liberty has the ability to provide support when needed. NHGC operations are the leanest  
14 of any utility in New Hampshire we have inspected. They are much leaner and thus more  
15 efficient than either Liberty or Unitil which allows them to have the lowest operating costs.  
16 The lower operating costs are highly dependent upon the workforce that is employed at  
17 NHGC in Keene. Its financial condition does not leave any room for inefficiency. There is  
18 no redundancy within the organization for field operations and impacts can be felt when  
19 someone is out for a prolonged period. Fortunately this has not been the case but prudent  
20 planning including succession planning is an important element of any organization.  
21 Liberty's presence will relieve some of that pressure because it can support the operations  
22 when needed because of its proximity. This has inherent value but is difficult to quantify.

1 2) The Safety Division believes there is some gas purchasing savings that could be applied to  
 2 the Keene customers that could come from annexing the NHGC purchasing with that of  
 3 Liberty.

4 This stems from:

5 a) utilizing the gas storage facility in Amherst in a manner that saves NHGC customers  
 6 from purchasing some higher priced winter commodity that can now be purchased at the  
 7 lower off seasonal price and stored at Amherst. Staff cautions this must be managed  
 8 effectively so that optimal pricing occurs for both EnergyNorth and NHGC.

9 b) NHGC should realize some incremental purchasing power because the propane  
 10 supplies that would be purchased for both companies would be approximately double the  
 11 amount purchased by either entity alone.

12 c) increased flexibility in moving propane supplies between the two companies which has  
 13 some benefits.

14 **Q. Are there any confusing or unclear statements that appear within the petition,**  
 15 **testimony or discovery that make it difficult for the Safety Division to determine if there**  
 16 **is no net harm?**

17 A. Liberty has tried to present some of the potential scenarios that may or may not eventually  
 18 unfold. This attempt helps the commission staff to analyze the proposed petition.

19 Unfortunately, there are numerous instances where proposed potential plans are little more  
 20 than concepts and have not been developed fully enough to help inform the Safety Division  
 21 of the long term plan and resulting long term benefit or harm. Examples of this are:

22 1. (Reference Leehr Testimony p 11 of 17 Line 19-21) states: *“As stated, the Keene System*  
 23 *has approximately 1,250 customers along with a total annual consumption of approximately*

1        *130,000 Dth. EnergyNorth has a market forecast of increasing customer connections that*  
2        *would result in annual consumption levels approaching 500,000 Dth within 5 years of the*  
3        *acquisition”.*

4        The Safety Division found this to be an unrealistic forecast considering an LNG supplied  
5        plant needs to be installed, a new supply location selected, larger gas piping extended to  
6        reach larger commercial customers, multiple regulator stations would be required, existing  
7        customers converted from propane air, lowered delivery rates and lowered costs of gas  
8        absorbed by existing EnergyNorth base customers. Given all those expenses, it is doubtful  
9        that within 5 years a customer base could be expanded by that much within a single  
10       community. There are numerous contingencies that would be encountered that make this  
11       formidable.

12       2. (Reference Hall Testimony p 6 of 9 Line 18-21) Hall testimony states: *“Compliance with*  
13       *Storage Rules and Regulations: As explained in Mr. DaFonte’s testimony, the transaction is*  
14       *in the public interest, because the Keene system will have access to sufficient propane*  
15       *storage to allow it to be in compliance with Commission storage rules and regulations.”*

16       The Safety Division found this confusing . To The Safety Division’s knowledge New  
17       Hampshire Gas has never been out of compliance with 7 day storage requirement.

18       3. (Reference Hall Testimony p 3 of 9 Line 17-28) Hall testimony states: *“The transaction*  
19       *is beneficial to EnergyNorth because it provides additional volume over which*  
20       *EnergyNorth’s fixed costs can be spread.”*

21       The Safety Division interprets this to mean that EnergyNorth overheads are going to be  
22       applied to New Hampshire Gas customers. If the customer growth remains at levels  
23       commensurate with what has been historically realized, then the overheads transferred from

1 EnergyNorth to NHGC will be harmful to the operating costs of NHGC. To the extent these  
2 are greater than those overheads that are currently applied by Iberdrola which are  
3 approximately \$200,000 per year then Operational Costs will be significantly higher for New  
4 Hampshire Gas. Currently, Iberdrola has taken a hands off approach and has not tried to  
5 make New Hampshire Gas conform to its typical operational structure and has only on slight  
6 occasions, in a very limited fashion, treated like other natural gas operating centers located in  
7 New York. This has allowed the operating costs of New Hampshire Gas to remain low. The  
8 statement really does not consider that if lower delivery rates are to be achieved for New  
9 Hampshire Gas they will be correspondingly raised for EnergyNorth customers. This ends  
10 up being a zero sum situation depending on the timing of the statements.

11 4. (Reference Hall Testimony p 7 of 9 Line 9-11 ) *“Lower overall revenue requirement: The*  
12 *overall revenue requirement of the combined entity will be lower due to Iberdrola’s*  
13 *willingness to forego recovery of the settlement payment to Keene Propane Corporation,”*

14 This assumes that the settlement payment has been reviewed and approved by the  
15 Commission. Prior to considering the effects of this payment in a net harm or benefit  
16 analysis the conditions surrounding the need for payment require examination in a docket  
17 that discusses those costs and alternative considerations. To date this settlement payment has  
18 not come before the Commission. Since there is no automatic pre approval, it is difficult to  
19 definitively state that this will be a benefit at this time. So the Safety Division did not  
20 consider this at this time.

## 21 VI. CONCLUSION AND RECOMMENDATION

22 **Q. Will NHGC customers see a reduction in operational safety and reliability if the**  
23 **acquisition is approved?**

1 A. Potentially, yes. As spelled out above, in this testimony, NHGC has achieved a higher  
2 level of success at replacing leak prone pipe over the past 20 years- thus Liberty has a  
3 worse historical record when it comes to cast iron. In considering emergency response  
4 times, Liberty is held to a less stringent standard than NHGC. Without some mitigating  
5 conditions NHGC customers may experience a longer emergency response. In terms of  
6 labor considerations, Liberty has higher direct labor costs and slightly higher fringe  
7 benefits than NHGC (considering pension offerings) which translates into higher capital  
8 and operational costs for distribution system costs. In addition there are distinct  
9 differences in utilizing contract crews in contrast to the larger multitasking job  
10 requirements of the current NHGC field employees which translates into cost efficiencies  
11 for completing the same task. In terms of Dig Safe mark outs NHGC has a perfect record  
12 locating when reviewing the most recent history. Liberty does not. In terms of applied  
13 operational systems, Liberty intends to include NHGC for GIS and field mapping, meter  
14 reading, dispatch and control, corrosion control and instrumentation support. The Safety  
15 Division is not convinced these will all translate into benefits without a corresponding  
16 higher cost.

17 **Q. Will Liberty customers see a reduction in operational safety and reliability if the**  
18 **acquisition is approved?**

19 A. No instances were identified.

20 **Q. Please summarize your recommendation.**

21 A. While the Safety Division was able to identify some benefits that Liberty may bring to  
22 NHGC's operations, they were not enough to offset the identified potential harms. For the  
23 reasons stated above and as presented in Mr. Frink's testimony, the proposed change in

1 ownership fails the 'no net harm test' and the Commission should deny the petition. With  
2 proper conditions imposed many of the identified concerns can be mitigated.

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

4 **A. Yes.**