



**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 15-362**

**In the Matter of:**  
**Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities**  
**Petition for Franchise Authority in Pelham and Windham**

**Direct Testimony**

**of**

**Stephen P. Frink**  
**Assistant Director – Gas & Water Division**

**April 22, 2016**

**New Hampshire Public Utilities Commission**

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

**Petition for Franchise Authority in Pelham and Windham**

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**Testimony of  
Stephen P. Frink**

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

**A.** My name is Stephen P. Frink and I am employed by the New Hampshire Public Utilities Commission (Commission) as Assistant Director of the Gas & Water Division. My business address is 21 S. Fruit Street, Suite 10, Concord, New Hampshire 03301.

**Q. Please summarize your educational and professional experience.**

**A.** I joined the Commission in 1990 as a member of the Audit Team and worked as a Utility Analyst and Sr. Utility Analyst before becoming the Assistant Finance Director in 1998. In 2001 Commission operations were restructured and I became the Assistant Director of the Gas & Water Division and have primary responsibility for the administration of the financial aspects of the regulation of the gas utilities and Concord Steam Corporation.

Prior to joining the Commission I worked as a Budget/Financial Analyst for the cities of Austin and Dallas, Texas. I have a Bachelor of Arts and a Master's in Business Administration from the University of New Hampshire.

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

1   **A.**    The purpose of my testimony is to provide Staff's recommendations on whether Liberty  
2           Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty or Company)  
3           should be granted the franchise to provide natural gas utility service in Pelham and Windham.  
4           My testimony also examines the methodology and underlying assumptions used by Liberty to  
5           financially evaluate the merits of providing natural gas utility service to Pelham and  
6           Windham.

7   **Q.**    Please summarize Staff's findings and recommendations on these issues.

8   **A.**    The Commission should deny the petition and direct Liberty to include a Discounted Cash  
9           Flow (DCF) analysis when seeking approval of a major expansion outside its franchise  
10          territory. Liberty's proposal is to build two distribution systems, one to serve Pelham and  
11          another to serve Windham, independent of the one another. The projected revenue for each  
12          town is highly speculative and Liberty should not be granted the franchise for either town.

13 **Q.**    Briefly describe the current filing.

14 **A.**    On August 31, 2015, Liberty filed a petition with the Commission for approval of a gas  
15          franchise in Pelham and Windham, New Hampshire. Liberty proposes to bring service to  
16          Pelham by connecting to the Concord Lateral<sup>1</sup> in Pelham and to bring service to Windham by  
17          extending an existing gas main located in Hudson into Windham. The Company would serve  
18          the Pelham and Windham customers under the existing terms of its tariff and could begin  
19          serving Pelham and Windham by the start of the 2016-2017 heating season.

20               The Company does not anticipate charging customers to construct line extensions as

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<sup>1</sup> The Concord Lateral is an interstate pipeline owned by the Tennessee Gas Pipeline Company, LLC (TGP), originating in Dracut, Massachusetts, with primary delivery points on Liberty's distribution system in Nashua, Manchester and

1 preliminary calculations using the revenue test applicable to line extension requests in  
2 Liberty's service territory indicates that the amount of distribution revenue it will receive  
3 satisfies the payback periods of 6 and 8 years for commercial and residential customers,  
4 respectively, for the cost of construction.

5 On April 15, 2016, the Company filed supplemental testimony stating it has a Service  
6 Line Agreement (SLA) with a developer for service to 400 individually metered residential  
7 units to be located in Windham. The supplemental testimony also notes that the Pelham  
8 Board of Selectmen have voted to authorize the signing of SLAs for all municipal building  
9 and that Liberty is currently working with a potential anchor customer in Pelham that uses  
10 400,000 gallons of propane per year.

11 Liberty's initial revenue test analysis did not include the cost of a city gate<sup>2</sup> to connect  
12 with the Concord Lateral, necessary to provide service to Pelham, to be located in Pelham  
13 (Pelham Take Station). Liberty's supplemental testimony included a revenue analysis that  
14 factored in the cost of the Pelham Take Station and the projected revenue from the Windham  
15 Development and found that the projected revenues satisfy the payback period requirement of  
16 its line extension policy and no customer contribution in aid of construction (CIAC) is  
17 required.

18 Staff does not believe the revenue test used to evaluate line extension requests within  
19 the Company's franchise territory is the appropriate financial analysis to be used for  
20 determining the economic costs and benefits of this \$3.5 million capital investment, the

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Concord, New Hampshire.

2 A city gate, also referred to as a 'take station' or 'interconnect', is a transition point between the interstate natural gas pipeline and the local utility's distribution system.

appropriate analysis is a DCF analysis supported by a comprehensive business plan.

**Methodology to Evaluate the Financial Merits of Large System Expansion Projects**

**Q. What constitutes adequate justification for a proposed system expansion?**

**A.** An expansion is justified if the incremental system investment required to extend distribution service are borne by the customers to be served and not subsidized by existing customers.

**Q. Please cite Commission Orders stating its policy on system expansions.**

**A.** The Commission's policy against cross-subsidization of service expansions by existing utility customers is of very long standing. For instance, in 1922, the Commission held: "Not infrequently, utilities, in their desire to please the public, make extensions which do not pay and cannot be made to pay because there is not business enough in the territory served. Such extensions are not in the public interest because they must be carried by increasing the rates upon other consumers. Before utilities make extensions into new territory they should be reasonably certain that the new business to be obtained thereby can be made to pay, at least within a reasonable time." *C. Julian Tuthill Et Al. v. Plaistow Electric Light & Power Company*, 8 N.H.P.S.C. 509, 510 (1922) (applying rule that expenditures made for an extension of service be recouped by the gross income derived from the utility's business in the new territory over a period of three years).

In 2009 when approving a revised line extension policy for the Public Service Company of New Hampshire, the Commission held: "The result is a policy that is fair to new customers and existing customers as it phases out a long-standing policy that has allowed for a level of subsidization. We find that eliminating the subsidy of current customers for new

1 line extensions, and requiring new customers to pay the actual cost of such service, is  
2 reasonable and in the public interest, and we approve the settlement.” *Public Service Co. of*  
3 *New Hampshire*, 94 N.H.P.U.C. 678 (2009).

4 **Q. Are there specific investment criteria that must be satisfied for a natural gas utility to**  
5 **expand its distribution system within its franchise area?**

6 **A.** Yes, New Hampshire’s two natural gas utilities have tariff terms and conditions that address  
7 line extension requests. The line extension policies compare expected revenues from new  
8 customers to the expected cost of the extension to determine if the revenue is adequate to  
9 justify the investment. If the expected revenues are inadequate the customer(s) requesting  
10 service are required to make a CIAC in the amount necessary to satisfy the investment  
11 criteria.

12 **Q. What are the expected revenues used in the revenue test analysis?**

13 **A.** Expected revenue, also referred to as the Gross Profit Margin, are the revenues to be  
14 recovered through the customer and delivery charges. The expected revenue does not include  
15 revenue to be recovered through the Cost of Gas or Local Distribution Adjustment charges.

16 **Q. How does Liberty determine if CIAC is required for a line extension?**

17 **A.** Liberty’s line extension policy uses a revenue test to determine if a customer contribution is  
18 required, and if so, the amount. The revenue test for a residential customer is estimated  
19 annual margin must equal or exceed one-eighth of the estimated construction cost, and for a  
20 C&I customer, estimated annual margin equal or exceed one-sixth of the estimated  
21 construction cost. If a line extension request fails the revenue test, a contribution sufficient to  
22 satisfy the test is required.

1   **Q.    Are there investment criteria that must be satisfied for a natural gas utility to expand its**  
2   **distribution system outside its franchise area?**

3   **A.    Although the utility's tariff is only applicable to its service area, the same principle applies, an**  
4   expansion would be justified if the incremental system investment costs required to extend  
5   distribution service are borne by the customers to be served and not subsidized by existing  
6   customers. Since a utility's tariff is only applicable to its franchise area, the financial analysis  
7   used to evaluate the economic benefits and costs of a proposed expansion is not bound by the  
8   methodology prescribed by the utility's tariff. Often, an expansion beyond the utility's  
9   approved boundaries requires a substantial investment and should be given a greater level of  
10   scrutiny than that used when evaluating less costly expansions as are typical within a utility's  
11   service territory.

12   **Q.    Does the Commission have a preferred methodology for evaluating the financial**  
13   **viability of a major expansion?**

14   **A.    Yes. In Order No. 22,297 (August 28, 1996) Approving Northern's Firm Gas Transportation**  
15   Agreement and Expansion of Service into the towns for Durham and Madbury, the Parties and  
16   Staff entered into a Settlement Agreement stating that the DCF framework is the appropriate  
17   methodology to use in evaluating the financial viability of large system expansion projects  
18   and the Commission agreed (Commission Analysis, p. 4), "We also Agree that the DCF  
19   methodology is the appropriate framework in which to evaluate the financial viability of large  
20   system expansion projects."

21   **Q.    Is the DCF methodology superior to the revenue test for major expansion projects?**

22   **A.    Yes. The DCF methodology is a far better framework than a revenue test for evaluating the**

1 efficacy (and hence prudence) of a major capital project for the following reasons: 1) the  
2 DCF analysis uses a much longer time horizon (the life of the project); 2) the DCF analysis  
3 uses a more inclusive set of revenue and cost variables, encompassing revenue and cost  
4 savings, capital costs not covered by customer contributions, and incremental operating costs;  
5 and, 3) the DCF analysis allows for an apples-to-apples comparison of costs and benefits that  
6 occur at different times by discounting the revenue and cost streams at the company's  
7 weighted cost of capital rate to determine the 'present value' of each and the 'net present  
8 value' of the project.

9 **Q. Why is use of the revenue test as prescribed by Liberty's tariff not appropriate when**  
10 **evaluating the financial merits of the Pelham and Windham expansion?**

11 **A.** A revenue test is appropriate for evaluating smaller projects that entail a limited investment  
12 and require a customer commitment with financial penalties if the customer(s) requesting  
13 service fail to take service within nine months. The revenue test is a simple and straight  
14 forward calculation that serves as a proxy for the DCF methodology, intended to roughly  
15 satisfy the payback principle that the Commission desires. It is not appropriate for evaluating  
16 a large expansion that poses a significant financial risk. The estimated construction cost to  
17 serve Pelham/Windham is approximately \$3.5 million (including the Windham Development)  
18 and therefore poses a significant financial risk.

19 **Q. What financial analysis did Liberty use to justify the Pelham/Windham project?**

20 **A.** Liberty used the revenue test as described in the line extension policy.

21 **Q. Are there other reasons why the revenue test should not be used to evaluate the financial**  
22 **merits of this expansion?**

1    **A.**    Yes. The line extension policy in Liberty tariff is for evaluating customer requests for a line  
2           extension and therefore includes at least one customer commitment to take service within nine  
3           months of the date of the service installation and 100% of the expected revenues and costs to  
4           serve the customer(s) that have committed to taking service. The revenue test also includes  
5           60% of expected revenues and costs to serve the other premises along the proposed extension,  
6           with no certainty as to whether those premises will take service, or when. Unlike requests for  
7           a main extension made within Liberty's existing franchise territory, when Liberty filed its  
8           petition seeking to add Pelham and Windham to its franchise territory, the Company had no  
9           customer commitments to take service in those towns. It is unreasonable to assume 60% of  
10          all premises along the proposed distribution systems will take service in year one, absent any  
11          customer commitments to do so. While saturation rates along existing mains indicate that the  
12          60% target will eventually be achieved, it is very likely that the timing of those conversions  
13          would be such that the cost to serve would not be fully recovered within ten years.

14  
15    **Benefit and Cost Analysis to Serve Pelham and Windham**

16    **Q.**    In the Company's initial filing, do the results of the revenue test justify the  
17           Pelham/Windham project?

18    **A.**    No, despite the Company's assertion that under its Line Extension Policy the results of the  
19           revenue test justifies the proposed expansion. Liberty's analysis failed to include the cost to  
20           construct the Pelham Take Station. The estimated cost to construct the Pelham Take Station  
21           is \$1.25 million and when included in the analysis requires \$1 million of CIAC to satisfy the  
22           Company's line extension investment criteria, as seen below in Table 1.

Initial Filing - Contribution In Aid of Construction	
Gross Profit Margin	
Pelham	1,069,122
Windham	856,440
Total Gross Profit Margin	1,925,562
Construction Cost	
Pelham Distribution System & Take Station	2,190,003
Windham Distribution System	692,993
Total Construction Cost	2,882,996
Required Contribution in aid of Construction	
(Construction Cost less Gross Profit Margin)	957,434

Table 1

**Q. Why didn't the Company include the cost of the Pelham Take Station in its analysis?**

**A.** The Company claims that after a few years of strategic growth, the Pelham and Windham distribution systems will be connected to the Hudson, Londonderry and Derry distribution systems and will provide increased reliability to the Company's system (Clark Testimony, Bates p. 8-9). Liberty contends that the Pelham Take Station will provide for growth and/or enhanced system reliability and, therefore, the cost should be borne by all customers (Mullen Testimony, Bates p. 32, lines 1-8).

**Q. Why does Staff believe the cost of the Pelham Take Station should be included in the analysis?**

**A.** The Pelham Take Station is being built to serve Pelham and absent the proposed expansion is not needed.

The Company states that the Pelham Take Station will eventually enhance system reliability, but Staff is unaware of any reliability issues on the Hudson, Londonderry and Derry distribution systems at this time, and even if that were the case, there may be less

1 expensive options available to the Company to address reliability issues in that area.

2 Furthermore, the Pelham Take Station would not enhance system reliability until after several  
3 years of strategic growth necessary to justify the cost of extending the new distribution mains  
4 to connect with Liberty's existing distribution system. Whether or not Liberty will be able to  
5 achieve the necessary growth, or when, is not apparent from the Company's filing.

6 **Q. Is there sufficient demand in Pelham and Windham to recoup the cost to serve within a**  
7 **reasonable period of time?**

8 **A.** That is very much in question. At the time Liberty filed its petition, no business or residence  
9 had committed to taking utility service, and there was very little detail regarding the  
10 Company's prospects for getting prospective customers along the initial five miles of  
11 distribution mains (2.7 miles in Pelham and 2.4 miles in Windham) to convert to natural gas,  
12 such as current fuel use and age of heating systems.

13 Liberty's supplemental testimony filed on April 15, 2016 states that Liberty now has  
14 an SLA for service to a proposed Windham Development, that the Town of Pelham is  
15 expected to enter into an SLA for its municipal buildings, and that the Company is working  
16 with a potential anchor customer in Pelham. The projected revenue for the proposed  
17 Windham Development is substantial, but the testimony provides no detail as to the status of  
18 the proposed development. The development may never be built, or the scope and timing of  
19 the development could be very different from what the developer is currently proposing.

20 **Q. Do the results of the revenue test comport with the terms of the line extension policy**  
21 **when using Liberty's updated revenue and cost projections?**

22 **A.** Yes, when combining the updated revenue and cost projections for the Pelham and Windham

1 projects, the results of the revenue test satisfy the Liberty's line extension policy investment  
2 criteria. Starting with original cost and revenue projections (Table 1) and including the cost  
3 of the Pelham Take Station, Windham Development costs and revenues and the Pelham  
4 anchor customer costs and revenues, the results of the revenue test analysis satisfies the line  
5 extension policy criteria, as seen below in Table 2. However, as indicated elsewhere, this is  
6 not sufficient in itself to justify the proposed investment.

Updated Contribution In Aid of Constrution	
Gross Profit Margin	
Pelham with Anchor Customer	1,355,092
Windham with Development	2,613,240
	<u>3,968,332</u>
Construction Cost	
Pelham with Take Station & Anchor Customer	2,461,293
Windham with Development	1,236,611
	<u>3,697,904</u>
Required Contribution in aid of Construction	
Construction Cost less Gross Profit Margin	-270,428

Table -2

9 **Q. What would be the consequences if annual demand in Pelham and Windham turns out**  
10 **to be significantly below Liberty's sales projections?**

11 **A.** Liberty's existing customers could wind up subsidizing the Pelham/Windham operations  
12 and/or the Commission could find that the certain assets are not used and useful and deny  
13 recovery of the costs associated with those assets when Liberty seeks recovery.

14 **Q. Should the Pelham and Windham projects be treated as a single project?**

15 **A.** No, Pelham and Windham are two distinct projects, each with its own distribution system and  
16 supply source; neither project is dependent on the construction of the other. The project cost

1 and revenue for each are unique to each and an economic analysis should be undertaken to  
2 determine the cost and benefit to serve each town.

3 **Q. Has Staff conducted an analysis of the cost and benefit to service each town?**

4 **A.** Yes. Using the available information, Staff applied the revenue test to determine if the each  
5 of the projects would require a CIAC to satisfy the investment criteria in Liberty's tariff.  
6 Although the revenue test analysis is not the appropriate analysis for determining the financial  
7 merits, Staff does not have sufficient information to conduct a DCF analysis.

8 The results of the revenue test analysis and Staff recommendation on granting a  
9 franchise for each town are presented below.

10  
11 **Benefit and Cost Analysis of Serving Pelham**

12 **Q. Do the results of the revenue test justify the Pelham project under the terms of the line**  
13 **extension policy?**

14 **A.** No. Starting with Liberty's initial cost and revenue projections for the Pelham Phase I  
15 expansion, and factoring in the cost of the Pelham Take Station and cost and revenues of the  
16 potential anchor customer, the revenue test analysis shows that \$1.1 million of CIAC is  
17 needed to satisfy the Company's line extension investment criteria, as seen below in Table 3.

Pelham Contribution In Aid of Constrution w/ Anchor Customer	
Gross Profit Margin	
Pelham Phase I	1,069,122
Pelhan Potential Anchor Customer	285,970
	<u>1,355,092</u>
Construction Cost	
Pelham Distribution System & Take Station	2,190,003
Construction Cost to Serve Anchor Customer	271,290
	<u>2,461,293</u>
Required Contribution in aid of Construction	
Construction Cost less Gross Profit Margin	1,106,201

Table 3

**Q. Liberty expects the Town of Pelham to convert its municipal facilities to natural gas, how would that impact the result?**

**A.** There would still be a significant CIAC requirement to satisfy the investment criteria related to the \$2.5 million capital investment to serve Pelham. Although Staff does not know the projected annual sales related to the municipal facilities, if those facilities were part of the Pelham Phase I expansion, then the initial cost and revenue projections would have reflected the capital cost to serve those facilities and 60% of the projected revenue. Increasing the projected revenue associated with those facilities will lower the CIAC requirement but will not eliminate the need for CIAC. Even if Liberty were able to convert every customer along the Phase I expansion, that would only produce a Gross Profit Margin of \$1.5 million (additional revenue of \$430,000) and a \$670,000 CIAC requirement.

**Q. Should Liberty be granted the Pelham franchise if it is able to satisfy the CIAC requirement determined through the revenue test prescribed in Liberty's tariff under its line extension policy?**

1   **A.**    No. A DCF analysis based on a detailed business plan should be undertaken to determine if  
2           the cost to serve Pelham will be recovered from Pelham customers within ten years.

3   **Q.**    Do you have any suggestions as to how Liberty could reduce or eliminate a possible  
4           CIAC requirement?

5   **A.**    Yes. The CIAC represents the difference between expected revenues and costs necessary to  
6           achieve a positive return within a specified time. An increase in expected revenue and/or  
7           reduction in costs could eliminate the CIAC requirement. The most obvious way to increase  
8           revenue would be to obtain customer commitments along the proposed main.

9           The fact that the Town of Pelham plans to convert its municipal facilities to natural  
10          gas indicates the Town is expecting a favorable return on its conversion costs. Pelham will  
11          also benefit from increased property tax revenue related to the gas infrastructure to be located  
12          in Pelham. If Pelham were to forgo taxing those facilities, or taxing them at a reduced rate,  
13          for a number of years, that would lower Liberty's cost to serve and reduce or eliminate the  
14          CIAC requirement as determined using the DCF methodology.

15          Liberty recently petitioned the Commission<sup>3</sup> to allow for Managed Expansion  
16          Program Rates, which would allow the Company to add a premium to its regular distribution  
17          for a period of years in a targeted area, in effect, allow customers in the targeted area to pay  
18          most or all of the CIAC over time and making conversion to natural gas more economical. A  
19          Managed Expansion Rate specific to Pelham could also reduce or eliminate the need for  
20          customer CIAC in Pelham.

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3 Docket No. DG 16-447, Liberty Petition to Amend Tariff to Include Managed Expansion Program Rates, filed April 14, 2016.

**Benefit and Cost Analysis to Serve Windham**

**Q. In the Company's initial filing, did the results of the revenue test for the Windham project meet the terms of the line extension policy?**

**A.** Yes, using Liberty's cost and revenue projections for the Windham Phase I expansion the revenue test analysis shows that no CIAC is required to satisfy the Company's line extension investment criteria, as seen below in Table 4.

Windham Contribution In Aid of Construction	
Gross Profit Margin	
Windham	856,440
Construction Cost	
Windham Distribution System	692,993
Required Contribution in aid of Construction	
Construction Cost less Gross Profit Margin	(163,447)

Table 4

**Q. How does that change when factoring in the Windham Development for which Liberty has a SLA?**

**A.** Starting with Liberty's initial cost and revenue projections for the Windham Phase I expansion and factoring in the cost and revenue projections for the proposed Windham Development, the revenue test analysis shows no CIAC is required to satisfy the Company's line extension investment criteria, as seen below in Table 5.

Windham Contribution In Aid of Constrution w/ New Development	
Gross Profit Margin	
Windham Phase I	856,440
Windham New Development	1,756,800
	<u>2,613,240</u>
Construction Cost	
Wincham Distribution System Phase I	692,993
Construction Cost to Serve Development	543,618
	<u>1,236,611</u>
Required Contribution in aid of Construction	
Construction Cost less Gross Profit Margin	-1,376,629

Table 5

**Q. Does Staff believe that Liberty's revenue projections are reasonable?**

**A.** No. As previously explained when discussing why the revenue test should not be used in evaluating the financial merits of the proposed expansion, there are no guarantees regarding how many of those premises will convert to natural gas, or when, absent any customer commitments.

Since that time, Liberty has obtained a signed SLA with a developer for line extension to serve a proposed Windham Development expected to add 400 residential meters, but Liberty provided no details as to the status and timing of that proposed development.

Staff has not seen a copy of the SLA the developer entered into, but expects that the main and service extension costs for which the developer would be responsible if failing to take service does not include any of the cost of the Windham Phase I expansion.

**Q. The results of the revenue test indicate the Windham expansion would benefit existing customers, how likely is it a DCF analysis will produce a different result?**

**A.** A DCF analysis based on a detailed business plan could produce a very different result, as the

1 analysis will provide a much clearer picture as to the number of conversions that can be  
2 expected, the timing of those conversions and annual revenue streams. The annual costs,  
3 including up-front construction costs, future capital investments and property taxes, will be  
4 identified and reflected in the results. The Net Present Value (discounted revenue less  
5 discounted costs) over a ten year period could be far different than the CIAC requirement  
6 derived from the revenue test analysis.

7 **Q. Should Liberty be granted the Windham franchise if it able to satisfy the CIAC**  
8 **requirement determined through the revenue test prescribed in Liberty's tariff under its**  
9 **line extension policy?**

10 **A.** No. A DCF analysis based on a detailed business plan should be undertaken to determine if  
11 the cost to serve Windham will be recovered from Windham customers within ten years.

12 **Q. Do you have any suggestions as to how Liberty could reduce or eliminate a possible**  
13 **CIAC requirement?**

14 **A.** Yes. As suggested in the discussion on Pelham, Liberty should pursue customer  
15 commitments along the proposed Windham distribution system, seek a reduction in the  
16 Windham property tax rate to be charged on the new natural gas infrastructure, and consider  
17 implementing Managed Expansion Program Rates for Windham.

18 In addition, Liberty should include a portion of the Windham Phase I expansion costs  
19 in the cost responsibility of the developer that has signed an SLA for service to the proposed  
20 Windham Development.

21  
22

1 **Conclusion and Recommendation**

2 **Q. Is Liberty's financial analysis reasonable, and does it justify the proposed expansions?**

3 **A.** No, Liberty did not provide a detailed business plan, nor did it perform a DCF analysis, and it  
4 failed to include the cost of the Pelham Take Station in its analysis.

5 **Q. What steps should Liberty undertake to demonstrate the proposed expansions are**  
6 **economical?**

7 **A.** For each town, Liberty should conduct a detailed business plan, undertake a DCF analysis,  
8 and obtain customer commitments. The fact that Liberty was able to obtain a SLA for a  
9 major development prior to being granted the franchise demonstrates that potential customers  
10 are willing to commit to service in support of a proposed expansion.

11 **Q. How readily available is the information necessary to develop a detailed business plan?**

12 **A.** Liberty recently executed a contract with ICF International that will make the information  
13 needed to develop a detailed business plan readily available. Liberty's testimony in its  
14 Managed Expansion Program Rates filing describes the information ICF will be providing  
15 and includes a copy of the ICF International contract.

16 **Q. Should the Commission deny the petition and close the docket?**

17 **A.** Yes. The Commission should also direct Liberty to include a DCF analysis when seeking  
18 Commission approval of major expansions outside of its service territory.

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

20 **A.** Yes.