

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

Docket No. DG 17-XXX

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

Petition for Approval of Special Contract with New Hampshire
Department of Administrative Services

DIRECT TESTIMONY

OF

WILLIAM J. CLARK

March 1, 2017

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is William J. Clark. My business address is 15 Buttrick Road, Londonderry, NH 03053.

Q. By whom are you employed and in what capacity?

A. I am employed by Liberty Utilities Service Corp. as the Director of Business Development. In that capacity, I am responsible for creating new business opportunities for Liberty Utilities (EnergyNorth Natural Gas) Corp. (“Liberty” or the “Company”) and Liberty Utilities (Granite State Electric) Corp. (“Granite State Electric”), and working with existing customers along with local, regional and state officials to ensure their utility needs are being met.

Q. On whose behalf are you testifying today?

A. I am testifying on behalf of Liberty.

Q. Please state your educational background and professional experience.

A. I graduated from St. Anselm College in Goffstown, New Hampshire, with a Bachelor of Science degree in Financial Economics in 1991. In 1992, I began my career at Boston Gas Company. During this time, I was a member of the Steel Workers of America, Local 12007 and held various positions in gas distribution and customer service, as well as being a union official. In 1998, I was employed by National Grid to start an unregulated energy service subsidiary, where I worked as a Sales Account Manager until 2010. In

1 2010, when National Grid sold this business, I was employed by National Grid as a
2 Commercial Gas Sales Representative, working in EnergyNorth's service territory. In
3 2012, I joined Liberty and progressed into my current position. In this role, I am
4 responsible for organic growth opportunities and commercial development for both
5 Liberty Utilities and Granite State Electric.

6 **Q. Have you previously testified before this Commission?**

7 A. Yes. I testified before the New Hampshire Public Utilities Commission ("Commission")
8 in Docket No. DG 14-380 regarding the Precedent Agreement between Liberty and
9 Tennessee Gas Pipeline Company for capacity on the proposed Northeast Energy Direct
10 Pipeline, in Docket No. DG 15-362 regarding a franchise petition to serve the towns of
11 Windham and Pelham, and in Docket No. DG 16-447, a petition to amend the tariff to
12 include Managed Expansion Program rates.

13 **Q. What is the purpose of your testimony?**

14 A. My testimony explains the need for the Special Contract with the New Hampshire
15 Department of Administrative Services (NHDAS), describes the mechanics of the Special
16 Contract, and discusses why the Special Contract is beneficial for Liberty and our
17 customers while also being in the public good.

1 **Q. Why is the Special Contract with the New Hampshire Department of**
2 **Administrative Services necessary?**

3 A. In Order No. 25,966 (Nov. 10, 2016), the Commission approved the discontinuance of
4 service by Concord Steam Corporation (CSC). As a result, CSC will cease operations as
5 of May 31, 2017, and its customers will need to convert to an alternative fuel source.
6 NHDAS has twenty-three state owned buildings connected to the CSC distribution
7 system that will require heat and hot water once CSC discontinues service. These
8 buildings will be served by the temporary steam boilers that are the subject of the Special
9 Contract. Due to the size and scope of the conversion project, NHDAS will not be able
10 to convert these buildings on a permanent basis in time for the 2017/2018 heating season,
11 and NHDAS does not currently have the authority to contract for the temporary boiler
12 plants required to heat these buildings in the interim. Therefore, Liberty and NHDAS
13 entered into the Special Contract whereby Liberty will contract for the temporary boiler
14 installation and pass those costs through to NHDAS on its gas bills without markup.

15 **Q. How long do Liberty and NHDAS anticipate the Special Contract to be in effect?**

16 A. The term for the Special Contract is through September 30, 2018, but it has provisions for
17 early termination and extensions, if required, under the same conditions.

18 **Q. What rate will be applied to the NHDAS temporary accounts?**

19 A. Liberty's natural gas service to the two temporary boiler installations will each be a
20 separate account and will be treated like any other commercial account. The NHDAS

1 accounts will be charged the corresponding tariff rates based on their anticipated
2 consumption. Based on current estimates, the Company believes both of these accounts
3 will be assigned the G-43 commercial rate. NHDAS will be billed the monthly Customer
4 Charge, the LDAC, normal Distribution Charges as well as the monthly cost of gas rate,
5 unless NHDAS chooses to become a transportation customer. NHDAS will be subject to
6 all rate changes which occur during the time that the Special Contract is in effect.

7 **Q. Will NHDAS be able to participate in Liberty's energy efficiency programs under**
8 **terms of this special contract?**

9 A. Yes, since NHDAS will be charged the LDAC they will be able to participate in Liberty's
10 energy efficiency programs.

11 **Q. What are the costs that Liberty plans to pass through to NHDAS without mark-up?**

12 A. Liberty plans to pay the associated engineering costs, boiler rental fees, steam piping
13 connections, electrical connections, water connections, as well as any other associated
14 installation requirements. Liberty will treat these charges as "abnormal" costs according
15 to its tariff, which requires that they be passed on to the customer. The monthly boiler
16 rental fees will be added as a surcharge to the monthly NHDAS bills, and the total
17 installation fees will be prorated and collected in equal amounts over 15 months, also as a
18 surcharge.

1 **Q. What are the costs that Liberty anticipates will be added to the Company's rate**
2 **base?**

3 A. Liberty will be adding to rate base only the design and construction costs associated with
4 the natural gas distribution piping and meter sets, which is what would occur for any new
5 customer installation. The estimated direct construction costs for gas piping is \$169,130.
6 See Attachment WJC-1, the contractor's estimate, for a breakdown of gas installation
7 costs. Estimated gas meter and regulator costs are an additional \$25,000.

8 **Q. Do these estimated gas construction costs comport with the Company's current line**
9 **extension policy?**

10 A. Yes, with one exception. The Company's line extension policy allows the Company to
11 pay the direct construction costs for commercial customers if the total of six years of
12 annual distribution revenues exceeds the construction costs. However, since the expected
13 term of the Special Contract is less than two years, Liberty felt the prudent, and more
14 conservative analysis, is to utilize anticipated distribution revenues for only sixteen
15 months. The estimated distribution revenues for serving the temporary boilers for sixteen
16 months is \$297,698, while direct construction costs associated with gas piping and
17 meters/regulators is only \$194,130, as stated above. For a working spreadsheet detailing
18 the distribution revenue estimates associated with the temporary boilers, please refer to
19 Attachment WJC-2. Therefore, this project is revenue justified. In addition, the gas
20 mains required for these temporary boilers may not be abandoned after two years, but

1 may be used for the final conversions of the NHDAS buildings if the state chooses
2 natural gas as part of its permanent heating system.

3 **Q. Does the Special Contract benefit existing Liberty customers?**

4 A. Yes. NHDAS will be charged existing tariff rates for all gas consumed like all Liberty
5 customers. As stated above, the two-year distribution revenues are greater than the
6 associated direct construction costs for these accounts. In addition, NHDAS will pay all
7 non-gas, or abnormal costs, as a surcharge on their bills so those costs will not be borne
8 by Liberty customers. These abnormal costs will be recovered over a relatively short
9 period and will not affect the capital budget or capital projects.

10 **Q. Is this Special Contract in the public good?**

11 A. Yes, the Special Contract will enable NHDAS to provide heat to twenty-three public
12 buildings at competitive prices while allowing time for NHDAS to fully evaluate the
13 options for its permanent heating system.

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

15 A. Yes.