

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

**NATIONAL GRID USA et al.**

**and**

**LIBERTY ENERGY UTILITIES CO. et al.**

**Docket No. \_\_\_\_\_**

**JOINT PETITION FOR AUTHORITY TO TRANSFER OWNERSHIP  
OF GRANITE STATE ELECTRIC COMPANY  
AND ENERGINORTH NATURAL GAS, INC.  
TO LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.  
AND FOR RELATED APPROVALS**

**TESTIMONY**



**March 4, 2011**



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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket No. \_\_\_\_\_**

**Direct Testimony  
of  
Ian E. Robertson**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **Q. Mr. Robertson, please state your full name and business address.**

3 A. My name is Ian E. Robertson. My business address is 2845 Bristol Circle, Oakville,  
4 Ontario, Canada L6H 7H7.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am Chief Executive Officer of Algonquin Power & Utilities Corp. (“Algonquin”).  
8

9 **Q. Please describe your educational background and professional experience.**

10 A. In 1982, I earned a Bachelor of Applied Science degree in Electrical Engineering from  
11 University of Waterloo, and in 1991, I earned a Master of Business Administration from  
12 York University. In 2001, I was awarded a Chartered Financial Analyst designation from  
13 the CFA Institute, and in 2008, I was awarded a Chartered Director designation from  
14 McMaster University, having completed an accredited course of study in McMaster’s  
15 corporate director development program.

16  
17 I have over 25 years of professional experience in the utility industry, including electric  
18 generation project development, financing, acquisition and operation, and regulated  
19 utility acquisition, financing, and operation. I was named to my current position as Chief  
20 Executive Officer of Algonquin in December 2009 following the conversion of  
21 Algonquin from an income trust to a common share corporation. I am one of the  
22 individuals who founded Algonquin’s predecessor organization in 1988 and have  
23 continuously served as a member of the senior management of Algonquin since that time,

1 providing leadership to address technical and financial matters related to Algonquin's  
2 power and utilities businesses.

3  
4 In addition to my roles with Algonquin and its affiliates, my professional experience  
5 includes serving as a Director for several publicly traded companies. From 2003 until  
6 2007, I served as a Director of Juno Capital Corp., a publicly traded company involved in  
7 financing energy infrastructure projects in Canada. From 2007 until 2010, I served as a  
8 Director of North Peace Energy Corp., an organization in the business of exploration,  
9 development and production of petroleum and natural gas resources in the province of  
10 Alberta, Canada. From 2002 until 2005, I served as a Director of Highground Capital  
11 Corp., a public company focused on financing the development of infrastructure and  
12 renewable power projects in Canada.

13  
14 **Q. Have you previously testified before the New Hampshire Public Utilities  
15 Commission (“Commission”) or other regulatory bodies?**

16 A. I have not previously testified before the Commission. However, as part of my  
17 responsibilities with Algonquin's regulated utility subsidiaries, I have testified before the  
18 Arizona Corporation Commission and the California Public Utilities Commission in a  
19 number of different proceedings.

20  
21 **Q. Please describe the purpose of your testimony.**

22 A. The purpose of my testimony is to introduce Algonquin, describe our overall business  
23 strategy to invest in, own, and operate for the long term a national portfolio of moderately

1 sized utility businesses, discuss how our acquisition of Granite State Electric Company  
2 (“Granite State”) and EnergyNorth Natural Gas, Inc. (“EnergyNorth”) is consistent with  
3 that strategy, and, most importantly, explain why we believe it is in the public interest for  
4 the Commission to approve this acquisition.

5  
6 **Q. Please describe how your testimony is organized.**

7 A. In Section II of my testimony, I provide an overview of Algonquin, describe its business  
8 philosophies and capabilities with regard to the safe, reliable and cost-effective  
9 management and operation of regulated utilities, and explain the basis for Algonquin’s  
10 decision to acquire Granite State and EnergyNorth. In Section III, I will summarize the  
11 corporate and financial transactions by which Algonquin’s wholly owned subsidiary,  
12 Liberty Energy Utilities (New Hampshire) Corp. (“Liberty Energy NH”), a Delaware  
13 corporation registered to conduct business in New Hampshire, plans to acquire the issued  
14 and outstanding shares of Granite State from National Grid USA and the issued and  
15 outstanding shares of EnergyNorth from National Grid NE Holdings 2 LLC (“National  
16 Grid NE”) (collectively, the “Stock Transfers”). I will also provide an overview of the  
17 regulatory approvals required for this transaction and the source of funds we plan to draw  
18 on to complete the transactions. In Section IV of my testimony, I will provide  
19 background and support for our assertion that it is in the public interest for the  
20 Commission to approve the Stock Transfers and summarize some of the key  
21 commitments included in Algonquin’s plan to meet the needs of Granite State’s and  
22 EnergyNorth’s customers and regulators. In Section V, I provide an overview of  
23 Algonquin’s managerial and financial capabilities. In Section VI, I provide a brief

1 overview of the other testimonies that are being submitted in support of the Joint Petition.

2 Section VII summarizes some key points in my testimony and the overall basis for

3 finding that the Stock Transfers are in the public interest.

4  
5 **II. OVERVIEW OF ALGONQUIN AND ITS UTILITY BUSINESSES**

6 **A. Corporate History and Structure**

7 **Q. Please provide an overview of Algonquin and its corporate structure.**

8 A. Algonquin is incorporated under the laws of Canada, with a principal place of business in  
9 Oakville, Ontario. It is a public reporting issuer under the laws of Canada and the United  
10 States and its shares and debentures are traded on the Toronto Stock Exchange. The  
11 Algonquin organization was originally founded in 1988 as Algonquin Power Corporation  
12 Inc. (“APCI”) as a developer, owner and operator of independent electric generating  
13 facilities in Canada and the U.S. An initial public offering for APCI was undertaken  
14 through the Algonquin Power Income Fund (“APIF”) in 1997, and the generating stations  
15 built by APCI were transferred into APIF at the time of that offering. In 2001, APIF  
16 embarked on a diversification strategy of purchasing, owning and operating regulated  
17 utility companies throughout the United States. Following changes to the income tax  
18 regulations governing income trust funds in Canada in 2006, APIF completed its  
19 conversion from an income trust fund to a common share corporation in 2009 under the  
20 name Algonquin Power & Utilities Corp. A chart depicting Algonquin’s corporate  
21 structure is included as Joint Petitioners Attachment 1.



1 Algonquin currently owns regulated utility and renewable electric generation businesses  
2 across North America having a book value of approximately \$1.1 billion (US). Over fifty  
3 percent of Algonquin's revenues are generated from its U.S.-based operations.

4 Algonquin's regulated utility operations currently provide approximately 125,000  
5 customers with water, wastewater, and electric distribution utility service across five U.S.  
6 states.

7  
8 Algonquin's independent power generation business unit includes forty-five renewable  
9 power generating facilities and twelve high-efficiency thermal generating facilities  
10 located in three U.S. states. Electricity produced by Algonquin's facilities is generally  
11 sold under long term power purchase agreements to major utility companies and  
12 governmental procurement agencies, including the Ontario Power Authority, Hydro  
13 Quebec, Public Service of New Hampshire, Niagara Mohawk Power Corporation, and  
14 others. Output from Algonquin's projects in New Hampshire is generally sold at the ISO  
15 New England hourly clearing price. Algonquin has been conducting business in New  
16 Hampshire since 1998 when it acquired the first of its current eight New Hampshire-  
17 based hydroelectric generating facilities.

18  
19 **Q. Please provide an overview of the organizational structure of Algonquin's utility**  
20 **businesses.**

21 A. As shown in Joint Petitioners Attachment 1, Algonquin has organized its regulated utility  
22 businesses under its wholly owned subsidiary Liberty Utilities (Canada) Corp. (a  
23 Canadian corporation) which owns Liberty Utilities Co. (a Delaware corporation)

1 (“Liberty Utilities”), which, in turn, has two primary subsidiaries: Liberty Energy  
2 Utilities Co. (“Liberty Energy”), a Delaware corporation, and Liberty Water Co.  
3 (“Liberty Water”), which is also a Delaware corporation. Liberty Water is headquartered  
4 in Goodyear, Arizona (approximately 30 miles west of Phoenix, Arizona), and serves as  
5 the parent company to the nineteen regulated water and wastewater utilities that we own  
6 and operate in four U.S. states. Liberty Energy was formed to serve as the parent to our  
7 electric and natural gas distribution utilities, including Granite State and EnergyNorth  
8 when this transaction closes and the recently acquired California Pacific Electric  
9 Company, LLC (“CalPeco”). For each particular state in which Liberty Energy operates  
10 or intends to operate, we have formed a separate state-level subsidiary to own and  
11 conduct the local utility operations. For Granite State and EnergyNorth, that entity is  
12 Liberty Energy NH.

13  
14 **Q. Please describe Algonquin’s overall business mission for Liberty Energy.**

15 A. As I mentioned previously, Liberty Energy will indirectly own and operate Granite State  
16 and EnergyNorth through its state-level subsidiary Liberty Energy NH. The overall  
17 business mission for Liberty Energy is to invest in, own and operate a national portfolio  
18 of moderately sized electrical and natural gas distribution utility businesses that provide  
19 the opportunity for predictable returns, demonstrate a history of reasonable growth, and  
20 are located in regulatory jurisdictions that we expect to be supportive of our “best-in-  
21 class” customer-focused approach and local management strategies. Algonquin believes  
22 that the acquisition of Granite State and EnergyNorth is consistent with this long view  
23 strategy.

1        **B.        Overview of Approach to Regulated Utility Business**

2        **Q.        Please provide an overview of how regulated utilities fit into Algonquin’s business**  
3        **strategy and goals.**

4        A.        Commencing with the initial public offering in 1997, Algonquin committed to providing  
5        investors a safe and growing stream of dividends with the potential for capital  
6        appreciation. We are focused on investing in lower risk, income producing assets with  
7        the expectation that we will hold them for the long term—a core tenet of our approach.  
8        As can be seen from Joint Petitioners Attachment 2, our underlying business model is  
9        based on delivering long term sustainable returns to our investors. As applied to our  
10       utility business line, the first step in achieving this is to make the investment to acquire a  
11       particular utility (identified as “Create” the investment on Joint Petitioners Attachment  
12       2). The next step is to integrate our approach to utility management into that operation,  
13       including managing the new organization to deliver on our goal of best-in-class customer  
14       service and build strong regulatory relationships (identified as “Integrate” on Joint  
15       Petitioners Attachment 2). The last, and arguably most important part of the model, to  
16       allow us to deliver on the long term nature of our business model, is to continue to  
17       reinvest in the opportunity (identified as “Expand” the investment), which for a utility  
18       business could include growing the existing utility through capital renewal or expanding  
19       the Liberty Utilities footprint through the acquisition of additional neighboring utilities.  
20       Algonquin believes that this business model, with an emphasis on re-investment and re-  
21       invention, will allow Algonquin to deliver on the promise of sustainable returns to its  
22       investors.

1 Algonquin began adding regulated utilities to its business portfolio in 2001, and over the  
2 ten years during which we have operated in the regulated utility business we have not  
3 sold, nor had the intention of selling, any of the utilities we have acquired. We believe  
4 that the business proposition associated with the ownership and operation of regulated  
5 utilities (*i.e.*, extremely long business life, reasonably predictable risks, and reasonable  
6 returns) are completely consistent with our underlying business model and will allow us  
7 to meet our commitments to the investment community. On that basis, continued  
8 investment by Algonquin in regulated utilities is and will continue to be a major part of  
9 our future growth plans.

10  
11 **C. Basis for Algonquin's Decision to Purchase Granite State and EnergyNorth**

12 **Q. Why did Algonquin decide to expand its operations in New Hampshire in general  
13 and to acquire Granite State and EnergyNorth in particular?**

14 A. The decision to expand our investment in New Hampshire was predicated on several  
15 specific factors. First, Algonquin already has a substantial presence in New Hampshire,  
16 where we have operated successfully for many years as a generator of renewable  
17 electrical energy. We currently own and operate eight hydroelectric facilities throughout  
18 New Hampshire, namely Tilton, Franklin, Goffstown, Lakeport, Lochmere, Nashua,  
19 Pembroke, and on the Salmon River on the Maine-New Hampshire border. We therefore  
20 are familiar with New Hampshire and have established relationships here with our  
21 employees (our generation business currently employs thirteen New Hampshire  
22 residents) and others outside the company. Second, we view New Hampshire as having a  
23 supportive regulatory environment with an economy and social structure that provide

1 positive customer demographics for the utility business. From our review of past  
2 regulatory results, we believe that New Hampshire represents a regulatory environment  
3 that is well suited to, and likely to be supportive of, our approach of empowering local  
4 management and maximizing the portion of utility-related services that are delivered  
5 from within the state. Third, we seek investment opportunities that have a demonstrated  
6 need for capital investment and that present opportunities for growth. Both Granite State  
7 and EnergyNorth have an ongoing need for capital replacement to ensure continued  
8 reliability of the service they provide to their customers, and they present a reasonable  
9 opportunity to invest new capital to serve growth. Third, we want to own assets that are  
10 in a location with desirable customer demographics. The customer demographics for the  
11 service territories of both Granite State and EnergyNorth are favorable relative to that of  
12 many other areas of the country. Finally, we consider the current earnings situation for  
13 companies, although we place less emphasis on this factor when we believe the  
14 regulatory outlook is sufficiently supportive. Although the earnings return on rate base  
15 for Granite State in particular has been poor of late, as Mr. Eichler will discuss in his  
16 testimony, we felt that this was outweighed by the favorable regulatory environment and  
17 the fact that the company's inability to rectify its earnings problems was the result of a  
18 previously negotiated settlement arrangement which ends in 2013, rather than  
19 unfavorable regulatory forces.

1 **Q. What relevance does the size of Granite State and EnergyNorth have to your**  
2 **decision to invest in them and the Commission's consideration of that proposed**  
3 **acquisition?**

4 A. Given the relative size of Algonquin's utility portfolio, Granite State and EnergyNorth  
5 will form a core utility business holding of Liberty Utilities and consequently will  
6 represent a highly strategic investment for us. The heightened management focus that  
7 comes with that level of portfolio significance, coupled with the local management  
8 strategies that are part of our plan, mean that the needs of New Hampshire customers and  
9 regulators will receive the focus and attention they deserve.

10

11 **III. SUMMARY OF THE TRANSACTION, REQUIRED APPROVALS, AND**  
12 **FINANCING**

13 **A. Overview of the Stock Transfers**

14 **Q. Please provide an overview of the proposed Stock Transfers between Liberty**  
15 **Energy NH and National Grid.**

16 A. On December 8, 2010, National Grid USA and Algonquin announced that they had  
17 entered into two stock purchase agreements under which Algonquin's Liberty Energy  
18 subsidiary agreed to purchase, and National Grid USA and National Grid NE agreed to  
19 sell all of the issued and outstanding common stock of Granite State and EnergyNorth,  
20 respectively. On January 21, 2011, the parties modified both original stock purchase  
21 agreements in several limited respects and executed two separate amended and restated  
22 stock purchase agreements for the transfer of the Granite State common stock and the  
23 EnergyNorth common stock. I will refer to these together as the Purchase Agreements.

1 The Purchase Agreements for Granite State and EnergyNorth are included with this filing  
2 as Joint Petitioners Attachment 3 and Joint Petitioners Attachment 4, respectively.

3 The purchase price for the Granite State common stock is approximately \$83,000,000,  
4 subject to certain adjustments for indebtedness, working capital and other regulatory  
5 assets and liabilities, as of the date of the closing. The purchase price for the  
6 EnergyNorth common stock is approximately \$202,000,000, subject to similar  
7 adjustments as for Granite State.

8  
9 Under the Purchase Agreements, National Grid USA, which directly owns all of the  
10 issued and outstanding stock of Granite State, will transfer that stock to Liberty Energy or  
11 its assignee. Similarly, National Grid NE will sell to Liberty Energy or its assignee all of  
12 the issued and outstanding stock of EnergyNorth. Since the execution of the Purchase  
13 Agreements, Liberty Energy has assigned its rights under the Purchase Agreements to  
14 Liberty Energy NH.

15  
16 The Purchase Agreements provide, among other things, for National Grid USA, through  
17 its appropriate subsidiaries, to provide a broad array of services to Liberty Energy NH on  
18 a transitional basis after consummation of the Stock Transfers. The details of that  
19 arrangement and the services anticipated to be provided under it are described in detail in  
20 the joint direct testimony of Timothy F. Horan on behalf of National Grid USA and  
21 David Pasioka on behalf of Liberty Energy NH. I should note that, while the Purchase  
22 Agreements included as an appendix a form of agreement relating to the provision of

1 transition services, the parties have now negotiated and executed definitive Transition  
2 Services Agreements that supersede the forms attached to the Purchase Agreements.

3  
4 **B. Required Approvals**

5 **Q. Please identify all required approvals for the Stock Transfers and the expected**  
6 **timeframes for the approvals.**

7 A. The Purchase Agreements are subject to several customary closing conditions, including  
8 obtaining regulatory approvals for the Stock Transfers from this Commission, the Federal  
9 Energy Regulatory Commission (“FERC”), the Committee on Foreign Investment in the  
10 United States (“CFIUS”), and the Federal Trade Commission and U.S. Department of  
11 Justice under the Hart-Scott-Rodino Antitrust Act. Given the anticipated timing of each  
12 of these approvals, all the regulatory approvals necessary to consummate the Stock  
13 Transfers are expected to be obtained before the Commission makes a final ruling on the  
14 Joint Petition. In addition, as part of the overall financing of the Stock Transfers, Granite  
15 State and EnergyNorth will each issue promissory notes to Liberty Energy NH to support  
16 the debt that Liberty Energy NH will issue to raise a portion of the capital required.  
17 Those loans will require approval of this Commission. Mr. Tremblay and Mr.  
18 Bronicheski will discuss our financing plans in more detail in their joint testimony.

19  
20 **Q. Do the proposed Stock Transfers require the approval of shareholders of either**  
21 **Algonquin or National Grid USA or its parent company, National Grid plc?**

22 A. No, they do not.



1 **Q. Do the proposed Stock Transfers require Board of Directors approval?**

2 A. Board of Directors approvals were necessary for Algonquin, National Grid USA and  
3 National Grid NE to enter into the Purchase Agreements. Prior to the parties executing  
4 the Purchase Agreements, the Board of Directors of Algonquin approved the proposed  
5 Stock Transfers and all related transactions necessary to consummate the Stock Transfers.  
6 Similarly, the Boards of Directors of National Grid USA and National Grid NE also  
7 approved the proposed Stock Transfers and all related transactions necessary to  
8 consummate the Stock Transfers. No additional Board of Directors approvals are  
9 required to consummate the transactions contemplated by the Purchase Agreements.

10

11 **Q. Is there a date by when the Stock Transfers must close?**

12 A. Yes. The Purchase Agreements provide that either party can terminate the agreements if  
13 the transactions are not consummated on or before September 30, 2011. The deadline  
14 can be extended to March 30, 2012 by mutual agreement.

15

16 **C. Financing of the Transaction**

17 **Q. The aggregate purchase price for the acquisition of Granite State and  
18 EnergyNorth's common stock will be approximately \$285 million plus working  
19 capital. What is the source of the funds being expended by Algonquin?**

20 A. The purchase price to be paid by Liberty Energy NH in respect of the Stock Transfers  
21 will be financed through a combination of equity issued at the Algonquin level, certain  
22 existing indebtedness at the Granite State level which will remain in place following  
23 closing, and certain new indebtedness to be issued at the Liberty Energy NH level which

1 will be pushed down onto the books of Granite State and EnergyNorth. The equity will  
2 be raised in two parts. In respect of the first portion—\$60 million—Algonquin has  
3 already received a subscription commitment from its largest shareholder, Emera Inc. The  
4 balance of the required equity will be raised by Algonquin through an offering that will  
5 occur closer to the time of the Stock Transfers. As I noted above, Mr. Tremblay and Mr.  
6 Bronicheski discuss both the equity and debt financing in more detail in their testimony.  
7 However, I thought it would be helpful to briefly address the nature of Emera’s  
8 relationship to Algonquin and its role with respect to the funding for the acquisition of  
9 Granite State and EnergyNorth.

10  
11 **Q. What is Emera’s role with regard to the management and operation of Algonquin?**

12 A. Emera is an energy holding company with approximately \$5.8 billion (US) of energy  
13 related assets. In addition to its role as our largest individual shareholder, Emera’s  
14 President and CEO, Chris Huskison, is one of six directors of Algonquin. In addition,  
15 the two companies are in the process of negotiating a more formal strategic alignment  
16 relationship to allocate investment opportunities between Emera and Algonquin. It is  
17 anticipated that, under such a strategic arrangement, Algonquin would be Emera’s  
18 preferred vehicle to invest in small to moderate sized utility acquisitions together with  
19 investments in renewable power projects. Consistent with this approach, Emera staff  
20 participated in Algonquin’s technical, financial and other due diligence evaluation teams  
21 formed to advise Algonquin in respect of its decision to purchase Granite State and  
22 EnergyNorth.

1 **Q. Why is Emera investing in U.S. utilities like Granite State and EnergyNorth**  
2 **through Algonquin?**

3 A. While I can't speak for Emera directly, I am familiar with their reasons for investing in  
4 Algonquin. Participating indirectly through an equity position in Algonquin provides  
5 Emera the opportunity to enjoy the benefits of owning and operating smaller U.S. utilities  
6 that, given the diseconomies of scale, would not otherwise make sense for Emera to own  
7 outright. As an example, Emera is currently developing a \$1.8 billion generation and  
8 transmission project from Canada into the U.S. In light of investment opportunities of  
9 that magnitude, we understand that Emera believes that it is not practical or efficient for  
10 its management team to focus on the acquisition and operation of modest sized utilities  
11 such as Granite State and EnergyNorth. By contrast, given the relative difference in size  
12 between Emera and Algonquin, Granite State and EnergyNorth (which together will  
13 constitute close to 20 percent of our asset base going forward) represent an important  
14 strategic investment for Algonquin.

15

16 **IV. PUBLIC INTEREST BASIS FOR STOCK TRANSFERS AND KEY**  
17 **COMMITMENTS**

18 **Q. Please explain why you believe the Commission should find that the Stock Transfers**  
19 **are in the public interest.**

20 A. The acquisition of Granite State and EnergyNorth by Liberty Energy NH presents the  
21 Commission with the opportunity to significantly increase the level of local management,  
22 control, and operation of two important New Hampshire utilities. With that change in  
23 management and control, over sixty well paying jobs will be restored to the New

1 Hampshire economy, with the likelihood that more jobs will be created in the future. At  
2 the same time, this operating model will bring an enhanced focus on customer service  
3 and regulatory relations committed solely to New Hampshire, while at the same time  
4 maintaining reasonable rates and safe, reliable electric and gas distribution service.

5 The experience, expertise, and strategy evident in our history of acquiring and  
6 successfully and safely operating a large number of utilities demonstrates our ability to  
7 successfully transition the management of Granite State and EnergyNorth upon  
8 consummation of the Stock Transfers. In particular, to ensure safety and reliability of  
9 service for Granite State and EnergyNorth, under the Algonquin model, we plan to retain  
10 all existing New Hampshire-based Granite State and EnergyNorth personnel and  
11 operating systems following the closing of the transaction. The existing workforce will  
12 be augmented by the permanent hiring by Liberty Energy NH from National Grid of  
13 additional personnel to perform the balance of services that are currently being performed  
14 in Massachusetts and New York. Effectively, the same people will be employed by  
15 Granite State and EnergyNorth performing the same functions in the same manner,  
16 delivering the same safe, reliable utility service. We believe the only real change will be  
17 a tangible and significant increase in employee engagement and focus on New Hampshire  
18 operations.

19  
20 This transaction has been structured to ensure that the enviable historic safety and  
21 reliability record associated with the operating staff of Granite State and EnergyNorth  
22 will be preserved. The successful transition of the operations of the California electric  
23 utility, CalPeco, now serving 47,000 customers under Algonquin's majority ownership

1 and operation, used this exact transaction approach and is a clear paradigm for the current  
2 transaction.

3  
4 With respect to customer service and other administrative services currently provided by  
5 National Grid from outside the State of New Hampshire, Liberty Energy NH will hire the  
6 majority of the personnel necessary to perform these services from National Grid with  
7 their place of employment moved to locations within the State of New Hampshire. We  
8 believe that this “New Hampshire-centric” approach will result in customer service and  
9 regulatory policies and programs tailored specifically for the Granite State and  
10 EnergyNorth service territories, rather than the “one-size-fits-all” approach that is  
11 necessitated by the current centralized management structure of National Grid.

12  
13 Given the enthusiasm that has been evident as we have spoken with prospective  
14 employees, we anticipate that a significant number of existing National Grid personnel  
15 will accept our offers of employment with Liberty Energy NH. In addition to the senior  
16 positions in respect of which employment commitments have already been reached  
17 between Liberty Energy NH and existing National Grid employees as set out in the  
18 Functional Organization Chart included with our filing as Joint Petitioners Attachment 5,  
19 we expect to be in a position to provide the Commission with specifics regarding the  
20 balance of these roles over the coming weeks.

21  
22 We also believe that the proposed Algonquin operating model provides important  
23 improvement in operational and cost transparency for New Hampshire regulatory

1 purposes. Under the current centralized operating structure, a very large portion of the  
2 utility services for New Hampshire customers are provided by staff located in National  
3 Grid central offices outside New Hampshire who perform services for multiple National  
4 Grid subsidiaries. The costs for these services are based on allocations, which can be  
5 difficult to track and the basis for which is largely outside New Hampshire's purview.  
6 Under the Algonquin model, a far greater proportion of the services will be provided by  
7 directly employed New Hampshire operations staff, providing the Commission and its  
8 staff with a more transparent structure for assessing the appropriateness and prudence of  
9 particular costs during future ratemaking processes.

10  
11 With respect to impact on rates, we are not seeking to change the existing rate structures  
12 of Granite State and EnergyNorth in connection with the Stock Transfers. In addition,  
13 over the longer term, as discussed by Mr. Tremblay and Mr. Bronicheski in their  
14 testimony, there is no evidence that the post-closing operating cost structure for Granite  
15 State and EnergyNorth under Liberty Utilities' ownership will be materially different  
16 from the cost structures existing under National Grid's ownership.

17  
18 I should also note that the financial community has voiced its support for and confidence  
19 in Algonquin's acquisition and ownership of Granite State and EnergyNorth, and  
20 CalPeco before them. This support is manifest in the continued strength of Algonquin's  
21 share price and in the market's receptiveness of Algonquin's two recent debt issuances  
22 relating to our utility operations, both of which were oversubscribed. We believe the  
23 investment community remains committed and supportive of the addition to Algonquin's

1 portfolio of the New Hampshire utilities, including particularly, EnergyNorth as  
2 Algonquin's first gas distribution utility.

3  
4 **Q. Please summarize any specific commitments by Algonquin with regard to its plans**  
5 **to provide safe, reliable, cost-effective service to the customers of Granite State and**  
6 **EnergyNorth.**

7 A. First, as I have noted above, Liberty Energy NH's President will be based in New  
8 Hampshire. He or she will have full responsibility for financial performance of our New  
9 Hampshire operations and full accountability for meeting customer and regulatory  
10 commitments, thereby enabling Granite State and EnergyNorth to respond promptly and  
11 directly to inquiries from the Commission, the Commission's staff and the companies'  
12 customers. We are confident that this will lead to a strong regulatory relationship and  
13 will be consistent with the Commission's goals and expectation for utility service.

14  
15 Second, Granite State and EnergyNorth will continue to employ their respective current  
16 employees, consistent with their current terms of employment, and will expand local New  
17 Hampshire employment to include other individuals necessary to deliver most of the  
18 services now provided by National Grid from service company locations in  
19 Massachusetts and New York. In filling these positions, we will have a primary focus on  
20 recruiting current National Grid employees. We believe this represents a material  
21 commitment that will benefit customers of the two utilities, the Commission, the  
22 communities in and around our service territories, and the State's economy as a whole.

1 Third, Liberty Energy NH will establish and maintain a New Hampshire headquarters  
2 and operations center for all core functions of Granite State and EnergyNorth that are  
3 returned to New Hampshire.

4  
5 Fourth, to ensure that we maintain our targeted high quality customer service, Liberty  
6 Energy NH will participate in the annual customer satisfaction survey process currently  
7 undertaken by Algonquin's other utilities and will provide the unfiltered results of such  
8 studies to the Commission and the customers of Granite State and EnergyNorth. (That  
9 survey process is discussed in the testimony of Mr. Messrs. Sherry, Tremblay, and  
10 Wood.) We also plan to continue to report the service quality metrics that are currently  
11 tracked for both Granite State and EnergyNorth.

12  
13 Fifth, as Messrs. Sherry, Tremblay, and Wood discuss in their joint testimony, the  
14 customer service representatives and associated telephony facilities for both utilities will  
15 be moved back to New Hampshire, allowing Liberty Energy NH to serve its customers  
16 through customer service personnel who live within the same state (and, ideally, the same  
17 county) as the customers they serve.

18  
19 Sixth, as Messrs. Sherry, Tremblay and Wood discuss, we will improve communications  
20 and overall customer satisfaction by allowing our customers to interact with our customer  
21 service representatives on a face-to-face basis through walk-in customer desks at our  
22 major service offices, and our new headquarters location.



1 Seventh, we intend to maintain capital spending for both Granite State and EnergyNorth  
2 at least at the levels currently budgeted.

3  
4 Eighth, we will not seek rate recovery of any acquisition premiums associated with the  
5 purchase of Granite State and EnergyNorth.

6  
7 Ninth, we will not seek rate recovery of the financing and legal transaction costs  
8 associated with the purchase of Granite State and EnergyNorth.

9  
10 Tenth, Granite State and EnergyNorth will be maintained as separate legal entities with  
11 separate books and records.

12  
13 **V. ALGONQUIN'S MANAGERIAL AND FINANCIAL CAPABILITY**

14 **Q Please describe Algonquin's capability to manage the operation of Granite State and**  
15 **EnergyNorth.**

16 **A.** Algonquin has had a history of stable management that has grown incrementally over the  
17 years as our business has expanded. It is a clear sign of the strength and stability of our  
18 company that our current core management is essentially the same team that has been in  
19 place since Algonquin's formation in 1988, and that other individuals who have joined us  
20 over time have remained with us as our business has grown in size and scope. The low  
21 turnover rate among Algonquin's management team has benefited us and our customers  
22 in many ways, in particular by providing Algonquin with a committed, invested  
23 management team that is thoroughly knowledgeable about all facets of Algonquin's

1 vision and its operations. As we have entered into and then expanded our presence in  
2 utility operations over the last decade, Algonquin's management team has expanded in a  
3 measured way so that we are fully able to provide effective oversight of, and support to,  
4 our utility operations, including Granite State and EnergyNorth. The stability of our  
5 management team not only benefits us in terms of depth of knowledge and the ability to  
6 work successfully as a well-coordinated team, but is also a key indicator that we are a  
7 well-run company that treats its people well and has a strong corporate vision that our  
8 team both believes in and feels they are able to contribute to in significant ways. Without  
9 this type of shared vision, sense of contribution, and successful execution, this type of  
10 stability of management would not be possible.

11  
12 **Q. Please provide a summary of Algonquin's financial capacity.**

13 A. From a financial standpoint, Algonquin is financed in a conservative manner with  
14 relatively low debt levels and has ready access to both the debt and equity capital markets  
15 as may be needed to fund our business growth. From a debt perspective, Algonquin has a  
16 strong, "investment grade" balance sheet (Standard & Poor's BBB- rating) with a modest  
17 debt level (senior debt to total capital ratio of approximately 32 percent). The benefits of  
18 our conservative financing approach are well demonstrated by the fact that Algonquin's  
19 recent utility debt offerings in 2010 were oversubscribed notwithstanding the current  
20 tight credit markets.

1 **Q. Please describe Algonquin's access to capital markets.**

2 A. Algonquin's common stock and debentures are traded on the Toronto Stock Exchange.  
3 In addition to meeting all Canadian securities requirements, Algonquin is a 40-F  
4 registered foreign private issuer with the U.S. Securities and Exchange Commission  
5 ("SEC"), compliant with all SEC and Sarbanes-Oxley Act requirements. Algonquin's  
6 quarterly and annual financial statements are routinely posted on the Edgar website  
7 (www.Edgar.com). More than ten percent of Algonquin's stock trades in the United  
8 States, and therefore Algonquin is required to maintain this level of compliance with U.S.  
9 reporting requirements. All of the financial statements respecting Algonquin and its  
10 subsidiaries are presented in accordance with U.S. GAAP in the same manner and form  
11 as any utility regulated by the Commission and any U.S. utility holding company and  
12 should be readily comprehensible by the Commission. The transparency from  
13 compliance with these on-going public company information disclosure obligations  
14 should allow the Commission to fully assess Algonquin's financial capacity.

15  
16 Because it is publicly traded with shares and debentures being widely held throughout the  
17 U.S. and Canada and by virtue of its strong balance sheet, Algonquin has ready access to  
18 the capital markets. The liquidity of its shares and the strength of its debt issuances are  
19 amply demonstrated by the large number of analysts that cover its stock, its proven  
20 ability to issue debt at favorable rates, and the continued support shown in the capital  
21 markets for its business strategy.

1 **Q. You indicated that the debt portion of the financing will be pushed down onto the**  
2 **books of the two New Hampshire utilities. How will that affect the utilities' capital**  
3 **structure?**

4 A. We plan to establish a 45/55 debt to equity ratio for Granite State and EnergyNorth.  
5 Given our focus on ensuring reliability of service, Algonquin believes it is important for  
6 its regulated utilities to maintain a conservative, "investment grade" rated balance sheet  
7 to minimize borrowing costs for existing debt and have credit capacity available to deal  
8 with unforeseen circumstances. Establishing the capital structure for Granite State and  
9 EnergyNorth along such lines will put these utilities in a strong position to maintain the  
10 support of, and unfettered access to, the debt markets going forward.

11  
12 We recognize that the determination of the capital structure for Granite State and  
13 EnergyNorth for ratemaking purposes will ultimately be made by the Commission in the  
14 next general rate proceeding; notwithstanding, in advance of such proceeding, we are  
15 planning to establish a capital structure with an equity component slightly above the fifty  
16 percent that has been used historically to establish rates in recent years. Establishing  
17 such "thicker" equity levels upon closing, rather than waiting for the next rate  
18 proceeding, will confirm to all stakeholders the financial strength of the two companies  
19 and demonstrate Algonquin's strong commitment to the New Hampshire utilities.

1 **VI. OVERVIEW OF OTHER TESTIMONIES**

2 **Q. Please briefly summarize the additional written direct testimonies being submitted**  
3 **in support of the Joint Petition.**

4 A. Along with my testimony, the Joint Petition is supported by testimony on the following  
5 subjects:

- 6 • **Operations Structure:** David Pasieka (President of Liberty Utilities  
7 (Canada) and Interim President of Liberty Energy NH) will be providing  
8 testimony relating to Liberty Energy NH's operational plans following  
9 closing including some specifics to our employment plans, office locations  
10 and human resource issues.
- 11 • **Transition Planning:** Timothy F. Horan (President of National Grid  
12 USA's operations in New Hampshire and Rhode Island) and Mr. Pasieka  
13 provide joint testimony describing the transition services agreements that  
14 will be in place between National Grid and the New Hampshire utilities  
15 after the closing to ensure the successful transition of utility operations  
16 from National Grid to Liberty Energy.
- 17 • **Operations, EHS&S and Energy Procurement:** Andrew Ling (Vice  
18 President of Energy Procurement for Liberty Utilities(Canada)), Gaetan  
19 Mercier (Manager of Environmental, Health and Safety for Liberty  
20 Utilities (Canada)), Daniel G. Saad (currently Vice President of Gas  
21 Operations at EnergyNorth), and Kurt Demmer (acting Director of Electric  
22 Operations at Granite State) provide joint testimony describing Liberty  
23 Energy NH's plans to operate Granite State and EnergyNorth under

1 Algonquin's ownership including strategies for commodity procurement,  
2 system reliability and storm response.

3 • **Customer Care and Development:** William Sherry (currently Regional  
4 President of Granite State), Gerald Tremblay (Director of Finance for  
5 Liberty Utilities (Canada)), and Robert Wood (Interim Director of  
6 Customer Care Strategies for Liberty Utilities), provide joint testimony  
7 describing our approach to customer care, Liberty Energy NH's  
8 commitment to expanding customer service availability within the  
9 territories, and the continued support planned for existing National Grid  
10 customer programs.

11 • **Finance and Administration:** Mr. Tremblay and David Bronicheski  
12 (Chief Financial Officer of Algonquin) provide testimony describing  
13 finance, administration and information technology/systems.

14 • **Regulatory, Governmental and Community Relations:** Peter Eichler  
15 (Manager of Financial Planning and Analysis for Liberty Utilities  
16 (Canada)) provides testimony describing the approach taken by Algonquin  
17 and its utility operations with respect to government, regulatory, and  
18 community relations and regulatory cost allocations.

1 **VII. SUMMARY AND CONCLUSION**

2 **Q. Please summarize why you believe the Commission should find that the Stock**  
3 **Transfer are in the public interest.**

4 A. The following considerations are offered with respect of our assertion that approving the  
5 Stock Transfers will benefit customers and are in the public interest:

6 **Transaction Structured to Preserve Safety and Reliability of Service:** To ensure  
7 safety and reliability of service for Granite State and EnergyNorth, under the Algonquin  
8 model, all existing New Hampshire based Granite State and EnergyNorth personnel will  
9 be retained and all operating systems will be continued following the closing of the  
10 transaction. The existing Granite State and EnergyNorth workforce will be augmented  
11 by the permanent hiring by Liberty Energy NH of former National Grid personnel to  
12 perform the balance of services that are currently performed out of state. Effectively, the  
13 same people will be employed by Liberty Energy NH, Granite State, and EnergyNorth to  
14 do the same functions in the same manner as they currently do for National Grid, which  
15 will result in Granite State and EnergyNorth delivering the same safe, reliable and cost  
16 effective service the day after closing as the day before. This approach has delivered  
17 successful results with respect to the operations of our California electric utility, which  
18 serves 47,000 customers, and it is what we intend to do here.

19  
20 **Experienced Utility Owner:** Algonquin and its operating subsidiaries have been in the  
21 regulated utility business for a decade, and we are safely and reliably serving the needs of  
22 more than 75,000 regulated water and wastewater customers and, more recently, nearly  
23 50,000 additional electric distribution customers in California. The health and safety,

1 customer service and regulatory affairs oversight experience of Algonquin in the  
2 successful operation of these businesses is directly applicable to operating both Granite  
3 State and EnergyNorth and will enable us to meet the expectations of both our regulators  
4 and our customers. Algonquin believes that the experience, expertise and strategy  
5 evident in our successful history of acquisitions and the subsequent reliable, cost  
6 effective and safe operation of a large number of utility businesses should be considered  
7 and given substantial weight in the review of the Stock Transfers for approval by the  
8 Commission.

9  
10 **Algonquin Model Emphasizes Local Presence:** Algonquin believes that the most  
11 effective structure for the provision of safe and reliable utility service to customers,  
12 regulators, and the community is through locally employed personnel. Liberty Energy  
13 NH plans to hire existing experienced National Grid employees to provide customer care,  
14 governmental relations, and other key functions, with the State of New Hampshire as  
15 their place of employment. Given the enthusiasm that has been evident with regard to the  
16 prospect of joining an organization with the increased employee empowerment and  
17 enhanced customer focus explicit in the Algonquin approach to utility management, we  
18 are confident that we will be in a position to recruit former Massachusetts-based National  
19 Grid staff to support the operations of Liberty Energy NH. An important side benefit of  
20 our strategy is the additional employment opportunities created in the State of New  
21 Hampshire. Under Algonquin's New Hampshire-centric approach, Liberty NH and its  
22 subsidiaries (Granite State and EnergyNorth) will emphasize support for New



1 Hampshire-based service suppliers including vendors in respect of energy efficiency and  
2 low income customer support programs.

3  
4 **Improved Regulatory Transparency:** The proposed Algonquin operating model  
5 provides an important improvement in operational and cost transparency for regulatory  
6 purposes. Under the current centralized operating structure, a large portion of the utility  
7 services for New Hampshire customers are provided through the National Grid central  
8 office with costs, for regulatory purposes, reflected through allocation. Under the  
9 Algonquin model, a far greater proportion of the services will be provided by employees  
10 who are directly employed in New Hampshire, providing the Commission and its staff  
11 with a more transparent structure for assessing the appropriateness and prudence of  
12 particular costs during the rate making process.

13  
14 **No Impact on Rates from Stock Transfers:** Under the proposed structure, the existing  
15 rates of Granite State and EnergyNorth will not change as a result of the Stock Transfers.  
16 Over the longer term, as discussed by Mr. Tremblay and Mr. Bronicheski, the post  
17 closing operating cost structure for Granite State and EnergyNorth is not expected to be  
18 materially different from the cost structures existing under National Grid's ownership.

19  
20 **Financially Capable Owner:** With respect to Algonquin's financial capability to own  
21 and operate Granite State and EnergyNorth, the financial community has expressed its  
22 support and confidence in Algonquin's utility acquisition and ownership strategy. That  
23 support is manifested in the continued strength of Algonquin's share price and in the

1 market's receptiveness to Algonquin's two recent debt issuances relating to our utility  
2 operations. We believe the investment community remains committed to, and supportive  
3 of, the addition of Granite State and EnergyNorth to Algonquin's portfolio.

4

5 **Focus on Reinvestment in New Hampshire:** The Algonquin business model is  
6 committed to delivering sustainable returns to its investors over an effectively perpetual  
7 investment horizon. Under our model, the re-investment of capital to preserve the Granite  
8 State and EnergyNorth regulatory assets is a central part of delivering on this long view  
9 strategy. Also, continued investment to extend the availability of natural gas within New  
10 Hampshire is an ideal way of executing on our business model in a manner that reduces  
11 costs for all New Hampshire customers through increased customer counts and volumes.

12

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

14 A. Yes.

**Testimony of  
David Pasieka**

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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket \_\_\_\_\_**

**Direct Testimony  
of  
David Pasieka**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **Q. Mr. Pasieka, please state your full name and business address.**

3 A. My name is David Pasieka. My principal business address is 2845 Bristol Circle,  
4 Oakville, Ontario, Canada L6H 7H7.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am President of Liberty Utilities (Canada) Corp. (“Liberty Utilities Canada”), which is  
8 the holding company for Liberty Utilities Co. (“Liberty Utilities”), a Delaware  
9 corporation. I am also the interim President of Liberty Energy Utilities (New Hampshire)  
10 Corp. (“Liberty Energy NH”).

11  
12 **Q. What are your principal responsibilities as President of Liberty Utilities Canada?**

13 A. As President, I am responsible for all facets of the water, wastewater, and electric  
14 distribution utility systems owned by Algonquin Power & Utilities Corp. (“Algonquin”),  
15 which is Liberty Utilities Canada’s parent company. As interim President of Liberty  
16 Energy NH, I have overall lead responsibility for the transition of retail natural gas and  
17 electric utility services from National Grid to Liberty Energy NH.

18  
19 **Q. Please describe your educational background and professional experience.**

20 A. I earned a Bachelor of Science degree from the University of Waterloo in 1980, a Master  
21 of Business Administration from York University’s Schulich School of Business in 1984,  
22 and a Chartered Director designation from McMaster University in 2007. My experience

1 includes over 30 years of executive leadership in the telecommunications, enterprise  
2 software, financial services, energy, and sustainability sectors.

3 **Q. Prior to joining Liberty Utilities Canada, how were you employed?**

4 A. My professional career spans over 30 years of executive leadership in a number of  
5 regulated and unregulated businesses. For the first 20 years of my career I was involved  
6 with the Canadian telecommunications sector, working for Bell Canada, CNCP  
7 Telecommunications, UniTel Communications, AT&T Canada, and MetroNet  
8 Communications. In the past decade, I have focused my career on early stage start-ups  
9 and corporate turnarounds - working in the energy, sustainability, enterprise software,  
10 and innovation sectors.

11  
12 I have significant experience in organization development, corporate integration, profit  
13 and loss management, customer service, strategy, information technology, business  
14 development, and network operations. My board of directors experience consists of  
15 chairing the Audit Committee of Iseemedia (a Canadian wireless software company)  
16 from 2007-2010 and the Human Resources Committee of Luxell Technologies (a  
17 Canadian aerospace company) from 2005 to July 2008. I currently sit on the Board of  
18 Directors of Oakville Hydro as the chair of the Human Resources Committee. I am also  
19 a member of the faculty of the McMaster Directors College & Not-For-Profit Governance  
20 Institute, where I lecture on director selection/evaluation, climate change, and corporate  
21 social responsibility. I am on the Mayor of Oakville's Sustainability Advisory Group and  
22 act as a CleanTech Advisor for Rosenzweig & Company – an executive recruitment firm  
23 based in Toronto.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**  
2 **Commission (“Commission”) or other regulatory bodies?**

3 A. No, I have not.

4  
5 **Q. What is the purpose of your testimony?**

6 A. The purpose of this testimony is to provide (1) an overview of the relationship among  
7 Algonquin Power & Utilities Corp., (“Algonquin”), Liberty Utilities, Liberty Water Co.  
8 (“Liberty Water”), Liberty Energy Utilities Co. (“Liberty Energy”), and Liberty Energy  
9 NH, which was formed to acquire and hold the stock of Granite State Electric Company  
10 (“Granite State”) and EnergyNorth Natural Gas, Inc. (“EnergyNorth”); (2) describe  
11 Liberty Utilities’ operating philosophy with regard to its regulated businesses; (3)  
12 highlight Liberty Utilities’ management capabilities; (4) describe Liberty Energy NH’s  
13 operations structure and the hiring process it is undertaking to implement that structure;  
14 (5) describe the structure of the management services support for Granite State and  
15 EnergyNorth; and (6) describe Liberty Utilities’ employee engagement practices and our  
16 plans to engage with customers of the two utilities even before the closing.

17

18 **II. OVERVIEW OF CORPORATE STRUCTURE**

19 **Q. Please describe the relationship among Algonquin and Liberty Utilities, Liberty**  
20 **Water, and Liberty Energy.**

21 A. As shown in Joint Petitioners Attachment 1, Algonquin has organized its regulated utility  
22 businesses under Liberty Utilities, which itself has two primary subsidiaries, Liberty  
23 Energy and Liberty Water. Liberty Water serves as the parent company to the nineteen



1 regulated water and wastewater utilities providing regulated water and wastewater service  
2 to over 75,000 customers in four U.S. states. Liberty Energy was formed to serve as the  
3 parent to our electric and natural gas distribution utilities. Liberty Energy’s subsidiaries  
4 include California Pacific Electric Company, LLC (“CalPeco”), which provides electric  
5 distribution services to approximately 47,000 in California, and Liberty Energy NH,  
6 which will hold the stock of Granite State and EnergyNorth.

7  
8 **III. LIBERTY UTILITIES’ PHILOSOPHY REGARDING OPERATION OF ITS**  
9 **UTILITY BUSINESS**

10 **Q. What is Liberty Utilities’ overall philosophy regarding the operation of its regulated**  
11 **utility businesses?**

12 A. Liberty Utilities adopts a generally de-centralized approach to operating its regulated  
13 utilities business, emphasizing the importance of local management and local control of  
14 business operations in structuring its operations. Having said that, certain common “non-  
15 customer facing” strategic oversight and administrative support services are provided  
16 centrally from the Liberty Utilities level to the local utility businesses. We take this  
17 approach because we believe these services can be provided more cost effectively and in  
18 a manner that ensures consistent quality across all of our operating utilities if provided on  
19 a shared services basis, yet doing so will not detract from the local presence that is valued  
20 by our customers and regulators. These shared services are provided on an allocated cost  
21 basis, as described in the testimony of Peter Eichler.

1 **Q. How does Liberty Utilities' regulatory philosophy affect the way in which it**  
2 **approaches the management and operation of the utilities it owns?**

3 A. We believe that there is no adequate substitute for local management, local decision-  
4 making, and local operational control for a utility that is serious about achieving the  
5 highest level of customer satisfaction and maintaining strong regulatory relationships.

6 We believe that small and medium sized utilities can best meet the needs of their  
7 customers and regulators when the people making the operating decisions affecting the  
8 communities they serve are located near those customers and are in easy, regular, close  
9 contact with customers and regulators.

10

11 At Liberty Utilities' other utilities, we have located the senior leadership responsible for  
12 those utilities within the regulatory jurisdictions in which the utility is situated. In  
13 particular, for each state jurisdiction, we appoint a senior manager with full operational  
14 and financial authority for the utility, together with responsibility for all customer service  
15 and regulatory activity. To that end, we plan to appoint a President of Liberty Energy  
16 NH who will be located full time in New Hampshire, and who, in addition to bearing  
17 responsibility for financial performance of our New Hampshire operations, will have full  
18 accountability for delivering on our customer service commitments and meeting the  
19 regulatory obligations of both Granite State and EnergyNorth.

20

21 In addition, we plan to maintain the field operations of Granite State and EnergyNorth as  
22 they currently exist and return to New Hampshire almost all of the service company  
23 functions now performed by National Grid employees located outside of the State of New

1 Hampshire. Under our operating paradigm, the primary functions that we plan to provide  
2 from outside New Hampshire on a shared basis relate to establishing standards to ensure  
3 consistency of service offerings across jurisdictions, financial reporting and controls  
4 compliance, regulatory strategy support, planning assistance, administrative assistance  
5 for particular functions such as payroll, and strategic information technology functions.  
6 In summary, under our model, the employees who are interfacing directly with our  
7 customers and regulators will be employed locally, will live in or near our service  
8 territories, and will deliver their services from within the utility's service territory, with  
9 Liberty Utilities' involvement generally being limited to providing non-customer facing  
10 shared services together with strategic oversight.

11  
12 **Q. Please summarize Liberty Utilities' perspective regarding the relationship between**  
13 **its operating subsidiary and the regulators who are responsible to the public to**  
14 **ensure that the local utility provides safe, reliable service at reasonable cost.**

15 A. Liberty Utilities believes that the key to our ultimate success is to understand the needs  
16 and objectives of both our customers and our regulators and deliver against those  
17 objectives. We accept and embrace the role of the regulator and the regulator's need to  
18 be able to communicate with us through both formal and informal channels with respect  
19 to their view of our performance, and we confirm our commitment to adjust course when  
20 necessary based on that input. Our philosophy in working with regulators in the various  
21 jurisdictions where we own and operate utilities is that communications are often most  
22 effective when they occur before and outside of formal regulatory proceedings. We  
23 actively look for opportunities to regularly and informally meet with regulators (both

1 staff and, where *ex parte* rules allow, commissioners) as well as our customers and other  
2 stakeholders, so we can deliver updates on our plans and activities, receive candid  
3 assessments of our performance, including our shortcomings, and seek feedback  
4 respecting what these important constituencies think of our plans for the future. We also  
5 recognize that regulators deserve to hear from us regarding developments affecting our  
6 utilities and our customers before they read about them in the newspaper. Accordingly,  
7 we seek to engage our regulators on a regular basis with the objective of keeping them  
8 fully informed regarding relevant initiatives; we believe such communication is the path  
9 to building trust. Mr. Eichler will discuss in his testimony how we have actively  
10 implemented this core philosophy in all of the regulatory jurisdictions in which we  
11 operate.

12  
13 **IV. LIBERTY UTILITIES' MANAGEMENT CAPABILITIES**

14 **Q. Please describe Liberty Utilities' management team that has overall responsibility**  
15 **for its utility operations.**

16 A. Liberty Utilities is led by Ian Robertson as its Chief Executive Officer while I hold the  
17 position of President. The senior management team for Liberty Utilities providing  
18 strategic oversight support to our state operations includes Gerald Tremblay (Finance and  
19 Administration Support), Peter Eichler (Regulatory Strategy), Gaetan Mercier  
20 (Environmental, Health, Safety and Security), Alyssa Burkus (Human Resource  
21 Strategy), Andrew Ling (Energy Procurement), and Robert Wood (Customer Care  
22 Strategy). With the exception of Ms. Burkus, all of these individuals are filing testimony

1 in this case, so I will not provide additional background information regarding their  
2 experience and capability.

3  
4 Ms. Burkus is the Director of Organization Development for Liberty Utilities. She is  
5 responsible for implementing employee programs for all Liberty Utilities subsidiaries, as  
6 well as providing project support to Algonquin's human resources team. She has a  
7 Master of Industrial Relations degree from Queen's University and a Bachelor's Degree  
8 in Sociology from McMaster University. Prior to joining Liberty in 2009, Ms. Burkus  
9 worked as an independent human resources and change management consultant,  
10 providing organizational strategy analysis and interim human resources leadership,  
11 including resource planning, training, performance management and new employee  
12 programs. Ms. Burkus started her career at a large global consulting firm, developing  
13 solutions relating to organizational changes for Fortune 500 companies in a variety of  
14 industries in Canada and the U.S.

15  
16 **V. LIBERTY ENERGY NH'S OPERATIONS STRUCTURE**

17 **Q. Please describe the operational structure that will be put in place for Granite State  
18 and EnergyNorth.**

19 **A.** At the operating company level, Granite State and EnergyNorth will continue to be  
20 staffed by the same individuals, performing the same operations functions, using the  
21 same operating procedures as under National Grid ownership. Our operating structure  
22 will have three groups providing service to Granite State and EnergyNorth as shown on  
23 Joint Petitioners Attachment 6.

1 First, in order to capture the economies of scale that arise from the joint ownership of the  
2 two utilities, Liberty Energy NH will provide the balance of New Hampshire-based  
3 services and staff that are not provided by Granite State and EnergyNorth employees and  
4 are common to both utilities. In this regard, we expect that a significant number of  
5 current National Grid employees will be joining Liberty Energy NH as a part of our long  
6 term team to ensure that Granite State and EnergyNorth continue to deliver the same  
7 reliable service that their customers have come to expect.

8  
9 The second group will be providing certain strategic oversight and “non-customer facing”  
10 corporate services. These services will be provided centrally by Liberty Utilities to  
11 Liberty Energy NH, Granite State and EnergyNorth. In addition to administrative  
12 support services, strategic oversight generally relates to ensuring consistency of  
13 operations across all Liberty Utilities businesses as well as performance monitoring to  
14 ensure that each utility meets our high expectations for reliability, cost of service,  
15 customer care and regulatory relations.

16  
17 In the third group, Algonquin will provide strategic and capital management services,  
18 which will allow Granite State and EnergyNorth to maintain robust access to capital  
19 markets.

1 The following chart provides a summary of the different groups of operations:

| <b>Entity</b>     | <b>Type of Service Provided</b>                | <b>Description</b>  |
|-------------------|--|---|
| Algonquin         | Strategic and capital management               | Through active strategic management, Algonquin ensures that the utilities are well capitalized, have ongoing access to the capital markets, and are managed in accordance with North American financial controls standards. |
| Liberty Utilities | Strategic oversight and administrative support | Liberty Utilities sets functional level strategies and provides administrative services such as IT and payroll.   |
| Liberty Energy NH | New Hampshire Management                       | Liberty Energy NH will provide day-to-day operations and support.   |

2

3 A more detailed description of services and cost allocations regarding these services is  
 4 provided by Mr. Eichler in his testimony.

5

6 **Q. Please provide an overview of the management structure of Liberty Energy NH,**  
 7 **Granite State and EnergyNorth.**

8 A. A New Hampshire based individual will be recruited to fulfill the role of President of  
 9 Liberty Energy NH. Reporting to that individual will be the following functional leads:  
 10 Energy Procurement; Government, Regulatory and Community Relations; Finance and  
 11 Administration; Human Resources; Customer Service and Business Development;  
 12 Environment, Health, Safety and Security; and Operations.

13

1 **Q. You have indicated that Liberty Utilities will rely primarily on the management**  
2 **team it puts in place within New Hampshire to operate the utilities. Please describe**  
3 **your plan for management of Granite State and EnergyNorth at the local level.**

4 A. As I have already noted, the management team that will be directly responsible for the  
5 operation and management of Granite State and EnergyNorth will be comprised of  
6 individuals who have experience performing similar functions for National Grid. The  
7 organizational chart included with this filing as Joint Petitioners Attachment 5 provides a  
8 breakdown of the various functional responsibilities that will be undertaken by Liberty  
9 Energy NH. In a few areas, these functions will be supported by personnel at Liberty  
10 Utilities in Oakville, as I mentioned earlier, but most will be the primary responsibility of  
11 individuals employed by the New Hampshire organization. With respect to a number of  
12 the functions shown on the chart, arrangements have already been reached with existing  
13 senior National Grid employees to join Liberty Energy NH as full time employees  
14 following closing. These individuals include:

15  
16 **Daniel Saad – Vice President, Operations:** Daniel Saad is currently the Vice  
17 President of Gas Operations at EnergyNorth. His qualifications and responsibilities for  
18 Liberty Energy NH are described in his joint testimony with Messieurs Ling, Mercier and  
19 Demmer.

20  
21 **William Sherry – Vice President, Customer Service and Business Development:** Mr.  
22 Sherry is currently the Director U.S. Employee Volunteering for National Grid as well as



1 Regional President for Granite State. His qualifications and responsibilities for Liberty  
2 Energy NH are described in his joint testimony with Messieurs Tremblay and Wood.

3  
4 **Mark Smith – Vice President, Human Resources:** Mr. Smith is currently a Vice  
5 president in the Human Resources Department at National Grid. Mr. Smith will be  
6 responsible for the Human Resources (“HR”) function for Liberty Energy NH. His duties  
7 will include oversight of compensation and benefits programs, payroll, employee  
8 training, staffing and labor relations. Mr. Smith has over twenty years experience in  
9 leadership roles in HR. He has significant experience in all facets of HR, most recently  
10 serving as Vice President Labor Relations and Vice President HR.

11  
12 **Kurt Demmer– Head, Electric Operations:** Kurt Demmer is the acting Director of  
13 Electric Operations at Granite State. His qualifications and responsibilities for Liberty  
14 Energy NH are described in his joint testimony with Messieurs Ling, Mercier and Saad.

15  
16 **Bryan McCallum - Manager Gas Field Operations:** Mr. McCallum is currently the  
17 Manger of Gas Operations for EnergyNorth with responsibility for all gas operations and  
18 maintenance functions within New Hampshire. He has been in this position for the past 4  
19 years. Mr. McCallum has held a variety of gas operations positions in both union and  
20 management positions since beginning his utility career 23 years ago.

21  
22 For the remainder of the functions, we plan to make offers of employment to specific  
23 National Grid employees for positions with the New Hampshire organization and are

1 currently in discussions with a number of members of National Grid's senior  
2 management regarding possible roles with Liberty Energy NH. All of these individuals  
3 will be brought on board to become part of Liberty Energy NH's long term team, not  
4 simply as consultants under a transition strategy.

5  
6 **Q. Do you expect to staff Liberty Energy NH entirely with former National Grid**  
7 **employees?**

8 A. No. We will certainly look to fill many of the positions in the organization with  
9 candidates from National Grid. However, we will expect to hire a number of individuals  
10 from other external sources as well.

11  
12 **Q. From a facilities prospective, what is your plan to house all of these additional New**  
13 **Hampshire employees?**

14 A. We will be maintaining all existing operations offices located within New Hampshire, at  
15 which all existing operations staff will continue to be located. In addition, we will be  
16 establishing a new central operations center where the additional Liberty Energy NH  
17 employees will be located.

18  
19 **Q. What efforts have been made to date to determine where such new Liberty Energy**  
20 **NH headquarters is likely to be located?**

21 A. We have been working closely with National Grid's Property Services department and its  
22 primary architect and engineering vendor, The Robinson Green Beretta Corporation.  
23 This group has already assessed National Grid's existing facilities in New Hampshire and

1 made some initial determinations of new space requirements. In addition, we are  
2 working with National Grid's commercial real estate group and the NH Department of  
3 Resources and Economic Development to identify additional facilities. While no final  
4 decisions have been made, the primary focus is currently on southern New Hampshire in  
5 an area bounded by Nashua to Salem to Manchester. We expect to be converging on a  
6 number of new and existing real estate choices prior to the end of April.

7  
8 **VI. STRUCTURE OF MANAGEMENT SERVICES SUPPORT FOR GRANITE**  
9 **STATE AND ENERGNORTH**

10 **Q. Will Granite State and EnergyNorth enter into any management services**  
11 **agreements with other Liberty Utilities affiliates, and if so, what services will be**  
12 **provided under such agreements?**

13 A. Yes, it is expected that Granite State and EnergyNorth will enter into management  
14 services agreements with Liberty Energy NH, Liberty Utilities, and Algonquin prior to  
15 closing. With respect to the management agreement with Liberty Energy NH, the  
16 primary purpose of such an agreement is to provide allocation of the costs of the common  
17 New Hampshire based management and joint operations staff. With respect to the  
18 management agreement with Liberty Utilities, the agreement will call for the provision of  
19 certain administrative support services as may be necessary from time to time respecting  
20 financial reporting, auditing, legal support, information technology, regulatory support,  
21 and the shared use of certain assets such as data management and communications  
22 systems. With respect to Algonquin, the agreement will call for provisions of service  
23 related to continued access to capital, including treasury, corporate reporting, corporate

1       audit, corporate tax, and other services. All services under these management services  
2       agreements will be provided on an “at-cost” basis without profit margin or mark-up. The  
3       methodology used for allocating shared services costs to our operating subsidiaries is  
4       discussed by Mr. Eichler in his testimony.

5  
6       **Q. Does Liberty Utilities intend to change Granite State’s and EnergyNorth’s existing**  
7       **field operations upon consummation of the Stock Transfers?**

8       A. No, we plan to leave field operations unchanged for both Granite State and EnergyNorth,  
9       with continued employment for all existing operations staff. The continuity of  
10       employment of the Granite State and EnergyNorth operations staff will benefit New  
11       Hampshire customers by ensuring the continuation of safe, adequate and reliable electric  
12       and natural gas service. That being said, we are certainly open to making changes as the  
13       need for them becomes apparent, but customers and the Commission can have confidence  
14       that, until the need for such changes has been identified, service will be provided on a  
15       basis that is consistent with how that service is provided today. To the extent that the  
16       Commission staff or others have particular areas where they believe a change is needed,  
17       we would be very interested in learning about those areas so that we can focus our  
18       attention on them.

19  
20       **Q. You have indicated several times that both service company and field operations**  
21       **personnel will be situated in New Hampshire. Are you planning to operate the two**  
22       **utilities on a combined or separate basis, and will each company employ individuals**

1       **who perform the functions that were previously performed at the service company**  
2       **level for National Grid?**

3    A.    We plan to maintain the separate corporate identity of Granite State and EnergyNorth  
4       from a legal, financial, and regulatory standpoint, but to the greatest extent possible, we  
5       will operate them on a combined basis under the Liberty Energy brand in order to take  
6       advantage of efficiencies that can be gained on a local New Hampshire level. As  
7       illustrated in Joint Petitioners Attachment 5, personnel who provide services to both  
8       Granite State and EnergyNorth will generally be employed by Liberty Energy NH with  
9       the allocation of their services governed by the management agreement previously  
10       referenced. For example, we will operate customer care and billing on a joint basis, with  
11       the personnel employed by Liberty Energy NH to handle such matters for both Granite  
12       State and EnergyNorth. Field personnel who work on the two companies' distribution  
13       systems will remain separate, but, where functions allow, we will cross train our staff so  
14       that we can take advantage of slack periods that one company may experience or to  
15       provide backup during emergency situations. More detail in this regard is provided in the  
16       joint testimony submitted by Messrs. Sherry, Tremblay and Wood and the joint testimony  
17       of Messrs. Ling, Mercier, Saad and Demmer.

18  
19    **Q.    Please provide an overview of how the operating companies under Liberty Utilities**  
20       **are managed from a financial perspective.**

21    A.    Each of the Liberty Utilities operating companies reports its own individual profit and  
22       loss statement which is prepared on a monthly basis with support from Liberty Utilities.  
23       As part of this process, a variance report is also prepared to assist in identifying and

1 addressing unanticipated financial trends that may occur in the business. As outlined,  
2 Liberty Utilities approach to management involves the installation of local senior state-  
3 level management in each state who has full accountability for the financial and operating  
4 results and is responsible for providing these monthly financial statements and explaining  
5 variances and upcoming expenditures that were not part of the company's annual budget.  
6 Each month, the leadership of the local business also participate in a meeting to review  
7 key financial, customer, regulatory, environmental, health, and safety, and employee  
8 metrics.

9  
10 In addition to the monthly meetings, members of Liberty Utilities' senior management  
11 team visit each subsidiary for a quarterly meeting. Among others, Algonquin's CEO, Ian  
12 Robertson, and its Chief Financial Officer, David Bronicheski, participate in these  
13 meetings. These local meetings also provide an opportunity for our most senior  
14 leadership to engage with key customers and employees. Another key benefit of these  
15 meetings is the opportunity to share best practices between divisions and identify  
16 potential synergies between our regions.

17  
18 **VII. ENGAGEMENT OF EMPLOYEES, UNIONS AND CUSTOMERS OF GRANITE**  
19 **STATE AND ENERGYNORTH**

20  
21 **Q. What is your plan with regard to employees who are members of the unions with**  
22 **which Granite State and EnergyNorth have collective bargaining agreements?**

23 A. There are three unions that have collective bargaining agreements with National Grid's  
24 New Hampshire utilities—Local 12012-03 of the United Steelworkers, Locals 326 and  
25 486 of the International Brotherhood of Electrical Workers (“IBEW”), and Local 369 of

1 the Utility Workers Union of America (“UWUA”). These unions currently represent  
2 approximately 110 employees. The acquisition of Granite State and EnergyNorth will  
3 have no impact on the existing labor agreements with the unions. The current agreement  
4 with United Steelworkers will expire on April 14, 2012, the current IBEW agreement  
5 expires on May 11, 2014, and the current UWUA agreement expires on May 11, 2013.  
6 We are looking forward to developing cooperative, collaborative relationships with these  
7 unions, and believe that establishing open, honest communications with union leaders  
8 and union employees is key to building trust in these relationships. We strongly believe  
9 that to achieve success as a company, we need to have an informed, dedicated, engaged  
10 workforce.

11  
12 As described above, Mr. Smith will have lead responsibility for human resources and  
13 labor relations in New Hampshire, and has an extensive background in labor relations,  
14 most recently heading the labor relations function for National Grid. Mr. Smith has  
15 excellent relationships with the leaders of these unions and is a strong proponent of  
16 Liberty Utilities' cooperative labor relations philosophy. We plan to engage these unions  
17 and their respective leadership in every phase of the transition, and in fact a series of all-  
18 employee meetings is already underway to present Liberty Energy NH's business  
19 philosophy to union leaders and the employees of the two utilities, as well as to describe  
20 the transition process and our business plans on an ongoing basis. Throughout this  
21 process, we plan to actively seek input from union leaders and employees. We very  
22 much value their involvement, and recognize that in many ways they are the individuals  
23 who are most knowledgeable about the services that Granite State and EnergyNorth

1 deliver to customers and the operation of the systems necessary to deliver that service. A  
2 number of union employees have already expressed interest in participating in the Liberty  
3 Energy transition teams being formed to manage the transition issues.

4

5 **Q What is Liberty Utilities' philosophy with regard to employee engagement and can**  
6 **you provide any examples?**

7 A. As an organization, we are committed to ensuring that our employees understand our  
8 vision, mission, and values to ensure consistent top to bottom alignment; we believe that  
9 employees who understand our business model and are actively engaged in implementing  
10 it will ultimately deliver superior service to the customers. Through an annual planning  
11 cycle, our senior leadership updates our company plan and revisits the key objectives that  
12 drive our business. A summary document is created for each business entity (i.e., Liberty  
13 Water, Algonquin Power, and now Liberty Energy), and a company-wide rollout to each  
14 physical location is completed early in the year. The 2011 plans for Liberty Water and  
15 Algonquin Power are set forth in Joint Petitioners Attachments 7 and 8, respectively.

16

17 In addition to the annual and quarterly site visits by senior management, we also convene  
18 quarterly town hall video conference calls with each operating entity. These calls are  
19 strategically set close to our quarterly earnings conference calls, and include content from  
20 both the field and headquarters organizations.

21

22 To ensure that our commitment to engage our employees is being satisfied on an ongoing  
23 basis, we utilize a third party to conduct an annual satisfaction and engagement survey of



1 our employees. The complete results package is made available to all employees and  
2 detailed action programs are developed to address areas that have been identified as  
3 needing improvement. A management summary of the 2010 survey is set out in Joint  
4 Petitioners Attachment 9. We plan to implement these programs for our New Hampshire  
5 operations, as we have in other jurisdictions.

6  
7 **Q. What steps have you taken to begin to engage New Hampshire employees in your**  
8 **plans?**

9 A. We believe that one key to a successful transition is to ensure that Granite State and  
10 EnergyNorth existing employees are engaged in and supportive of the transition process.  
11 To achieve that engagement, all individuals must understand the road map we will be  
12 following and how they can help us reach the desired destination. We believe that  
13 regular and meaningful communication throughout the transition period is critical to this  
14 effort. To this end, within a week after execution of the stock purchase agreements, Mr.  
15 Robertson and I traveled to three of National Grid's New Hampshire operations facilities  
16 to meet with employees and answer questions. In addition, those employees who were  
17 not present in person were able to participate by conference call. I led a subsequent  
18 conference call in February and additional calls and meetings are planned for each of the  
19 coming months. The purpose of these meetings is to discuss our business and operational  
20 philosophy, update employees regarding transition activities, and answer questions that  
21 employees may have.

1 **Q Have you taken any steps to engage with customers?**

2 A I have already scheduled visits for March and April to begin to meet with some of  
3 Granite State's and EnergyNorth's larger customers, so we understand their particular  
4 needs, reassure them of our commitment to providing the same high quality service and  
5 reliability that they have received in the past, and listen to any concerns they may have.  
6 We also held a meeting with representatives of the Business and Industry Association of  
7 New Hampshire to begin to understand the needs of some of Granite State's and  
8 EnergyNorth's larger customers.

9

10 **VIII. CONCLUSION**

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

12 A. Yes.



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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket No. \_\_\_\_\_**

**Direct Testimony  
of  
Timothy F. Horan and David Pasieka**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **A. Mr. Horan**

3 **Q. Mr. Horan, please state your full name and business address.**

4 A. My name is Timothy F. Horan. My business address is 40 Sylvan Road, Waltham,  
5 Massachusetts 02451.

6

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

8 A. Since 2010, I have served as the Senior Vice President of Safety, Health &  
9 Environmental Services for National Grid USA Service Company, Inc., a wholly owned  
10 subsidiary of National Grid USA (“National Grid”) which provides engineering,  
11 financial, administrative, and other technical support to National Grid’s subsidiary  
12 companies, including Granite State Electric Company (“Granite State”) and EnergyNorth  
13 Natural Gas, Inc. (“EnergyNorth”). As of April 4, 2011, I will be the President of  
14 National Grid’s operations in New Hampshire and Rhode Island. In that capacity, I will  
15 be responsible for overseeing all aspects of the provision of retail electric and natural gas  
16 distribution service in New Hampshire and Rhode Island.

17

18 **Q. Please describe your educational background and professional experience.**

19 A. In 1983, I earned a Bachelor of Science degree in Management Engineering from  
20 Worcester Polytechnic Institute and, in 2000, I earned a Master of Business  
21 Administration from Regis University. From 1983 until June 1988, I was employed by  
22 the U.S. Army at various locations in the United States and Europe. I served in the U.S.  
23 Army Reserves for 19 years and retired as a Colonel in November 2006. I joined New

1 England Electric System in June 1988 and was employed by various subsidiary  
2 companies of New England Electric System, including New England Power Service  
3 Company, until early 2000, when New England Electric System was acquired by  
4 National Grid. Following National Grid's acquisition of New England Electric System, I  
5 held a series of senior positions with National Grid, including Director, New Business for  
6 NEES Communications, Inc. (1998 to 2000); Vice President, Business Services for  
7 Rhode Island (2000 to 2003); Director, Contractor Management (2003 to 2005); and  
8 Senior Vice President, Business and Retail Services for New England (2005 to 2006).  
9 When National Grid announced it was acquiring the Rhode Island gas distribution assets  
10 of Southern Union Company in 2006, I was named Senior Vice President, New England  
11 Gas Integration, with responsibilities for leading an integration team for both companies  
12 and overseeing the acquisition process and subsequent integration with National Grid.  
13 Following the closing of this acquisition, I was named Senior Vice President of Safety,  
14 Health, Environmental Services, and Security ("SHES") with responsibility for providing  
15 sustainable support to the organization to ensure that all significant SHES risks are  
16 managed and continuous improvement in SHES performance is achieved each year. In  
17 this capacity, I also worked closely with senior management in the continuing effort to  
18 promote a positive SHES culture throughout the organization.

19

20 **Q. Have you previously testified before the New Hampshire Public Utilities**  
21 **Commission ("Commission") or other regulatory bodies?**

22 A. I have testified previously before the Rhode Island Public Utilities Commission on an  
23 energy efficiency matter.

1 **Q. Please describe your involvement with the transaction between the Liberty Energy**  
2 **Utilities (New Hampshire) Corp. (“Liberty Energy NH”) and National Grid that is**  
3 **the subject of this docket.**

4 A. I am National Grid’s business team leader for the transition of retail natural gas and  
5 electric utility services from National Grid to Liberty Energy NH. In that role, I am  
6 responsible for all aspects of National Grid’s provision of transition services to Liberty  
7 Energy NH, including preparation to provide those services and the provision of the  
8 services themselves.

9

10 **B. Mr. Pasieka**

11 **Q. Mr. Pasieka, please state your full name and business address.**

12 A. My name is David Pasieka. My business address is 2845 Bristol Circle, Oakville,  
13 Ontario, Canada L6H 7H7. My background information is set forth in my individual  
14 testimony.

15

16 **Q. Please explain the relationship among Liberty Utilities and its subsidiaries and**  
17 **Algonquin Power & Utilities Corp. (“Algonquin”).**

18 A. Liberty Utilities was formed to own and operate the regulated distribution utilities held  
19 indirectly by Algonquin. Liberty Utilities has two direct subsidiaries: Liberty Energy  
20 Utilities Co. (“Liberty Energy”) and Liberty Water Co. (“Liberty Water”). Liberty  
21 Energy, through its indirect subsidiary, California Pacific Electric Company, LLC  
22 (“CalPeco”), provides regulated electric distribution services to approximately 47,000  
23 retail electric customers in the area of Lake Tahoe, California. Liberty Water provides



1 regulated water and wastewater utility services to more than 75,000 retail customers  
2 through a portfolio of nineteen separate water supply and distribution utilities and  
3 wastewater collection and treatment utility systems.  
4

5 **Q. Please describe your involvement with the transaction between Liberty Energy NH**  
6 **and National Grid that is the subject matter of this proceeding.**

7 A. I am Liberty Energy NH's business team leader for the transition of utility services from  
8 National Grid and, in that capacity, am responsible for planning and carrying out all  
9 aspects of the transition for Liberty Energy NH and ensuring that it is successful. Once  
10 the acquisition is closed, the President of Liberty Energy NH will report to me regarding  
11 the operation of Granite State and EnergyNorth.  
12

13 **II. PURPOSE OF TESTIMONY**

14 **Q. Please describe the purpose of your testimony.**

15 A. The purpose of our testimony is to describe why transition services are necessary in order  
16 to successfully complete the transfer of retail electric and natural gas distribution services  
17 from National Grid to Liberty Energy NH and to provide information about how and by  
18 whom those services will be performed. Specifically, we will describe the transition  
19 services agreements entered into between National Grid and EnergyNorth and Granite  
20 State and the transition process generally, including describing those transition activities  
21 that have already begun and those that will be completed over the course of the transition  
22 period.

1 **III. TRANSITION EXPERIENCE**

2 **Q. Mr. Horan, what prior experience do you have leading transition teams?**

3 A. I have successfully led two significant transition teams in recent years. In 2006, I led the  
4 integration of the Rhode Island gas distribution assets of Southern Union Company in  
5 2006 into The Narragansett Electric Company, a wholly-owned subsidiary of National  
6 Grid. This involved approximately 245,000 customers and 450 employees. I established  
7 a core team to conduct the transition, which met weekly and established policies and  
8 procedures to achieve the integration. We completed the entire integration within six  
9 months from the date of the acquisition, including a cutover to new billing and customer  
10 service systems. A core aspect of this transition process was a focus on maintaining a  
11 high level of customer service and safety at all times.

12  
13 In 1998, I was responsible for the creation of the infrastructure of NEES  
14 Communications, Inc. In the course of four months, we created a dark fiber  
15 infrastructure that consisted of approximately 150 miles, connecting Springfield,  
16 Massachusetts to Worcester and a ring along Interstate 495. During this time, we built  
17 the connectivity loop, procured the necessary fiber optics as well as the rights of way to  
18 construct the network. At the end of four months, this part of the network was built, fully  
19 operational and serving customers.

20  
21 **Q. Mr. Pasieka, do you have any experience leading transition teams?**

22 A. Yes. I have been responsible for overseeing the transition of service to the 47,000  
23 customers of CalPeco as a result of the recent acquisition by that company of all of the

1 Lake Tahoe, California operating assets of Sierra Pacific Power Company (“Sierra  
2 Pacific”). (CalPeco is directly owned by California Pacific Utilities Ventures, LLC,  
3 which in turn is owned jointly by Algonquin and Emera US Holdings, Inc.) In addition, I  
4 have lead two other transition processes - (i) the integration of 724 Solutions (a wireless  
5 software company with 400 employees) with Tantau Software (a wireless gateway  
6 company with 300 employees) in 2001 and (ii) the integration of Oasis Technology (a  
7 software company with 160 employees) with eFunds International (a financial services  
8 company with 5500 global employees).

9  
10 **Q. Please describe the transition of CalPeco from Sierra Pacific to Liberty Energy,**  
11 **including the current status of that transition.**

12 A. The transaction closed on January 1, 2011. In anticipation of the ownership transition, a  
13 cross functional team consisting of members of Liberty Energy and Sierra Pacific was in  
14 place throughout the latter half of 2010, and a detailed readiness plan was developed for  
15 each functional area with a specific focus on ensuring seamless customer interactions. In  
16 order to structure the transition process in a manner that ensured a smooth change-over  
17 from Sierra Pacific to CalPeco and enabled us to focus on customer-facing functions first  
18 wherever feasible, the transition process was segmented into those functions that could be  
19 transitioned as of the closing, those that would be transitioned immediately after closing,  
20 those to be transitioned over the medium term, and those to be transitioned over a longer  
21 term. An array of functions have already been successfully transferred from Sierra  
22 Pacific to CalPeco during the first two months of the process, and are now being  
23 performed by CalPeco on a stand-alone basis. A number of functions that are still being

1 performed by Sierra Pacific, including eight short term transition services that will be  
2 migrated by the end of the first quarter in 2011, three medium term transition services  
3 that will be migrated by July 1, 2011, and eight long term transition services that will be  
4 migrated by 2012. In all cases, the migration of these services is anticipated to occur on a  
5 more accelerated timetable than was originally set out in the transition plan. Liberty  
6 Energy meets monthly with Sierra Pacific to review the performance and invoicing  
7 associated with all of these services.

8  
9 **IV. THE NEED FOR TRANSITION SERVICES**

10 **Q. Mr. Pasieka, please explain why transition services are necessary to this transaction.**

11 A. A central focus of Liberty Energy NH's and National Grid's planning for the sale of  
12 Granite State and EnergyNorth is to ensure that the transition process is seamless for  
13 customers. There are two principal reasons for the primacy being given to this issue.  
14 First, the parties are well aware of the Commission's level of concern regarding the need  
15 to maintain high levels of customer service and system safety at all times, but in  
16 particular during any change in ownership of the utilities it regulates. We are mindful of  
17 the close public scrutiny that this issue will receive, and are putting in place a plan that is  
18 intended to ensure that our customers and the Commission can have confidence that  
19 functions will not be transferred from National Grid's management to Liberty Energy  
20 NH's unless and until both Liberty Energy NH and National Grid are confident that the  
21 change can be accomplished seamlessly. Second, as Mr. Robertson and others discuss in  
22 their testimony, Liberty Energy NH's corporate and management structure emphasizes a  
23 local management approach in order to deliver the highest quality customer service. We

1 fully recognize that it would be completely unacceptable and unworkable to put such a  
2 structure in place and then fail to have a well developed plan to transition from the  
3 current more centralized structure that is in place. We are well aware that if we were to  
4 lose customer and Commission confidence at the outset of our stewardship of these  
5 utilities, it would be extremely difficult to win it back. The reputation Liberty Energy  
6 NH and Algonquin create for themselves on Day 1 of this process is paramount to  
7 building a solid foundation for our relationship moving forward.

8  
9 **Q. Mr. Pasieka, please describe your overall approach to providing transition services.**

10 A. As described in my separate prefiled direct testimony, Liberty Energy NH will cause  
11 Granite State and EnergyNorth to maintain the employment of all existing employees,  
12 including line workers, service technicians, meter workers, field supervisors, and gas  
13 mechanics; basically, all New Hampshire-based management and operational personnel  
14 who provide day-to-day utility service to National Grid's New Hampshire customers.  
15 Post-closing, these employees will be expected to continue to provide the same services,  
16 in the same manner, as provided the day before closing.

17  
18 Many of the other aspects of utility service, such as engineering, procurement, customer  
19 service, billing, environmental, health, safety, security, information technology, systems  
20 control, accounting, tax, and regulatory services are currently provided by National Grid  
21 employees from outside the State of New Hampshire; the associated costs of these  
22 services are allocated to Granite State and EnergyNorth. Liberty Energy NH intends to  
23 restore many of these capabilities back to New Hampshire by recruiting individuals

1 (primarily National Grid personnel) to perform these services within the state. Given the  
2 time frame necessary to complete such recruitment and organizational development,  
3 Liberty Energy NH will need a period of time after the transaction closes to staff and  
4 develop those services in New Hampshire as it transitions to delivering services as a local  
5 utility. The transition services agreements were designed to ensure that National Grid  
6 personnel will continue to provide those services as Liberty Energy NH completes the  
7 staffing and integration process.

8  
9 This process of migrating the services is currently underway and will continue beyond  
10 the close of the transaction. During that period, EnergyNorth and Granite State will be  
11 receiving all necessary support services from National Grid's service companies and  
12 other affiliates in a manner consistent with the provision of such services today. As a  
13 result, customers will not experience any deterioration in their service levels post closing  
14 as the same operational team will remain in place and be held accountable to deliver a  
15 consistent level of quality.

16  
17 **Q. Mr. Horan, what is National Grid's commitment to providing transition services?**

18 A. National Grid is committed to supporting Liberty Energy NH in providing the services  
19 necessary to operate the two utilities until Liberty Energy NH's infrastructure is fully in  
20 place and it is ready to successfully provide all aspects of utility service to customers in  
21 New Hampshire.

1 **Q. On Day 1 following the closing, what services will Liberty Energy NH perform?**

2 A. Based on the transition work performed to date, Liberty Energy NH currently anticipates  
3 that, at a minimum, Granite State and EnergyNorth will be well-positioned to provide the  
4 following functions upon closing either through the continued employment of existing  
5 Granite State and EnergyNorth personnel, through Liberty Energy NH by the recruitment  
6 of existing National Grid employees, or through the hiring or provision of service in the  
7 Liberty Utilities or Algonquin organizations:

- 8 • Gas and Electrical Operations– EnergyNorth/Granite State personnel  
9 (linemen, meter readers, supervisors) will continue to provide day-to-day field  
10 operations.
- 11 • Financial Services – most of the financial support services, including  
12 accounting, financial reporting and tax.
- 13 • Human Resources – payroll, benefits administration, hiring, internal  
14 communications.
- 15 • Legal services.
- 16 • Government, Regulatory and Community Relations.
- 17 • Key Account Sales.
- 18 • Health and Safety.

19 In the coming months, Liberty Energy NH will identify additional services required by  
20 Granite State and EnergyNorth to transition on Day 1. As discussed below,  
21 notwithstanding Liberty Energy NH’s intent to have Granite State and EnergyNorth  
22 transition as many services as practicable upon closing, National Grid will be available to  
23 provide any of the services set forth in the transition services agreements as needed.

1 **V. TRANSITION SERVICES AGREEMENT**

2 **Q. Have National Grid and EnergyNorth/Granite State entered into a transition**  
3 **services agreement?**

4 A. Yes. On March 3, 2011, EnergyNorth and Granite State each entered into a Transition  
5 Services Agreement (collectively, the “TSAs”), which are Joint Petitioners Attachments  
6 10 and 11. Each TSA includes a Schedule A that details the transition services that will  
7 be made available by National Grid to Granite State and EnergyNorth. Liberty Energy  
8 NH, as the parent to Granite State and EnergyNorth, will provide assistance in  
9 administering the provision of services to Granite State and EnergyNorth under the  
10 TSAs.

11

12 **Q. Please summarize the key terms of the TSAs.**

13 A. The TSAs are intended to facilitate a smooth transition in providing service to customers  
14 after the transfer of ownership of Granite State and EnergyNorth from National Grid to  
15 Liberty Energy NH by providing Granite State and EnergyNorth uninterrupted access to  
16 the operations, customer, corporate and other support services (collectively, the  
17 “Transition Services”) previously provided under National Grid’s ownership, in a manner  
18 consistent (in terms of both scope and quantity) with the support services currently  
19 provided, until Liberty Energy NH has determined that the necessary personnel and  
20 systems are in place for Granite State and EnergyNorth to provide such services going  
21 forward. As Liberty Energy NH determines that Granite State and/or EnergyNorth are in  
22 a position to provide each of these services on its own, the scope of services provided by  
23 National Grid will be reduced until such time as all of the Transition Services have



1 successfully transitioned, whereupon the TSAs will terminate. The key terms of the

2 TSAs include:

- 3 • Scope of Services. The TSAs provide for a comprehensive set of  
4 Transition Services, including ongoing support for EnergyNorth and  
5 Granite State in the following areas: human resources, financial services,  
6 operations, customer service, safety, health and environmental (“SHE”),  
7 regulatory compliance, supply chain management and information  
8 technology (“IT”). The scope of services included in the TSAs is  
9 intentionally broad to ensure that any areas in which Liberty Energy NH  
10 may need to call on National Grid for support are available to it. This  
11 broad scope of services does not mean that Liberty Energy NH will in fact  
12 require all of the services identified.
- 13 • Fees. National Grid will provide the Transition Services for a fee that  
14 reasonably approximates its actual costs of providing the services. The fee  
15 will consist of a combination of service company allocations, direct  
16 charges and reimbursable expenses, calculated in a manner consistent with  
17 the internal charges paid by EnergyNorth and Granite State for  
18 comparable support services. Notably, National Grid will not earn a profit  
19 on the provision of Transition Services.
- 20 • Term. Transition Services will commence immediately upon the closing  
21 of the sale of EnergyNorth and Granite State, and continue with regard to  
22 each service until such time as both Liberty Energy NH and National Grid  
23 agree that Liberty Energy NH is ready to assume the particular service.

1 The TSAs include an estimated term for each of the Transition Services, in  
2 most cases twelve to eighteen months. If Liberty Energy NH determines  
3 that a particular Transition Service is required for a shorter or longer  
4 duration than originally anticipated in the TSAs, the parties will modify  
5 the term to address the specific transition need.

- 6 • Performance Standards. Pursuant to the TSAs, National Grid will provide  
7 the Transition Services in a manner and to a standard that is consistent  
8 with the performance of these services immediately prior to the closing.

9 National Grid has committed that the employees providing Transition  
10 Services will have the requisite skill and experience necessary to provide  
11 such services.

- 12 • Hand-Off of Transition Services. The TSAs includes a set of formal hand-  
13 off procedures which are intended to ensure the services are successfully  
14 transitioned to Liberty Energy NH. Leading up to the anticipated hand-off  
15 date, the parties will collaborate on testing Liberty Energy NH's systems  
16 and applications to ensure readiness for Day 1. In particular, National  
17 Grid has committed to continuing to provide the Transition Services until  
18 Liberty Energy NH is fully prepared to assume responsibility.

- 19 • Performance Tracking and Escalation Process. The parties will be in  
20 constant communication with respect to National Grid's performance  
21 under the TSAs. In addition to the TSAs' reporting requirements,  
22 pursuant to which National Grid will track and report on its performance  
23 in a manner consistent with the reporting prior to the closing, the parties

1 have agreed to meet regularly to discuss the status of the transition and the  
2 performance of the Transition Services. In the event of any issue with  
3 regard to a particular Transition Service, the TSAs include formal  
4 escalation procedures pursuant to which complaints will initially be  
5 referred to individuals with primary responsibility for the services, after  
6 which unresolved issues will be elevated to senior executives for final  
7 resolution.

8  
9 **Q. What services will be provided under the TSAs?**

10 A. Schedule A to the TSAs identifies the full scope of services available to Granite State and  
11 EnergyNorth from National Grid after the closing. While each of Granite State and  
12 EnergyNorth are the contracting parties for the delivery of Transition Services from  
13 National Grid under the TSAs, Liberty Energy NH, as the parent organization to Granite  
14 State and EnergyNorth, will assist in administering the provision of services under the  
15 TSAs. Specifically, National Grid will provide Transition Services in the following  
16 categories:

- 17 • Human Resources – Liberty Energy NH does not anticipate requiring  
18 payroll and benefits services from National Grid, but it will initially utilize  
19 pension administration services and expects to utilize some of National  
20 Grid's staffing and labor relations personnel to support Liberty Energy  
21 NH's efforts to maintain appropriate staffing levels during the hiring  
22 phase.

- 1                   • Financial Services – As discussed above, it is anticipated that Liberty  
2                   Energy NH will be positioned to provide financial services in support of  
3                   EnergyNorth and Granite State at the time of closing. National Grid will  
4                   nonetheless be available to provide consulting services, to the extent  
5                   required, in the following areas: accounting, tax, accounts  
6                   payable/receivable and treasury. Additionally, in the event Liberty Energy  
7                   NH were not in position to assume responsibility for a particular financial  
8                   service at the time of closing, National Grid would be in position to  
9                   provide such service under the TSAs, as required.
- 10                  • Operations – National Grid will provide ongoing operations support to  
11                  EnergyNorth/Granite State, including Transition Services in the following  
12                  areas: maintenance and capital programs, dispatching and scheduling,  
13                  engineering and design, system integrity, metering operations, system  
14                  control, energy/fuel procurement, energy efficiency, mutual assistance and  
15                  site security services.
- 16                  • Customer Services Support – National Grid will support the companies’  
17                  customer services functions, including call center operations and meter  
18                  reading.
- 19                  • Safety, Health and Environmental – National Grid’s SHE organization  
20                  will coordinate with Liberty Energy NH on the administration of safety  
21                  and health programs, training, environmental programs, and site  
22                  investigation and remediation.

- 1 • Supply Chain and Inventory Management – In order to ensure  
2 uninterrupted access to equipment, inventory, materials and supplies,  
3 National Grid will continue to support the companies’ supply chain and  
4 material management function, including procurement, warehouse support  
5 and fleet management.
- 6 • Regulatory Support – National Grid’s regulatory personnel will support  
7 the companies’ regulatory reporting and compliance obligations.
- 8 • IT Services – National Grid’s corporate IT group will provide information  
9 technology services, including business application services, collaboration  
10 services, infrastructure services, network management, and security.

11 Additionally, National Grid has agreed to provide certain administrative and general  
12 corporate functions (e.g., records management).

13  
14 **Q. Do the TSAs allow the parties to modify its scope?**

15 A. Yes, rather than being fixed at the outset, the TSAs provide that the level and scope of  
16 Transition Services may change (increase or decrease) based on Liberty Energy NH’s  
17 determination of the evolving transition needs for Granite State and EnergyNorth. The  
18 purpose of this aspect of the agreement is to recognize that, despite the extensive advance  
19 planning that is being done for the transition period, it is possible that some services will  
20 transition more quickly and others more slowly than currently anticipated. The TSAs  
21 initially contain a very broad scope of Transition Services because the parties intended to  
22 capture all potential Transition Services Liberty Energy NH may determine are required  
23 by Granite State and EnergyNorth on Day 1 after the closing. Not all of these services

1 may be required at the time of the closing. To the extent it is determined that some of the  
2 services contemplated to be provided under the TSAs are not required at time of the  
3 closing, the scope of service will be modified to remove those services, and the fees will  
4 be reduced accordingly. The TSAs also provide that the parties will negotiate additional  
5 Transition Services, as may be reasonably required by EnergyNorth or Granite State, to  
6 the extent such services are not already addressed in the services schedule. This  
7 provision will ensure that all required Transition Services are available to them.

8  
9 **Q. Please explain the fees and pricing terms of the TSAs.**

10 A. The TSAs provide that the Transition Services will be provided for a fee that reasonably  
11 approximates National Grid's costs of providing these services. The fee will be  
12 calculated based on a combination of direct charges and allocations utilizing the  
13 following costing principles:

- 14 • Actual costs will be directly charged for Transition Services whenever it is  
15 practicable to capture the actual cost through a direct charge (e.g., direct  
16 charged labor, materials).
- 17 • Where direct charging is not practical for Transition Services, actual costs  
18 will be based on allocated charges in accordance with the currently  
19 applied and approved allocation methodologies (as may be adjusted from  
20 time to time during the term of the TSAs to reflect changes to National  
21 Grid's corporate allocations).
- 22 • In the case of labor charges, labor will include base labor costs, overtime,  
23 and full labor burdens.

- 1                   •       In the case of charges for material and supplies, material handling  
2   overheads will be added to the cost of materials and supplies in a manner  
3   consistent with current practices.

4           National Grid will calculate its actual costs of providing the Transition Services  
5           consistent with the manner costs are currently charged to EnergyNorth and Granite State  
6           for comparable services (which may be updated from time to time to reflect changes in  
7           National Grid’s corporate wide allocations), and in all cases consistent with industry  
8           standards and applicable regulations. There will be no profit mark-up on any of the  
9           Transition Services.

10  
11           Prior to the closing, the parties will develop a detailed cost estimate for each of the  
12           Transition Services.

13  
14   **Q.    Please explain the provisions of the TSAs governing their duration and term.**

15   A.    The TSAs provide for a specific term for each of the Transition Services based on the  
16           parties’ best estimate with regard to the anticipated transition period for that specific  
17           service. It is the parties’ intent that the provision of all services will transition to Liberty  
18           Energy NH as soon as reasonably practicable, with the understanding that no service will  
19           be transitioned until Liberty Energy NH is fully prepared to assume responsibility. As  
20           we will describe later in our testimony, where appropriate, Liberty Energy NH will  
21           conduct readiness testing before a final handover of a specific service occurs. For most  
22           Transition Services, it is anticipated that Liberty Energy NH will be prepared to assume  
23           responsibility within twelve to eighteen months following closing. Several services may

1 require a longer term – potentially as long as two years. We are hopeful that none of the  
2 services will require that length of time before the final handover occurs, but in  
3 structuring the duration of the TSAs both National Grid and Liberty Energy NH wanted  
4 to ensure that Granite State and EnergyNorth customers, as well as the Commission,  
5 could have confidence that there was more than sufficient time built in to the agreement  
6 to ensure that services would not be transitioned to Liberty Energy NH until it was fully  
7 ready to receive them. If it is concluded that Liberty Energy NH is ready to assume  
8 responsibility for any Transition Service prior to the estimated transition date, the service  
9 will be handed-off at that time pursuant to the procedures set forth in the TSAs, which  
10 provide for a delivery of a “Service Termination Notice” approximately thirty (30) days  
11 prior to the anticipated transition date. Conversely, should Liberty Energy NH determine  
12 that it is not ready to assume responsibility for a particular Transition Service in the time  
13 originally anticipated, the parties will develop a mutually agreeable plan for extending  
14 the term for that Transition Service.

15  
16 **Q. While National Grid is providing services under the TSAs, will Liberty Energy NH**  
17 **customers be aware that National Grid is providing those services?**

18 A. Few of the Transition Services are customer-facing functions and, therefore, customers  
19 should not be aware these services are being provided post closing by National Grid. In  
20 limited circumstances, the National Grid brand may be visible to customers until the  
21 services are fully transitioned to Liberty Energy NH. For example, it may take a short  
22 period post-close for Liberty Energy NH to change the signage on company facilities and  
23 re-brand company vehicles. Therefore, during the initial transition period, customers



1 may, in limited circumstances, continue to see the National Grid brand in their  
2 interactions with EnergyNorth and Granite State.

3  
4 **Q. How will you manage the TSAs' performance standards?**

5 A. As discussed in more detail below, Liberty Energy NH and National Grid will establish  
6 transition teams that will meet not less than bi-weekly to review National Grid's  
7 performance with respect to the Transition Services, as well as the parties' progress  
8 towards hand-off. National Grid has agreed that it will provide Liberty Energy NH with  
9 operational and performance reports with regard to the Transition Services which are  
10 consistent with the reporting as undertaken immediately prior to the closing. In the event  
11 of a concern with regard to provision of any Transition Service, the TSAs provide for  
12 complaint escalation procedures pursuant to which the parties' designated representative  
13 for the particular Transition Service will first meet to resolve the issue, after which any  
14 unresolved issue will be referred to senior executives for resolution.

15  
16 **Q. Please describe the hand-off procedures for each of the Transition Services.**

17 A. The TSAs (Schedule A, Section IV) include a procedure for the hand-off of each  
18 Transition Service, as follows:

- 19 • Approximately thirty (30) days prior to the anticipated hand-off date for  
20 each Transition Service, Liberty Energy NH will send National Grid a  
21 "Service Termination Notice" on behalf of Granite State or EnergyNorth,  
22 as the case may be, which will identify the hand-off date and any items  
23 required to be completed in order to effectuate hand-off.

- 1           •       Following receipt of a Service Termination Notice, the parties will work to  
2                       confirm all required testing is complete, all necessary operational  
3                       information has been exchanged and perform any other outstanding tasks  
4                       require to transition the service.
- 5           •       Approximately five (5) days prior to the hand-off date, Liberty Energy NH  
6                       will provide National Grid with another notice, on behalf of Granite State  
7                       or EnergyNorth, confirming its readiness to assume responsibility for the  
8                       Transition Service. If at any time during this process it is determined that  
9                       additional work is required to effectuate the hand-off, the parties will  
10                      delay the transition and this notification/testing process will restart.

11           Notwithstanding the hand-off of a Transition Service, National Grid will remain available  
12           to support the service for a short period thereafter in the event of any unforeseen issue  
13           with the transition.

14

15   **VI.    THE TRANSITION PROCESS**

16   **Q.    How is the transition team organized?**

17   A.    National Grid and Liberty Energy NH have established both an organizational structure  
18           and process for the transition. From an organizational perspective, the transition process  
19           is led by a steering committee which oversees the work of a core transition team, both of  
20           which have senior representatives for Liberty Energy NH and National Grid. The core  
21           transition team meets weekly and is ultimately accountable for the success of the  
22           transition.

1 The transition process consists of three phases: (Phase 1) from execution of the merger  
2 agreement to closing; (Phase 2) from closing to three months post-closing; and (Phase 3)  
3 the following four to fifteen months post-closing. The transition teams are currently  
4 working to develop goals and milestones for each phase of the transition, with specific  
5 emphasis placed on milestones associated with closing.  
6

7 **Q. Please describe the work that is being done during the period prior to the closing.**

8 A. During this first phase of the transition, National Grid and Liberty Energy NH have  
9 convened key functional areas for which work teams have been assembled and work  
10 plans with transition timelines will be developed. These functional teams include gas and  
11 electric operations, dispatch and scheduling, network control, safety, health and  
12 environment, business/customer service, legal/regulatory, finance, human resources, and  
13 information systems. Functional teams, with representatives from both National Grid and  
14 Liberty Energy NH, have been meeting since late December 2010 and are working  
15 collaboratively on the development of work plans designed to achieve a successful  
16 transition as well as to begin the transfer of information from National Grid to Liberty  
17 Energy NH. Each functional team has a leader who is responsible for ensuring that all  
18 Transition Services are identified and Liberty Energy NH is prepared to either provide  
19 those services, or in the alternative, they are provided for in the TSAs. The leader then  
20 communicates back to the core transition team on a regular basis regarding status, issues  
21 identified, and next steps.

1 **Q. Please describe the work plans to be provided by each functional team.**

2 A. The transition work plans include:

- 3 • Identification of all services that must be in place for Liberty Energy NH to  
4 operate Granite State and EnergyNorth after closing and until relevant Transition  
5 Services are no longer necessary.
- 6 • A detailed plan for provision of all functions within a particular Transition  
7 Service, with assigned responsibility for each function, with milestones and  
8 deliverables to complete the transition for each function.
- 9 • “Readiness” tests, where appropriate, to evaluate Liberty’s readiness to provide  
10 services.

11 Progress against milestones will be reviewed and completed by the core transition team  
12 and then reported on a regular basis to the steering committee.

13

14 The functional teams will develop a transition plan for each Transition Service in their  
15 respective areas. The transition plan will describe (i) each Transition Service on Day 1;  
16 (ii) the desired end-state following the hand-off of each Transition Service to Liberty  
17 Energy NH; (iii) key enablers to effectuate the transition, including testing, personnel,  
18 training, tools/ equipment/ infrastructure, and IT support; and (iv) where required, a  
19 process flowchart for each element of the transition. The transition plans will provide  
20 detailed steps, milestones, and responsible parties necessary to successfully transition  
21 each Transition Service to Liberty Energy NH, will be updated regularly by the parties to  
22 track the progress for the hand-off of each Transition Service, and will form the basis for  
23 the parties’ discussions with regard to ongoing transition planning.

1 **VII. STATUS OF THE TRANSITION**

2 **Q. Please describe the current status of the transition.**

3 A. Substantial work on the transition is already underway in many key areas. The following  
4 are some highlights:

5 Safety and Health: Mr. Mercier has been working with National Grid's safety and  
6 health team to ensure a seamless transition in this area. It is anticipated that  
7 EnergyNorth and Granite State will continue to follow all of National Grid's  
8 health and safety practices in the period immediately following closing, during  
9 which time National Grid will continue to monitor and support the companies'  
10 performance against the same safety metrics and goals. Over time, Liberty  
11 Energy NH intends to implement best practices in the health and safety area  
12 across all of its service territories.

13  
14 Customer Service: As discussed in the joint testimony of Messieurs Sherry,  
15 Tremblay, and Wood, Liberty Energy NH will be establishing call answering  
16 facilities at existing Granite State and EnergyNorth offices in New Hampshire and  
17 at its new headquarters location. The transition team has been actively seeking a  
18 location for the new Liberty Energy NH headquarters, and is working  
19 collaboratively with the New Hampshire Department of Resources and Economic  
20 Development to assess viable options. A number of site visits have already  
21 occurred to validate current National Grid processes and procedures consistent  
22 with due diligence assumptions.

1           Billing: The parties have developed a preliminary schedule with regard to the  
2 transition of the billing function that provides for the following: National Grid  
3 will initially continue to provide customer meter reading and billing programs on  
4 behalf of Liberty Energy NH pursuant to the TSAs, including reading customer  
5 meters and issuing customer bills until such time as Liberty Energy NH is  
6 prepared to take over these functions. During the transition period, the parties  
7 will work to migrate to Liberty Energy NH's billing systems. This transition  
8 process will include a period of readiness testing to ensure customer bills are  
9 rendered accurately on a consistent basis. The form and content of customer bills  
10 shall be generally consistent with the format used prior to the transition period.  
11 Similarly, National Grid will continue to process customer payments on behalf of  
12 New Hampshire customers in a manner consistent with past practices, until  
13 Liberty Energy NH is ready to process payments. National Grid and Liberty  
14 Energy NH are engaging in ongoing meetings to discuss metering, billing,  
15 payment processing and credit and collections in order to develop a highly  
16 defined transition plan.

17  
18           IT: National Grid and Liberty Energy's information services teams have  
19 developed a preliminary transition plan for Granite State and EnergyNorth for the  
20 support of required information services. This joint effort has focused on  
21 identifying the key support areas based on EnergyNorth/Granite State's existing  
22 IS applications and infrastructure, and Liberty Energy NH support requirements  
23 following the closing. The IT team is developing a transition plan for four main

1 IS service support areas that are currently required by Granite State and  
2 EnergyNorth, including IS Application Systems Support, IS Infrastructure  
3 Support, IS Networking Support, and IS Energy Management Systems Support.  
4

5 Environmental Services: Recognizing the importance of continuity in the  
6 provision of environmental services, National Grid and Liberty Energy NH  
7 viewed creation of a joint environmental team to be a key area of focus. Team  
8 members are in regular communication regarding current environmental issues  
9 and are coordinating closely regarding developing a work plan for transition of  
10 environmental services. As part of this effort, National Grid and Liberty Energy  
11 NH representatives attended a meeting with key personnel at the New Hampshire  
12 Department of Environmental Services on February 1 to discuss the transition of  
13 these services.  
14

15 **Q. Mr. Horan, will National Grid's recent restructuring affect its ability to provide**  
16 **Transition Services under the TSAs?**

17 A. No. While National Grid's restructuring effort will result in staff reductions, the  
18 reductions will not adversely impact National Grid's ability to provide the Transition  
19 Services provided for in the TSAs. As a result of the restructuring, I am the single point  
20 of contact for all New Hampshire matters within National Grid, including this transition.  
21 In this capacity, I have direct responsibility and accountability within National Grid to  
22 ensure a successful transition. This includes interacting with all other parts of National

1           Grid to ensure that New Hampshire receives the resources it needs to complete the  
2           transaction successfully, including performing under the TSAs.

3

4   **VIII. CONCLUSION**

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

6   A.    Yes.





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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket No. \_\_\_\_\_**

**Direct Testimony  
of  
Andrew Ling, Gaetan Mercier, Daniel Saad and Kurt Demmer**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **A. Mr. Ling**

3 **Q. Please state your full name and business address.**

4 A. My name is Andrew Ling. My principal business address is 2845 Bristol Circle,  
5 Oakville, Ontario, Canada L6H 7H7.

6

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

8 A. I am employed by Liberty Utilities (Canada) Corp. (“Liberty Utilities Canada”). My  
9 current position is Vice President of Commodity Procurement. Liberty Utilities (Canada)  
10 is the holding company for Liberty Utilities Co. (“Liberty Utilities”), a Delaware  
11 corporation.

12

13 **Q. Please describe your educational background and professional experience.**

14 A. I received by Bachelor of Applied Science in Electrical Engineering at the University of  
15 Waterloo in 1978 and have been employed in the power field, and more recently in the  
16 renewable power field since then. I have managed power generation projects all over the  
17 world and before joining Liberty Utilities Canada, I worked at Granite Power (“Granite  
18 Power”) Corporation, an investor owned electrical utility as Vice President and Chief  
19 Engineer. This position involved both hydro and thermal generation as well as  
20 distribution. While at Granite Power, I supervised the entire power restoration process  
21 that occurred as a result of the ice storm of 1998, a major ice storm that affected the  
22 Northeast and took down the large Quebec hydro transmission towers. Previous to my  
23 utility experience, I was the manager of Libyan projects for Westinghouse, managing the

1 installation and operation for over \$100 million of generation assets in Libya, the Far  
2 East and in South America. In 2002, I joined Algonquin Power & Utilities Corp.  
3 (“Algonquin”) where I held various asset manager roles relating to Algonquin’s non-  
4 regulated generation assets, and served as the Vice President of Operations for Algonquin  
5 Power Co. before assuming my current position.

6

7 **Q. Have you previously testified before the New Hampshire Public Utilities**  
8 **Commission (“Commission”) or other regulatory bodies?**

9 A. No, I have not.

10

11 **B. Mr. Mercier**

12 **Q. Please state your full name and business address.**

13 A. My name is Gaetan Mercier. My business address is 2845 Bristol Circle, Oakville,  
14 Ontario, Canada L6H 7H7.

15

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

17 A. I am the Manager of Environmental, Health, Safety and Security for Liberty Utilities  
18 Canada with responsibility for company regulatory compliance, environmental  
19 sustainability and corporate health, safety and security at the regulated Liberty Utilities’  
20 operations.

1 **Q. What are your principal job responsibilities?**

2 A. I am responsible for all aspects of environmental affairs, regulatory compliance and for  
3 workplace health and safety, including security.  
4

5 **Q. Please describe your educational background and professional experience.**

6 A. I earned an Honors Bachelor of Science degree in Forestry from Lakehead University in  
7 Thunder Bay, Ontario in 1989 and subsequently received professional designation in  
8 1991 from the Ontario Professional Foresters Association. My work experience includes  
9 10 years of field research with Dow Chemical Canada Inc. in vegetation management and  
10 includes 12 years with Algonquin and its various subsidiaries with respect to all manner  
11 of environmental, health, and safety related issues pertaining to the power generation,  
12 electrical distribution utility and water and wastewater utility industries. These  
13 environmental issues range from permit applications and processing, environmental  
14 impact studies and assessments, regulatory compliance, monitoring, and regulatory  
15 reporting to non-routine undertakings such as special projects, including due diligence of  
16 prospective acquisitions and incident management. Health and safety projects ranged  
17 from developing corporate safety manuals, corporate policies and procedures for the  
18 workforce, and providing training in the application of the policies and procedures. I also  
19 established a corporate-wide health and safety committee for Algonquin's power  
20 generation business unit as well as providing advice on the Algonquin Health and Safety  
21 Program.

1 **Q. Have you previously testified before the Commission or other regulatory bodies?**

2 A. No, I have not.

3

4 **C. Mr. Saad**

5 **Q. Mr. Saad, please state your full name and business address.**

6 A. My name is Daniel Saad. My business address is 40 Sylvan Road, Waltham,  
7 Massachusetts 02451.

8

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

10 A. I am the Vice President of Gas Operations at EnergyNorth Natural Gas, Inc.  
11 (“EnergyNorth”).

12

13 **Q. What are your principal job responsibilities?**

14 A. I am responsible for the day-to-day operations of EnergyNorth, including all day-to-day  
15 field activities and construction projects. With the proposed sale of EnergyNorth to  
16 Liberty Energy Utilities (New Hampshire) Corp. (“Liberty Energy NH”), I have assumed  
17 added responsibilities as National Grid’s Operations Team Lead for the transition team,  
18 including assisting in the design and implementation of the post-closing structure of  
19 EnergyNorth and the selection and implementation of the resources necessary to achieve  
20 that result. Following closing, I will be employed by Liberty Energy NH as Vice  
21 President Operations and will have continued direct operations oversight for EnergyNorth  
22 and Granite State.

1 **Q. Please describe your educational background and professional experience.**

2 A. In 1982, I earned a Bachelor of Science degree in Mechanical Engineering from the  
3 University of Massachusetts, and, in 1993, I earned a Master of Business Administration  
4 from Boston College, with a concentration in finance and operations management. From  
5 1982 to 1988, I worked in various progressive engineering roles for Stone & Webster  
6 Engineering Corporation in its nuclear engineering-mechanics division. In 1988, I joined  
7 Boston Gas Company (“Boston Gas”) as a System Planning Engineer. I remained with  
8 Boston Gas through the end of 2000, progressing through numerous progressive  
9 engineering positions, including Project Engineer, Standards Engineer, Production  
10 Engineer, Group Leader Engineering Services, and Director Engineering. Following the  
11 acquisition of Boston Gas by KeySpan Corporation (“KeySpan”) in 2000, I was named  
12 Director, Engineering, New England. In this capacity, I was responsible for overseeing  
13 all of the engineering and design activities for the New England gas distribution  
14 operations, including risk-based pipe/asset replacement programs, mapping/GIS systems,  
15 corrosion control, regulatory compliance, codes and standards, project engineering and  
16 system planning. In 2003, I was named Director, Gas Production, and, in 2006, assumed  
17 additional responsibilities when I was named Director, Gas Production & Control with  
18 oversight responsibility for plant operations for 14 LNG and 12 LPG facilities located in  
19 New England and New York; and three gas control centers in New England and New  
20 York. Following the acquisition of KeySpan by National Grid USA (“National Grid”) in  
21 August 2007, I was named Vice President, Gas Operations & Construction, New  
22 England. In this capacity, I was responsible for overseeing approximately 950  
23 employees/contractors in New Hampshire, Massachusetts, and Rhode Island who



1 performed the gas operations and construction activities for the New England gas  
2 distribution companies. In August 2010, I was named head of business for the New  
3 Hampshire gas operations related to the sale of EnergyNorth. I am also a registered  
4 professional engineer (mechanical engineering) in Massachusetts and a member of the  
5 American Gas Association.

6

7 **Q. Have you previously testified before the Commission?**

8 A. No, I have not. However, I have testified previously before the Massachusetts  
9 Department of Public Utilities (then known as the Department of Telecommunications  
10 and Energy) in Docket D.T.E. 00-24 relating to a petition by Boston Gas for a zoning  
11 exemption from the Town of Danvers zoning by-laws in order to site and construct a  
12 meter regulation station.

13

14 **D. Mr. Demmer**

15 **Q. Mr. Demmer, please state your full name and business address.**

16 A. My name is Kurt F. Demmer. My business address is 9 Lowell Road, Salem, New  
17 Hampshire 03079.

18

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

20 A. I am an acting Director of Electric Operations at Granite State Electric Company  
21 (“Granite State”).

1 **Q. What are your principal job responsibilities?**

2 A. I am the electric operations representative in New Hampshire with responsibility for the  
3 day to day operations of Granite State, including all day to day field activities,  
4 community and customer relations, and construction projects. I have assumed some  
5 added responsibilities as a member of the transition team responsible for managing the  
6 transfer from National Grid to Liberty Energy NH, including assisting in the design and  
7 implementation of the post-closing structure of Granite State and the selection and  
8 implementation of the resources necessary to achieve that result. Following closing, I  
9 will be employed by Liberty Energy NH as the Director of Electric Operations.  
10

11 **Q. Please describe your educational background and professional experience.**

12 A. In 1987, I earned a Bachelor of Science degree in Electrical Engineering from Merrimack  
13 College, and, in 2001, I earned a Master of Science in Electrical Engineering from  
14 Worcester Polytechnic Institute. From 1987 to 1988, I worked in various engineering  
15 roles for Ronald Buia Inc. in Andover, Massachusetts, an engineering consultant firm. In  
16 1988, I joined Massachusetts Electric Company (“Massachusetts Electric”) as a Field  
17 Engineer. From 1988 through 2000, while at Massachusetts Electric, I held various  
18 engineering positions and held various on call and storm operational roles, including  
19 district underground, substation, overhead supervisor, decentralized dispatching and  
20 control storm room leader, and Division Storm Strategic Resource Coordinator. In 2000,  
21 I was named the Area Supervisor for the Salem District of Granite State. In that capacity,  
22 I was responsible for managing the day-to-day field activities, community and customer  
23 relations, and construction projects. In 2002, I was named Superintendent of Operations

1 for the Beverly/Gloucester area of Massachusetts Electric. Similar to the previous Area  
2 Supervisor position, I was responsible for managing the day-to-day field activities,  
3 community and customer relations, and construction projects. In 2003, I was assigned a  
4 temporary position as project manager for the Beverly/Gloucester 2363 – 51T3 Ductbank  
5 project. This project was the largest distribution project to date for Massachusetts  
6 Electric, estimated at \$19 Million and consisted of 13 miles of ductbank and cable  
7 installation from East Beverly to Gloucester Harbor.

8  
9 In addition to construction oversight, I was also responsible for community and  
10 municipal relations; overseeing environmental concerns, remediation, and permitting;  
11 material procurement; implementing design changes; and maintaining the project budget.

12 In 2004, I was named the Superintendent of Operations for the North  
13 Andover/Newburyport, Massachusetts and Salem, New Hampshire area. I was  
14 responsible for managing the day-to-day field activities, community and customer  
15 relations, and construction projects. In 2005, I was assigned a temporary position as  
16 Operations representative for National Grid’s Mobile Work Management initiative and  
17 was responsible for developing and implementing the business processes for operations  
18 field workers. From 2006 through June of 2007, I was part of the operations team  
19 directing and supporting the Mobile Device rollout to the New England operating  
20 platforms in New Hampshire, Massachusetts, and Rhode Island. In June of 2007, I was  
21 reassigned to the position of Superintendent of Operations for the Beverly/Gloucester  
22 area. In February of 2008, I was named the Manager of Operations for Granite State,

1 which I held until December of 2010. I am also a registered professional engineer  
2 (electrical engineering) in New Hampshire.

3

4 **Q. Have you previously testified before the Commission?**

5 A. No, I have not.

6

7 **II. PURPOSE OF TESTIMONY**

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

9 A. We will provide an overview of Liberty Energy NH's plans to operate EnergyNorth and  
10 Granite State under Algonquin's ownership after a completed transition when all services  
11 have been taken over by Liberty Energy NH or its affiliates. We refer to the post  
12 transition operating structure as the "end state" – how the utilities will operate on a day-  
13 to-day basis when all transition services have been completed. This is distinguished from  
14 the period immediately after the closing when National Grid will continue to provide  
15 some transition services under the Transition Services Agreements ("TSAs"), which are  
16 discussed in the joint testimony of Mr. Horan and Mr. Pasieka. In this testimony, we  
17 describe many of our operational plans, and, to the extent that decisions have not yet been  
18 made, we describe the process we are following to make those decisions.

1 **III. OPERATION OF ENERGYNORTH AND GRANITE STATE UNDER LIBERTY**  
2 **ENERGY NH'S OWNERSHIP**

3 **A. Liberty Energy NH's Gas and Electric Distribution Operations**  
4

5 **Q. Please describe Liberty Energy NH's plans for the management of gas and electric**  
6 **distribution operations post closing.**

7 A. National Grid's existing gas and electric distribution operations consist of its current field  
8 forces located in New Hampshire and many centralized support functions located outside  
9 New Hampshire. We have no plans to make any substantive changes with regard to the  
10 work performed by the existing field employees at either Granite State or EnergyNorth.  
11 However, differences will appear in how Liberty Energy NH establishes its operations  
12 support groups. To oversee and support existing gas and electric field forces, Liberty  
13 Energy NH will establish a single gas and electricity operations group that will be located  
14 in New Hampshire and will be dedicated to ensuring a safe, reliable and compliant field  
15 operation. This group, which is depicted on Joint Petitioners Attachment 5, will be led by  
16 Daniel Saad as Vice President of Operations, who will have responsibility for five major  
17 areas: (1) Gas Operations; (2) Electric Operations, (3) Engineering; (4) Compliance,  
18 Quality and Emergency Planning; and (5) Production, Dispatch and Control.

19  
20 **Q. Please describe each of those areas.**

21 A. Gas Operations will be staffed by experienced personnel from EnergyNorth's existing  
22 field force and will be led by an experienced Head of Gas Operations. The group will be  
23 responsible for gas field maintenance, construction management, customer metering

1 services, and damage prevention. Similarly, Electric Operations will be staffed by  
2 experienced personnel from Granite State’s existing field force, which will be responsible  
3 for electric field maintenance, construction management, customer metering services,  
4 forestry and vegetation management, and damage prevention. This group will be led by  
5 Kurt Demmer as Director of Electric Operations.

6  
7 The Engineering group will bring functions that are currently conducted out-of-state back  
8 to New Hampshire. This group will be responsible for gas and electric project  
9 engineering, planning engineering, corrosion control, and mapping/GIS. This dedicated,  
10 locally focused team will be led by an experienced Head of Engineering who will support  
11 improved safety and reliability for customers and stakeholders.

12  
13 The Compliance, Quality and Emergency Planning Group will manage our compliance  
14 and quality assurance programs, develop and administer our operating polices and  
15 procedures as well as lead our emergency planning efforts. This group will also bring  
16 key functions back to New Hampshire.

17  
18 Production, Dispatch and Control will include LNG/LPG operations, instrument and  
19 regulation, gas and electric dispatch, and gas and electric system control. These functions  
20 will be located locally.

1 **Q. Please provide more detail regarding how Liberty Energy NH plans to manage gas**  
2 **and electric operations.**

3 A. Liberty Energy NH will manage gas operations as follows:

- 4 • Field Maintenance will continue to be performed by EnergyNorth’s existing  
5 workforce located in and working out of service centers located in the service  
6 territory. This internal workforce will perform tasks such as leak repairs, corrosion  
7 control, primary valves, winter patrols, encroachments, and small-scale main and  
8 service replacement work.
- 9 • Construction Management will continue as it has in the past where major construction  
10 projects are outsourced to pre-qualified and experienced contractors. Construction  
11 management and field oversight will continue to be performed by existing employees.
- 12 • Customer Metering Services will continue to be performed by EnergyNorth’s existing  
13 workforce located in and working out of the service centers located in the service  
14 territory. This includes tasks such as emergency response, leak investigation, meter  
15 reading, building new meter sets, placing meters, minor testing, changing out existing  
16 meters, and field collections of overdue customer accounts.
- 17 • Damage Prevention will continue to operate with its existing field locators, who will  
18 locate and mark existing gas infrastructure. Field oversight will continue to be  
19 performed by existing employees.

20 Electric Operations will be similarly managed:

- 21 • Field Operations will continue to be provided by Granite State’s existing workforce  
22 located in and working out of the service centers located in the service territory. The  
23 internal workforce will perform damage prevention functions, maintenance work on

1 overhead lines, underground infrastructure and substations. Certain types of work,  
2 such as substation maintenance, will continue to be provided by National Grid under  
3 the Transition Services Agreement for a period of time.

- 4 • Customer Metering Services includes meter work such as meter reading, installing  
5 new meters, minor testing or changing out existing meters, and field collection of  
6 overdue customer accounts. These functions will continue to be performed by  
7 Granite State’s existing workforce located in and working out of service centers in the  
8 service territory.
- 9 • Forestry and Vegetation Management includes management of external service  
10 providers, in support of distribution operations. The management staff overseeing  
11 this effort will be located in New Hampshire and will include experienced forestry  
12 and vegetation management personnel.
- 13 • Damage prevention will continue to operate with the current process of outsourcing  
14 the work to locate and mark existing electric infrastructure, with existing in-house  
15 supervision.

16  
17 **B. Engineering Operations**

18 **Q. Please provide more detail regarding Liberty Energy NH’s proposed engineering**  
19 **operations functions. In particular, what kind of activities will be performed in New**  
20 **Hampshire and what are your plans for the management of those functions post**  
21 **closing?**

22 A. Under Liberty Energy NH’s ownership, the gas and electric engineering function will  
23 reside in New Hampshire and report to the head of operations. The Engineering group



1 will include both gas and electric engineers performing tasks within four major groups:  
2 project engineering, planning engineering, corrosion control, and mapping/GIS. The  
3 group will be led by an experienced Head of Engineering overseeing both gas and electric  
4 functions. Project Engineering will include gas regulator/take station design,  
5 bridge/water crossing design, sub-station design, project management, large-scale meter  
6 design, underground cable design, overhead pole equipment design, DOT gas and electric  
7 design, pipeline design, LNG/LPG design, third-party construction coordination, and  
8 relay and protection design. Other than major, large-scale, projects, these functions will  
9 be performed by employees located in New Hampshire. Planning Engineering will  
10 include system reliability planning and system integrity management. These two areas  
11 will include cast-iron and bare steel replacement programs, electric reliability planning,  
12 electric feeder integrity management, sub-station capacity review, gas design-day system  
13 review and new business capacity review and approval. Corrosion control will include  
14 design of corrosion control systems and management of corrosion control compliance  
15 programs. The Mapping/GIS group will include all gas and electric mapping and field  
16 record control.

17  
18 Overall, we expect most of the engineers within the Engineering group to have dedicated  
19 gas or electric tasks under a single leadership, yielding more transparent allocation of  
20 costs. In some cases, however, depending on day-to-day workload, we may not be able  
21 to assign dedicated gas and electric resources; hence, this group may share its resources  
22 across gas and electric. In all cases, we expect allocations to be fully transparent.

1           **C.     Compliance, Quality and Emergency Planning Operations**  
2

3   **Q.     Please provide more detail regarding Liberty Energy NH’s proposed compliance,**  
4           **quality and emergency planning functions. In particular, what kind of activities will**  
5           **be performed in New Hampshire and what are your plans for the management of**  
6           **those functions post closing?**

7  
8   **A.**    The Compliance, Quality and Emergency Planning group will include the development  
9           and administration of all field related policies and procedures (O&M manuals, operating  
10          policies and procedures, emergency storm response, mutual assistance, and pandemic and  
11          crisis management plans), regulatory monitoring and liaison role relative to operations,  
12          product approvals, and compliance and quality assurance programs. Although some  
13          engineers within the group may perform similar functions across both gas and electric,  
14          most engineers will have dedicated gas or electric tasks under a single leadership  
15          position, simplifying cost allocations. While these functions exist today within National  
16          Grid’s operation, they are located under many different areas within the company’s  
17          shared service structure. Under the model we will be utilizing, we will be able to bring  
18          these functions under one head who will have direct oversight for these key programs.  
19          We also expect to expand these programs to yield more robust plans that drive timely and  
20          effective process changes, as needed. A typical program would include a process review  
21          plan that would yield areas for improvement, and a subsequent action plan that would  
22          ensure implementation of process improvements. We see this as an essential group as we  
23          will have dedicated engineers assigned to quality and compliance programs, designed to  
24          yield improvements in safety, reliability and customer satisfaction. These dedicated roles

1 will develop quality and compliance assurance programs that will include items such as  
2 field/document inspections, feedback and accountability mechanisms, metrics reporting  
3 and continuous improvement plans. The Emergency Planning function will be  
4 responsible for developing and maintaining the emergency/storm response plans and  
5 ensuring the correct resources are trained and prepared to respond to such events. During  
6 an emergency event, the Emergency Planning role facilitates a response as well as  
7 coordinates comprehensive and timely updates to the Commission, customers,  
8 municipalities and other stakeholders. Operations Support will provide resource and  
9 workload planning and mandated work coordination. Members of this group will be  
10 located in New Hampshire at the operations center and will be led by an experienced  
11 Head of Compliance, Quality and Emergency Planning.

12  
13 **D. Production, Dispatch and Control**

14  
15 **Q. Please provide more detail regarding Liberty Energy NH's plans for the production,**  
16 **dispatch and control functions. In particular, what kind of activities will be**  
17 **performed in New Hampshire and what are your plans for the management of those**  
18 **functions post closing?**

19 **A.** The System Control group will be divided into two functions. On the gas side, this will  
20 include monitoring system gas flows, pressures and temperature, and management of  
21 third party suppliers to maintain reliable delivery of gas to customers under all operating  
22 conditions. On the electric side, this will include routine monitoring and management of  
23 system status during storms and outages. Liberty Energy NH plans to establish a system  
24 monitoring and control center in New Hampshire that will monitor the EnergyNorth and

1 Granite State distribution systems, with appropriate backup capabilities. The functions  
2 will be located in a central facility with other around-the-clock operations, such as  
3 dispatch of crews. These employees will report to a lead who will report directly to the  
4 head of Production (LNG/LPG and Instrument & Regulation), Dispatch & Control.  
5 Dispatch will schedule and dispatch the work crews into the field and provide emergency  
6 coordination of field personnel and their task management. Liberty Energy NH will  
7 implement and maintain a dispatch group and supporting systems which will be located  
8 with Liberty Energy NH's system control center located in New Hampshire. Once  
9 established, the system will have appropriate backup capabilities. These employees will  
10 report to a lead who will report directly to the head over Production (LNG/LPG and  
11 I&R), Dispatch and Control. We expect to leverage some level of cross training to allow  
12 around-the-clock functions to share resources under certain conditions, such as  
13 emergencies or off-hours; but for the most part, we expect employees to mainly support  
14 either gas or electric. Production and control includes maintenance and operation of  
15 LNG and propane plants, instrument and regulation maintenance and inspection and  
16 replacement of equipment in the field. This group, although it includes employees within  
17 EnergyNorth's existing field forces, will now report directly to the head of operations.  
18 The group will share employees, as it does now, across LNG/LPG operations and  
19 Instrument and Regulation work. This group is and will continue to be solely dedicated  
20 to gas operations.

1       **E.     Storm Outage Management**

2       **Q.     What is Liberty Energy NH’s plan for management of storm outages?**

3       A.     Storm/Emergency response is a critical area, not just in terms of public health and safety,  
4           but also in terms of overall customer satisfaction.  Therefore, we are making it a top  
5           priority both in terms of transition service planning (which is addressed by Mr. Horan  
6           and Mr. Pasieka in their joint testimony) and in designing the end state systems and plans  
7           we put in place for Liberty Energy NH.  Storm preparation includes internal pre-storm  
8           preparation (such as 3-day, 2-day and 1-day checklists), mutual-aid agreements, daily  
9           municipal calls, ongoing communications with the Commission, the New Hampshire  
10          Emergency Operations Center, and government officials, and continuous communication  
11          with our customers to keep them safe and informed through outbound calls and media  
12          outlets.  We plan to continue the philosophy of centralized management with the option  
13          to decentralize some level of management of storm response efforts, meaning that once  
14          we anticipate a storm’s response-needs will exceed dispatch’s ability to effectively  
15          manage those resources, we will have the option to move to local storm rooms, such as  
16          those located in Salem and Lebanon, as appropriate.  Under our Operations organization,  
17          we will have dedicated resources responsible for developing and maintaining storm  
18          response plans.  These plans will establish storm roles, including designating an  
19          employee who will be responsible for storm management and ensuring that all the  
20          necessary resources are in place and that appropriate training and readiness drills have  
21          been conducted.  As part of our planning process, and to ensure that we incorporate the  
22          concerns of local government officials and coordinate closely with them, we will hold  
23          annual meetings with fire and police personnel to review emergency procedures.

1 Relative to resources, as noted earlier, we expect to leverage cross-training across our gas  
2 and electric personnel, so as to expand our internal resource pool during times of need.  
3 These internal resources will perform functions such as wires-down, damage assessment,  
4 logistics, pole placement and communications. We will establish and adhere to all  
5 communication and reporting protocols required by the state and other authorities. We  
6 have reviewed the Commission's After Action Review of the December 2008 Ice Storm  
7 and will work diligently to avoid the occurrence of any issues that were identified as  
8 problematic in that review.

9

10 **Q. How will Liberty Energy NH ensure that it has sufficient resources to respond to**  
11 **storms?**

12 A. In addition to some of the initiatives we have already discussed, we plan to join the  
13 Edison Electric Institute (EEI) which will result in Granite State being included in the  
14 Northeast Mutual Assistance Group (NEMAG). By joining these organizations, Liberty  
15 Energy NH will be a part of the regional group and will be an active participant in a  
16 "Crew Allocation Call" with other utilities to ensure that allocations of crews are equal  
17 across all utilities. We realize once we ask for crews, we will be responsible for the costs  
18 associated with them. Liberty Energy NH will have emergency storm procedures in  
19 place that will allow for sufficient planning and timing in the requesting of crews.

20

21 Granite State and Energy North have existing emergency action plans which will be  
22 customized to reflect Liberty Energy NH's ownership. Liberty Energy NH will continue  
23 the process used by Granite State and EnergyNorth to conduct after action reviews on

1 large outage events, and document lessons learned from each event. In addition, for  
2 larger storms, we expect to use the same outside contractors that National Grid uses today  
3 in New Hampshire on a regular basis to supplement peak load work, and we will put  
4 arrangements in place to ensure that these resources will be available to us during a storm  
5 response. This will allow us to pre-stage crews and conduct outage assessments as  
6 appropriate. Lastly, we will consider pre-qualifying a number of additional contractors to  
7 supplement our resources. In the short-term while we develop these relationships,  
8 National Grid will provide resources and equipment during emergencies and restoration  
9 efforts through the TSAs.

10  
11 **Q. What are Liberty Energy NH's plans with regard to a storm outage system?**

12 A. During the transition period, Liberty Energy NH will rely on National Grid's storm  
13 outage system through the TSAs until we have a complete stand-alone system in place.  
14 Our plan is to purchase the same type Telvent and ESRI storm outage systems used by  
15 National Grid's gas operations, integrated with the Wensoft work management  
16 scheduling and dispatch system, which will facilitate a seamless transfer of service in this  
17 area. In addition, we will be purchasing Outage Central, which will provide critical  
18 information on the location of outages to the Commission and other governmental  
19 entities, our customers and the general public. As stated earlier, we intend to construct an  
20 operations center for storm outage management that will be housed in our New  
21 Hampshire operations center. We will conduct complete testing and staging of our storm  
22 outage system and will not cut over to it from National Grid until it has been fully and  
23 satisfactorily tested.

1       **F.       System Reliability/Capital Investment**

2       **Q.       What is Liberty Energy NH’s plan with regard to the anticipated level of capital**  
3       **investment in Granite State’s and EnergyNorth’s distribution systems?**

4       A.       At this point, we are comfortable with the level of capital spending projected in both  
5       Granite State and EnergyNorth’s five year capital plans. Specifically, with regard to  
6       Granite State, the SAIDI/SAIFI metrics show that National Grid has been able to achieve  
7       a series of improvements over the last three years, primarily through its current  
8       Reliability Enhancement Program and Vegetation Management Program. SAIDI has  
9       progressed from a high of approximately 300 minutes in 2005, to an average of less than  
10       160 minutes over the last two years. Similarly, SAIFI has come down from a high of  
11       over 2.5 in 2006, to an average of approximately 1.5 over the last two years. To sustain  
12       or improve current SAIFI/SAIDI scores, we would expect to continue to undertake an  
13       ongoing process of planning and implementing prudent infrastructure projects. With  
14       regard to overall capital related spending, we plan to follow the process for assessing  
15       capital expenditures that is described in Mr. Tremblay and Mr. Bronicheski’s testimony,  
16       and to maintain annual capital expenditure levels consistent with National Grid’s  
17       projection of approximately \$9.0 million on average to address statutory/regulatory  
18       requirements, damage failure, asset condition, and system capacity and performance  
19       needs. Included in the system capacity and performance category is the Reliability  
20       Enhancement Program, which includes line reclosers, feeder hardening, and fuse cutout  
21       replacements. We are committed to continuing to work with the Commission’s staff on  
22       future REPs as part of the annual review process already in place.



1 Based on our preliminary assessments, it is clear that the Salem area has relatively new  
2 infrastructure, where as the Lebanon and Charlestown areas may require improvements,  
3 such as replacement of outdated line equipment and correction of some voltage issues.  
4 Liberty Energy NH will continue with the National Grid commitment to address the  
5 Charlestown load growth issue. Also, we understand that all areas either have or are  
6 expected to have some degree of capacity limitations during the planning period which  
7 we will need to address. Although we have not established specific plans nor have we  
8 had time to complete a detailed assessment of the infrastructure yet, there is no question  
9 that the system will need capital additions because of the aging nature of the  
10 infrastructure and related underperforming reliability in a number of areas. Using our  
11 new dedicated engineering staff, we plan to complete a comprehensive assessment and  
12 develop associated plans to address such issues once the transition period is complete.

13  
14 **Q. What are your plans for capital investment in the EnergyNorth system?**

15 A. Our initial assessment of the gas distribution system shows relatively low leak rates and  
16 favorable condition of key infrastructure, such as take stations, regulator stations and  
17 LNG/LPG facilities. Overall gas system performance also appears to be positive.  
18 However, we plan to continue with commensurate capital investment levels to support  
19 existing integrity and reliability management programs. We expect to maintain similar  
20 capital expenditure levels as shown in National Grid's five year plan, which is an average  
21 of approximately \$11 million per year (excluding growth-related spending of about \$5.0  
22 million per year). This spending includes programs such as cast iron and bare steel  
23 ("CIBS") replacement, cast iron encroachments, and regulator/take station and plant

1 enhancements. As discussed in Mr. Eichler’s testimony, we expect to continue working  
2 with the Commission’s staff on the CIBS program to ensure timely and appropriate levels  
3 of investments aimed at identifying and replacing leak prone cast iron and bare steel  
4 mains. Similar to the electric distribution system, we have not established specific plans  
5 nor have we had time to complete a detailed assessment of the infrastructure. As one  
6 would expect, the system will need ongoing capital additions to offset aging  
7 infrastructure and capacity needs.

8  
9 **G. Vegetation Management/Reliability Enhancement**

10 **Q. What is Liberty Energy NH’s plan with regard to vegetation management services**  
11 **for Granite State?**

12 A. Under the Electrical Operations organization, we plan to have a person responsible for  
13 the forestry and vegetation management program. This person will develop and  
14 administer a five year-cycle vegetation management plan which will include programs  
15 such as tree trimming, hazard tree removal, spot trimming, line clearing and substation  
16 management as required. We expect to continue with the use of outside contractors for  
17 the tree trimming services. In addition, this person will play a key role during storms and  
18 outage restoration. They will establish service contracts with tree trimming services to  
19 ensure adequate resources during outages and will manage crews during restoration  
20 efforts. Relative to reliability enhancement programs, we will, of course, include the  
21 vegetation management in the overall program as it plays a key role, with some of the  
22 other components coming from the Planning Engineering Group. Planning will include

1 feeder, substation, protection and relay and sectionalizing review and recommendations  
2 and development of capital improvement programs.

3

4 **Q. Does Liberty Energy have any prior experience designing and implementing a**  
5 **vegetation management and reliability enhancement program?**

6 A. Liberty Energy currently administers a vegetation management program for California  
7 Pacific Electric Co. An overview of that plan is included as Joint Petitioners Attachment  
8 12. Our recent experience in this regard in California and with our integrated vegetation  
9 management programs in our transmission corridors in Algonquin’s independent  
10 generation business unit will supplement the expertise and knowledge brought to Liberty  
11 Energy NH by the National Grid personnel we expect will transfer over.

12

13 **H. DigSafe**

14 **Q. What are your plans with regard to compliance with the State’s DigSafe**  
15 **requirements?**

16 A. We have no plans to make any changes to EnergyNorth’s current approach, other than  
17 that the administrative operation that generates work tickets for DigSafe personnel will  
18 no longer be administered outside of New Hampshire. We plan to use Liberty Energy  
19 NH field personnel to mark gas utility facilities, and have no plans to outsource this  
20 work. Within Granite State’s territory, we will continue to use the current process of  
21 outsourcing the work with in-house supervision.

1           **I. Management of Environmental Issues**

2           **Q. Mr. Mercier, how does Liberty Energy NH plan to manage environmental matters**  
3           **for EnergyNorth and Granite State?**

4           A. Under Liberty Energy NH’s ownership, environmental issues will be addressed in a  
5           manner that is consistent with the environmental management practices used by National  
6           Grid. Specifically, environmental management will include both a corporate oversight  
7           function and a New Hampshire Environment, Health, Safety, and Security (“EHSS”)  
8           Department compliance function. The corporate function involves setting environmental  
9           policy, tracking and shaping environmental legislative and regulatory developments, and  
10          developing and maintaining environmental procedures, environmental guidance  
11          documents, and other similar documents utilized to convey environmental information.  
12          The EHSS Department will consist of an on-site environmental professional assigned to  
13          the operations center in New Hampshire who will provide day-to-day support to the  
14          electric and gas field operations groups. The Environmental function will be responsible  
15          for a broad scope of duties that are summarized in Joint Petitioners Attachment 13.

16  
17          **Q. Please summarize Liberty Utilities’ experience with regard to environmental issues.**

18          A. We have significant experience in complying with a wide range of state and federal  
19          regulatory requirements because of the rigorous regulation applicable to our  
20          water/wastewater utility operations and our electric generation operations throughout the  
21          U.S. That experience includes identifying, retaining and working with outside  
22          consultants on significant projects involving complex permitting or remediation  
23          requirements, and managing those consulting experts to ensure that a cost-effective

1 course of action is taken while at the same time addressing and complying with the  
2 regulatory program at issue.

3  
4 **Q. Mr. Mercier, what is the status of Liberty Energy NH's plans to take over  
5 management of the MGP site remediation efforts?**

6 A. EnergyNorth, like many utilities, has lead responsibility for a number of former  
7 manufactured gas plants ("MGP") that involve complex environmental issues and require  
8 the company to interface extensively with the New Hampshire Department of  
9 Environmental Services ("NHDES") as well as with a number of municipalities and other  
10 stakeholders. We recognize the particular sensitivities and difficult issues involved in  
11 developing a remediation plan for these MGP sites and implementing and completing that  
12 plan. We also understand that MGP remediation differs in certain respects from the type  
13 of environmental issues we have had to address at our other electric generation and utility  
14 holdings. Certainly, these sites are often focal points of considerable public attention that  
15 must be addressed in a thorough, responsive, cost-effective manner, something we are  
16 very comfortable addressing. Given the importance of these issues, I plan to lead Liberty  
17 Energy NH's efforts with the assistance of a joint environmental team (National  
18 Grid/Liberty Energy NH - EHSS) to address MGP-related matters and will ensure that a  
19 well qualified team of professionals, both at the company and outside, is assembled to  
20 meet the expectations of NHDES and other stakeholders, while carefully managing costs.  
21 I want to stress that management of the remediation efforts at these sites is one of the key  
22 services that will be provided under the TSA that will be in place between National Grid  
23 and EnergyNorth at the time of the closing. Those services will continue to be provided

1 by National Grid personnel until EnergyNorth and Liberty Energy NH are in a position to  
2 assume all of these functions, either with in-house personnel or through outside  
3 consultants.

4  
5 With regard to beginning the process of taking over management of these projects, to  
6 date I have met with National Grid's Site Investigation and Remediation ("SIR")  
7 management team as well as one of the three consultants employed by National Grid to  
8 work on MGP investigation and remediation so that I could be briefed on the details of  
9 each remediation project for which EnergyNorth is responsible. I will meet with the  
10 remaining consultants by March 31, 2011. Furthermore, at the request of NHDES,  
11 representatives of National Grid, Mr. Gerald Tremblay and I attended a meeting chaired  
12 by the Director of the Waste Management Division to introduce Liberty Energy NH and  
13 to review short term objectives of Liberty Energy NH for the management of MGP sites.  
14 On an ongoing basis, I will continue to be briefed on developments relating to these sites  
15 by National Grid's SIR team as necessary. In addition to becoming familiar with the  
16 status of each site and the remediation efforts at each site, the meetings have provided an  
17 opportunity to begin to become familiar with the team of expert consultants that are  
18 working with National Grid. Thus far, we have met with one of the key consultants, and  
19 our plan is to retain the same experts and work closely with National Grid personnel  
20 responsible for interfacing with the consultants under the framework established by the  
21 TSA. Again, we will not transition away from National Grid's oversight role until we are  
22 fully prepared to manage the team of experts for these sites and are able to meet our  
23 obligations in the most cost-effective manner possible. As part of the process of planning

1 to take over responsibility for managing the team of consultants, I am also in the process  
2 of obtaining all relevant technical reports on the MGP sites.

3  
4 **J. Management of Health & Safety Issues and Security**

5 **Q. How does Liberty Energy NH plan to manage health and safety issues for**  
6 **EnergyNorth and Granite State?**

7 A. We are very aware of the extent of National Grid's excellent focus on safety and plan to  
8 continue the existing health and safety programs in place at EnergyNorth and Granite  
9 State, such as the soft tissue injury training, the SUSA (i.e. Safe and Unsafe Acts)  
10 discussions with work crews, driver training, the use of personal protective equipment  
11 matrices to clarify which work situations require which types of protective equipment,  
12 and incident analyses to review and learn from all incidents. Our health and safety plan  
13 will also include, but not be limited to, existing programs on Electrical/Gas Safety, Lock-  
14 out/Tag-out, Grounding, Bloodborne Pathogens, First Aid/CPR, Confined Space, Fall  
15 Protection, Near Miss Reporting, Rescue, Fire Protection and Hazardous Communication  
16 programs. More fundamentally, we plan to adopt many of National Grid's existing  
17 health and safety management practices and incorporate them into the approach currently  
18 taken by Liberty Energy's Health and Safety Department with regard to its California  
19 operations and at Liberty Water. A copy of Liberty Energy's Injury and Illness  
20 Prevention Plan is included as Joint Petitioners Attachment 14.

21  
22 We plan to initiate a Joint Health and Safety Committee whose membership will be  
23 comprised of management and worker representation to assist in the inspection, review

1 and monitoring of the Health and Safety Program. Similar to our current practice at  
2 Liberty Water, Liberty Energy NH will host an annual Health and Safety Symposium for  
3 Managers/Supervisors in New Hampshire for review of Health and Safety  
4 performance/objectives, to provide training and to launch any new Health and Safety  
5 initiatives. As with environmental issues, there will be oversight of the safety function at  
6 the corporate level and by an on-site EHSS Department for field compliance and health  
7 and safety management. At the corporate level, Liberty Energy is responsible for setting  
8 safety policy, tracking safety legislative and regulatory developments, developing and  
9 maintaining safety programs, guidance documents, the safety handbook and other similar  
10 documents utilized to convey safety information. The EHSS Department will have  
11 dedicated health and safety professional staff working from the New Hampshire  
12 operations center. The key responsibilities of the health and safety professional are set  
13 forth on Joint Petitioners Attachment 15.

14  
15 Certain functions, such as development, implementation, and oversight of Department  
16 of Transportation (DOT) and Department of Labor (OSHA) mandated programs for  
17 drug and alcohol testing and medical screening will be conducted from Liberty  
18 Utilities' corporate offices.

19  
20 **Q. What are Liberty Energy NH's plans for security of its operations in New**  
21 **Hampshire?**

22 **A.** We fully understand the importance of key federal and state laws relating to the security  
23 of our operations. Until we have our own dedicated security personnel in place to



1 oversee and administer our security programs, we will rely on National Grid under the  
2 TSAs to:

- 3 • Provide security control, monitor and log services for New Hampshire’s NERC sites.
- 4 • Assist with security issues at electric substations and LNG/LPG sites.
- 5 • Coordinate security communication and response services.
- 6 • Perform critical-site vulnerability assessments at critical sites.
- 7 • Manage contract guard service agreements.
- 8 • Provide regulatory guidance to ensure compliance with latest FERC, NERC, and
- 9 PHMSA, and other security regulations.
- 10 • Manage, update and issue security services manuals and other written material.
- 11 • Provide training and certifications, as needed.

12  
13 Prior to transitioning to a stand-alone program, we will establish both the resources  
14 and the systems to mirror the existing National Grid programs.

15  
16 **Q. When does Liberty Energy NH expect to provide security services itself?**

17 A. We have no plans to make any changes to the existing security programs under National  
18 Grid management. Our goal is to fulfill this role as soon as practical and we fully intend  
19 to provide our own security services within a short time frame following closing.  
20 Security services will be provided under the TSAs until Liberty Energy NH assumes full  
21 responsibility for this function.

1           **K.     Electric and Gas Supply**

2           **Q.     Will there be any electric and gas procurement functions located in New**  
3           **Hampshire?**

4           A.     The core operations for the electric supply and gas supply/management services (such as  
5           gas planning, gas balancing, gas transportation, meter data services, and ISO settlement  
6           functions) will be migrated back to New Hampshire. It is expected that these services  
7           will reside in one office versus the distributed spread of the services in National Grid’s  
8           Waltham, Long Island and Syracuse offices. In some instances, where it is not cost-  
9           effective to establish full-time staff to provide the services internally, we will enter into  
10          an outsourcing or shared services arrangement. We are still in the process of  
11          determining, which, if any, services will be outsourced. Many of the meter data services  
12          functions that support the procurement of both electric and gas supply (RFP process), as  
13          well as ISO-NE required processes, will be replicated in the new Cogsdale system, which  
14          supports both gas and electric (versus the present use of two billing systems) and those  
15          specialized software processes developed by National Grid (e.g., “Pulse”) will be  
16          obtained by Liberty Energy NH from National Grid during the transition period.

17  
18          **Q.     How will Liberty Energy NH staff planning, procurement and management of**  
19          **electric and gas supply?**

20          A.     We anticipate that employees performing the procurement contracting and hedging  
21          functions will be located in our Oakville, Ontario headquarters. Gas supply planning,  
22          short-term and day-to-day management of the gas supply portfolio, as well as  
23          administration of the customer choice programs (gas and electric), will be conducted in

1 New Hampshire. Load forecasting services may be outsourced; however, this issue will  
2 be determined during the transition period.

3

4 **1. Electric Supply**

5 **Q. Please describe Liberty Energy’s experience procuring electric supply.**

6 A. While Liberty Energy itself has not previously had to procure electric supply, its affiliate,  
7 Algonquin Power Co., is a competitive supplier of electricity and has substantial  
8 experience as a bidder responding to default service proposals by electric distribution  
9 utilities. Algonquin Power Co. includes 45 renewable energy facilities and 14 thermal  
10 energy facilities representing more than 480 MW of installed capacity, some of which is  
11 located in New Hampshire. Currently, Algonquin Power Co. has approximately 23  
12 power purchase agreements in effect. As such, Algonquin has both the experience and  
13 the staff to assist Liberty Energy NH in meeting the electric procurement needs of  
14 Granite State.

15

16 **Q. Mr. Ling, are you familiar with the default service procurement process the**  
17 **Commission approved for Granite State?**

18 A. Yes. I am familiar with the Commission’s Order 24,577 and the underlying Settlement  
19 Agreement and the types of default service filings by Granite State. I have also already  
20 undertaken extensive discussions with Margaret Janzen, who has responsibility for  
21 Granite State’s current default service procurement process and related filings with the  
22 Commission, to discuss Granite State’s default service procurement process. That

1 process will continue through the due date of the closing of the stock sale transaction and  
2 beyond during the transition period.

3  
4 **Q. Does Liberty Energy NH plan to follow the process set forth in Order 24,577?**

5 A. Yes. We certainly will continue to follow the existing process for procuring default  
6 service for Granite State customers. Until we have our own team in place to conduct  
7 default service procurement, we plan to utilize National Grid to do so under the TSA.  
8 Under that agreement, National Grid will continue to bid Granite State default service in  
9 the same manner it currently does, including bidding the service at the same time that it  
10 seeks bids for its Massachusetts default service supply.

11  
12 **Q. Does Liberty Energy NH anticipate that there will be any effect on default service  
13 rates as a result of its procurement of default service instead of National Grid?**

14 A. No. Our experience in bidding in the wholesale electric market on Algonquin's  
15 unregulated side is that the electricity market is very competitive and, for the most part,  
16 price is not directly related to load size.

17  
18 **Q. Mr. Ling, are you familiar with New Hampshire's Renewable Portfolio Standard  
19 ("RPS")?**

20 A. Yes. I have familiarized myself with RSA 362-F as well as National Grid's process for  
21 soliciting bids for renewable energy certificates ("RECs") in order to satisfy those RPS  
22 requirements. Given that Algonquin Power Co. owns renewable supply, we have  
23 substantial experience with supplying renewable power and related RECs in the

1 marketplace, including in New Hampshire. We plan to solicit RECs in a similar fashion  
2 as National Grid.

3

4 **Q. Does Liberty Energy NH plan to use any of its existing generation to supply default**  
5 **service customers in New Hampshire or to meet its RPS obligations?**

6 A. No.

7

8 **Q. Will Liberty Energy NH continue to offer GreenUp services in the same manner as**  
9 **National Grid?**

10 A. Yes. We have reviewed Granite State's GreenUp program and the requirements of RSA  
11 374-F:3, V(f) and will continue offering GreenUp services in its current configuration to  
12 Granite State's customers.

13

14 **Q. Are you familiar with Granite State's least cost integrated resource plan for electric**  
15 **distribution service?**

16 A. We have reviewed Granite State's most recently filed integrated resource plan and agree  
17 with what we understand to be the Commission's view that it is critical for such plans to  
18 fully integrate demand response and energy efficiency measures with supply resources as  
19 part of such plans.

1                   **2.     Gas Supply**

2   **Q.     Please describe Liberty Energy’s experience with regard to gas supply procurement.**

3   A.     Liberty Energy has experience working with gas suppliers and gas contracts, including  
4           balancing for the thermal generation assets owned by Algonquin Power Co. The  
5           scheduling and hedging of gas for the plants, is a regular part of the thermal generation  
6           business. Liberty Energy NH will be utilizing National Grid’s gas procurement services  
7           pursuant to the TSA while Liberty Energy NH develops its gas supply procurement team.  
8           Liberty Energy NH expects to retain an employee with significant gas supply  
9           procurement experience to perform these duties.

10  
11 **Q.     Are there any significant gas supply-related functions that Liberty Energy NH**  
12 **believes are likely to be outsourced?**

13 A.     No. Our plan is to bring back to New Hampshire most of the gas supply-related  
14           functions that are currently performed by National Grid. Our goal is to build a small,  
15           experienced, locally-based team to manage the process, including, but not limited to: gas  
16           supply planning, long and short-term procurement, daily dispatch, scheduling, balancing  
17           and customer choice administration. Where warranted, this team will work with  
18           employees in Liberty’s Ontario headquarters for legal and other services.

19  
20 **Q.     How does Liberty Energy NH anticipate contracting for needed gas supplies?**

21 A.     Liberty Energy NH plans to conduct a competitive bid process when seeking gas  
22           supplies, as National Grid has done in the past. At a minimum, Liberty Energy NH

1 expects to maintain existing contractual arrangements and continue to do business with  
2 these counterparties.

3  
4 **Q. What process does Liberty Energy NH plan to utilize in order to forecast and meet**  
5 **daily customer requirements?**

6 A. Liberty Energy NH plans to employ a process similar to the one currently utilized by  
7 National Grid. Today, National Grid’s Gas Supply Planning and Gas Control groups  
8 utilize a “Daily Game Plan” which forecasts customer requirements and balances this  
9 demand against the planned dispatch of supplies for a seven day period, beginning with  
10 the current gas day. The initial supply dispatch is determined and nominations are made  
11 with the interstate pipelines for the respective gas days. Once a gas day commences, the  
12 two groups reconvene throughout the day, particularly if the updated weather forecast  
13 varies significantly from the initial forecast. If needed, adjustments to the dispatch of  
14 supplies are made throughout the day, in order to minimize any end-of-day  
15 demand/supply imbalances.

16  
17 **Q. Does Liberty Energy NH expect to provide 24/7 nomination/confirmation services?**

18 A. If 24/7 coverage is required in order to provide least-cost, reliable gas supply service,  
19 then Liberty Energy NH will make certain to plan for this need either on a call out basis  
20 or by using its personnel in Gas Control.

1 **Q. What are Liberty Energy NH’s plans to replace National Grid’s load forecasting**  
2 **capabilities?**

3 A. Liberty Energy NH will either replicate those functions presently provided by National  
4 Grid into a smaller, more focused group in New Hampshire, outsource the function, or  
5 bring it in-house at its Oakville operations, whichever will efficiently serve EnergyNorth  
6 and Granite State. This issue will be determined during the TSA period.

7  
8 **Q. What is Liberty Energy NH’s approach to including demand side management**  
9 **resources in the resource planning process?**

10 A. Liberty Energy NH believes that demand side management is an integral part of the  
11 resource planning process. We are aware that this has been a matter of ongoing  
12 consideration by the Commission and its Staff and look forward to engaging in a  
13 discussion of how best to address it.

14  
15 **Q. Does Liberty Energy NH plan to make any significant changes in EnergyNorth’s**  
16 **supply portfolio?**

17 A. No, not in the short-term. However, as capacity contracts come up for renewal, we will  
18 certainly determine whether changes in the marketplace and in EnergyNorth’s load  
19 forecasts call for changes in its portfolio. We are aware that EnergyNorth’s overall load  
20 growth and changes in usage per customer have made this a more challenging process in  
21 recent years. We also understand that ongoing communications with the Commission’s  
22 staff regarding these issues is critical to ensure there is agreement upon the criteria being



1 used to evaluate the company's options and a full understanding of those choices that are  
2 ultimately made since the cost impact on customers is substantial.

3

4 **Q. Does Liberty Energy NH have any plans to change the operations of the LNG and**  
5 **LPG facilities?**

6 A. Not at this time, but this is certainly one of the issues we will be looking at closely as part  
7 of our resource planning process. Operationally, we have no plans to make any changes.  
8 We understand how critical these facilities are to servicing customers and supporting  
9 distribution system pressures during cold snaps and other periods of peak load.

10

11 **Q. Will Liberty Energy NH have access to the same or similar trucking arrangements**  
12 **to supply the liquid supplies needed to operate the on-system peaking facilities**  
13 **during peak periods?**

14 A. Yes, we will have access to the same or similar trucking arrangements to supply liquid  
15 supplies to operate the on-system facilities when needed. Liberty Energy NH plans to  
16 conduct a competitive bid process when seeking such trucking service to supply the  
17 transportation of the LNG/LPG, as National Grid has done in the past.

18

19 **Q. Does Liberty Energy NH plan to consider a full outsourcing for the day-to-day**  
20 **management of the gas supply portfolio?**

21 A. No. We have no plans to outsource the day-to-day management of the portfolio. That  
22 being said, where it makes sense, we will continue asset management arrangements for

1 specific assets in the portfolio, such as the Canadian assets used by EnergyNorth and  
2 identified in Docket DG 10-051.

3  
4 **Q. EnergyNorth has had the benefit of participating in an Operational Balancing**  
5 **Agreement under KeySpan and then National Grid. Will a similar arrangement be**  
6 **available to Liberty Energy NH on a stand-alone basis and, if not, how does Liberty**  
7 **Energy NH propose to make up for the loss of this benefit?**

8 A. Liberty Energy NH will be responsible for the load balancing and will have its own  
9 Operational Balancing Agreement (“OBA”). The OBA will allow Liberty Energy NH to  
10 balance across all citygates so as to have one imbalance at the end of the day. Liberty  
11 Energy NH’s Gas Control group will utilize the assets in the resource portfolio in order to  
12 operate within acceptable daily tolerances required by the upstream pipeline.

13  
14 **Q. Mr. Ling, are you familiar with the EnergyNorth Fixed Price Option Program?**

15 A. Yes. I have reviewed Order No. 24,515 from Docket DG 05-127 in which the  
16 Commission authorized EnergyNorth to offer a winter period fixed price option for  
17 customers that is set at \$0.02 per therm higher than the company’s initial proposed cost of  
18 gas rate for the upcoming winter period.

19  
20 **Q. Does Liberty Energy NH plan to continue to follow the process set forth in Order**  
21 **24,515 going forward?**

22 A. Yes.

1 **Q. Are you familiar with EnergyNorth's Natural Gas Price Risk Management Plan?**

2 A. Yes. I am familiar with this program, which is more commonly referred to as the  
3 hedging plan. That plan was recently approved in a revised form in Docket DG 10-051.  
4 It authorizes EnergyNorth to enter into various hedging transactions for a portion of its  
5 forecasted sales load in an effort to reduce the volatility associated with commodity gas  
6 prices that are paid by customers. Given the Commission's strong support for  
7 mechanisms that smooth out commodity price volatility for customers, we plan to  
8 continue the hedging program in its current form and have no plans to ask for any  
9 modifications at this time.

10

11 **Q. Does Liberty Energy NH plan to make any changes to its Customer Choice  
12 Programs?**

13 A. No. We have reviewed the tariff provisions relating to these programs and plan to  
14 continue to offer them in their current form.

15

16 **Q How comfortable are you with the state of these companies and the challenges that  
17 you will face in building out Liberty Energy NH's shared services during the  
18 transition period?**

19 A As with any acquisition process we conducted a thorough due diligence review in  
20 advance of the purchase. A functional due diligence team was created to review each of  
21 the components. To supplement our team we also engaged a senior manager from the  
22 Emera electricity group and key leadership from Corning Gas to assist our internal teams.  
23 Subsequent to the public announcement of the transaction, our internal due diligence

1 team has been re-assigned to the transition team. We are carefully reviewing our notes  
2 and verifying key assumptions. We are confident that we understand the issues and have  
3 initiated the appropriate plans to address each issue during the transition period.

4

5 **IV. CONCLUSION**

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

7 **A. Yes.**



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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket No. \_\_\_\_\_**

**Direct Testimony  
of  
William Sherry, Gerald Tremblay, and Robert C. Wood**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **A. Mr. Sherry**

3 **Q. Mr. Sherry, please state your full name and business address.**

4 A. My name is William Sherry. My business address is 9 Lowell Road, Salem, New  
5 Hampshire 03079.

6

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

8 A. I am currently employed by National Grid USA Service Company, Inc. I serve as the  
9 Director, U.S. Employee Volunteering for National Grid USA as well as Regional  
10 President for Granite State Electric Company (“Granite State”), a direct subsidiary of  
11 National Grid USA.

12

13 **Q. What are your principal job responsibilities?**

14 A. As Director, U.S. Employee Volunteering, my primary responsibilities include overall  
15 employee volunteering program management for National Grid’s 18,000 U.S. employees  
16 in conjunction with National Grid’s Corporate Citizenship programs. My job duties  
17 include developing programs, company policies and procedures, internal and external  
18 communications, metrics, and external partnerships relating to National Grid’s employee  
19 volunteering program. In addition, I have served in the role of Regional President for  
20 Granite State since 2001, working in conjunction with the lines of business management  
21 across National Grid to serve its New Hampshire customers.



1 With the proposed sale of Granite State, I have assumed added responsibilities as a  
2 member of the core transition team responsible for managing the transfer from National  
3 Grid to Algonquin Power & Utilities Corp. (“Algonquin”) and its indirect subsidiary,  
4 Liberty Energy Utilities (New Hampshire) Corp. (“Liberty Energy NH”). In this  
5 capacity, I am responsible for assisting in the planning and preparation to operate Granite  
6 State as part of Liberty Energy NH post-closing, including assisting in the design and  
7 implementation of the post-closing structure of Granite State and the selection and  
8 implementation of the resources necessary to achieve that result. I will be joining Liberty  
9 Energy NH on closing, and will head the Customer Service and Business Development  
10 group in New Hampshire.

11  
12 **Q. Please describe your educational background and professional experience.**

13 A. I received a Bachelor of Arts in Politics from Brandeis University in 1982 and a Master  
14 of Business Administration in Management from Bentley College in 1992. I am also a  
15 graduate of the Leadership New Hampshire Class of 2001 and a veteran of the U.S. Air  
16 Force and Air National Guard. I have worked for National Grid and its predecessor  
17 companies through its subsidiaries, Massachusetts Electric Company, Granite State, and  
18 National Grid USA Service Company, Inc. since 1982. In 1995, I became the Account  
19 Manager for Granite State, responsible for all commercial and industrial customer  
20 activity in New Hampshire as well as implementation of the company’s commercial and  
21 industrial energy efficiency programs. In 1998, I became a Vice President for  
22 Massachusetts Electric Company with overall responsibility for that company’s  
23 operations in southeastern Massachusetts. I have held a number of different positions in

1 National Grid relating to the provision of commercial and industrial customer service,  
2 energy efficiency program management and delivery, community relations, and  
3 government and regulatory affairs. In 2000, I became Executive Vice President of  
4 Granite State with overall responsibility for the company's legislative, regulatory and  
5 business affairs in New Hampshire. In 2001, I was named to my current position. In  
6 2009 and 2010, I also worked in National Grid's Corporate Citizenship group developing  
7 a U.S.-wide employee volunteering program in support of National Grid's corporate  
8 citizenship initiatives. I have also served on the Board of Leadership New Hampshire  
9 and Governor Lynch's Climate Change Task Force, and I currently serve on the Board of  
10 Directors for the Granite United Way which serves the Manchester/Salem/Derry,  
11 Merrimack County, Upper Valley and North Country regions.

12  
13 **Q. Have you previously testified before the New Hampshire Public Utilities**  
14 **Commission ("Commission")?**

15 A. Yes. I have testified before the Commission in numerous dockets since 1996.

16  
17 **B. Mr. Tremblay**

18 **Q. Please state your full name and business address.**

19 A. My name is Gerald Tremblay. My business address is 2845 Bristol Circle, Oakville,  
20 Ontario, Canada L6H 7H7.

1 **Q. Are you submitting other testimony in this proceeding?**

2 A. Yes. I have submitted separate testimony relating to financial, accounting, information  
3 technology and information systems, and customer information systems that are currently  
4 operated by Liberty Utilities Co. (“Liberty Utilities”) and will be implemented for  
5 Liberty Energy NH. My background and qualifications are set forth in that testimony, so  
6 I will not repeat them here.

7  
8 **C. Mr. Wood**

9 **Q. Please state your full name and business address.**

10 A. My name is Robert C. Wood. My business address is 2845 Bristol Circle, Oakville,  
11 Ontario L6H 7H7.

12  
13 **Q. By whom are you employed and in what capacity?**

14 A. I am an independent consultant. I have been retained by Liberty Energy Utilities Co.  
15 (“Liberty Energy”) to provide advice and assistance on the transition of management of  
16 EnergyNorth Natural Gas, Inc. (“EnergyNorth”) and Granite State, with a particular focus  
17 on customer service matters. I am currently acting as the Director of Customer Care  
18 Strategies on an interim basis.

19  
20 **Q. Please describe your educational background and professional experience.**

21 A. I have a Bachelor’s degree in Commerce and Economics from the University of Toronto,  
22 and I am a Certified General Accountant. I have over 25 years of experience in the  
23 energy and utilities industry, with specific experience in areas such as finance,

1 operations, customer care, human resources and information technology. I have played a  
2 lead role in several large transition and transformation initiatives (involving in-sourcing,  
3 outsourcing, acquisitions, divestitures, CIS implementations, and regulatory change  
4 initiatives). Since 2006, I have operated my own consulting practice. Prior to that, I was  
5 employed in the following capacities:

- 6 • From 2002 to 2006, I was the Executive Vice President of Operations in  
7 Accenture's utility outsourcing business.
- 8 • Between 1999 and 2002, I was Chief Operating Officer of CustomerWorks (and  
9 other related or predecessor companies). CustomerWorks was a utility  
10 outsourcing company that offered billing, call center, and collections services and  
11 related technology solutions. CustomerWorks was acquired by Accenture in  
12 2001.
- 13 • Between 1980 and 1999, I was employed by The Consumers Gas Company and  
14 Enbridge (which acquired Consumers Gas) where I held a variety of positions  
15 including:
  - 16 ○ Vice President Customer Care;
  - 17 ○ Comptroller;
  - 18 ○ Director, Customer and General Accounting; and
  - 19 ○ Internal Audit Manager.

20 In addition to being a member of the Certified General Accountants Association, I am a  
21 past member of the American Gas Association, the Canadian Gas Association, and the  
22 Institute of Internal Auditors. I am an alumnus of the Governor General's Canadian  
23 Leadership Conference.

1 **Q. Have you previously testified before the Commission or any other regulatory**  
2 **commission?**

3 A. While I have not testified before the Commission, I have testified before other regulatory  
4 commissions and government panels. Perhaps of most relevance to this proceeding  
5 would be my previous appearances before the Ontario Energy Board, where I have been a  
6 witness in numerous regulatory proceedings in which my testimony related to matters of  
7 policy, systems, and costs related to customer accounting, collections, and customer  
8 service and satisfaction. I have also testified on the impacts of deregulation of the gas  
9 market in Ontario in the 1990s, and I was a policy witness regarding a major  
10 reorganization of The Consumers Gas Company.

11

12 **D. Purpose of Testimony**

13 **Q. Please describe the purpose of your testimony.**

14 A. The purpose of our testimony is to provide an overview of Liberty Energy NH's plans to  
15 operate the customer service functions of Granite State and EnergyNorth, including not  
16 only customer information and billing, but also the activities surrounding meter reading,  
17 billing, collections, the customer call center, sales and marketing, energy efficiency  
18 programs, low income programs, customer communications, the process for responding  
19 to customer complaints, and Liberty Energy NH's plans regarding customer surveys.

20

21 **II. LIBERTY ENERGY'S CUSTOMER SERVICE PHILOSOPHY**

22 **Q. What is Liberty Energy's philosophy with respect to customer service?**

23 A. Our approach is guided by the following:

- 1       • Our goal is to provide high quality service to our customers at a reasonable cost. We  
2       want satisfied customers.
- 3       • Our model is to deliver service to our customers primarily through customer service  
4       representatives who are located in and dedicated to the local utility service territory.  
5       We believe that customers respond favorably when they deal with customer service  
6       representatives who are familiar with the service territory's geography, demography,  
7       and economy. Simply put, when possible, we want our customer service  
8       representatives to be located where our customers are located and to be experiencing  
9       the same things at the same times that our customers are experiencing them.
- 10      • We strive to deliver information to our customers in the manner and form they desire  
11      (paper vs. electronic, hours of operation, etc.)
- 12      • We give our local management teams a significant amount of authority and autonomy  
13      to determine how best to meet the needs of their customers. We believe that  
14      employees who are empowered will take initiative to resolve customer problems and  
15      will be resourceful in doing so.
- 16      • Because we own a number of utilities, we constantly seek ways to share knowledge,  
17      experience and capabilities across our family of companies, while leaving decision  
18      making that affects our customers in the hands of local management whenever  
19      possible.
- 20      • We are committed to meeting our local regulatory obligations, and we believe that  
21      this goal will be more readily attained when we have satisfied customers being served  
22      by people living in the same communities.

1 **III. CUSTOMER SERVICE MANAGEMENT STRUCTURE**

2 **Q. Please describe the management structure you plan to implement to deliver**  
3 **customer service under the Liberty Utilities model and how it may differ from the**  
4 **current model for Granite State and EnergyNorth.**

5 A. We will begin by describing the overall management structure that Liberty Utilities uses  
6 for customer service functions and then we will address each individual function. With  
7 regard to the overall management of the customer service functions, Mr. Sherry will  
8 become head of these functions post-close, and we will hire several managers reporting to  
9 him who will be based in New Hampshire and will oversee Liberty Energy NH's  
10 customer service operations in the state. This team will be dedicated to serving Granite  
11 State and EnergyNorth customers and will be responsible for policy matters in the  
12 customer service area as well as for hiring and supervising the staff needed to deliver  
13 service to New Hampshire customers. Mr. Sherry will report to our New Hampshire  
14 President and will be located in our main New Hampshire operations center. He will also  
15 participate as part of a committee of other senior customer service staff from Liberty  
16 Utilities' other operating subsidiaries, which will facilitate the sharing of best practices  
17 across jurisdictions. Mr. Sherry will also have access to a strategic corporate team at  
18 Liberty Utilities for purposes of obtaining advice, research, analysis, and extra resources  
19 when a need arises on a short term basis. This structure contrasts with the current  
20 structure at National Grid where there is no senior staff dedicated specifically to the New  
21 Hampshire operation and where the staff responsible for policy and delivery of service is  
22 located outside New Hampshire across various locations (*e.g.*, Syracuse, Waltham,  
23 Northborough, Hicksville).

1 **Q. Please describe how each function within the customer service area will be**  
2 **managed.**

3 A. The various functions within customer service will be managed as follows:

4

5 **A. Meter Reading**

6 Meters will continue to be read monthly, but we plan to use a single meter reading system  
7 for both gas and electric customers, which should provide some efficiencies. All aspects  
8 of meter reading, including management and scheduling, will be located in New  
9 Hampshire. In contrast, most aspects of the meter reading process, other than the actual  
10 meter reading itself, are currently performed by National Grid in Syracuse, and National  
11 Grid currently uses two different legacy meter reading systems; one for Granite State and  
12 one for EnergyNorth.

13

14 **B. Billing**

15 We plan to staff the entire billing process with people located in New Hampshire, most of  
16 whom—including those performing back office billing work (billing exceptions, etc.),  
17 who will implement rate and billing changes, and a manager who will oversee the  
18 process—will be situated in the central operations location. Other functions that will be  
19 performed at the operations center include downloading and uploading of meter reads,  
20 scheduling meter readers in the field, tracking late fees, performing credit checks, and  
21 reviewing zero usage readings to determine if there is a problem. Similarly, the  
22 personnel responsible for account openings, credit checks, collections, and  
23 disconnections will be located in the New Hampshire operations center. As with meter



1 reading, National Grid currently uses two different legacy systems for billing: one for gas  
2 and one for electric customers. The management of the billing function is performed in  
3 Syracuse, while the back office staff who work on correcting billing exceptions are  
4 located in the Northborough, Massachusetts call center. The call center staff who speak  
5 with customers regarding billing inquiries are also located in Northborough, but work for  
6 a different department. We believe that our streamlined approach will not only result in  
7 efficiencies but will result in improved customer service.

8  
9 We plan to use the same CIS system (Cogsdale) that we use in our water utilities as our  
10 billing engine. This system is discussed in more detail in Mr. Tremblay's testimony with  
11 Mr. Bronicheski. When implemented, it will support all of the existing requirements in  
12 New Hampshire. We expect that the actual physical mailing of bills and notices and most  
13 other customer mail communications will be handled externally by a fulfillment center,  
14 as it is under the National Grid model. On Day 1 after the closing, we will continue to  
15 use National Grid's billing system; however, we will have re-branded our bills and  
16 customer communications so that the Liberty Energy name is in use immediately.

17  
18 With regard to web-based access, the customer care software system we utilize already  
19 includes as a standard feature an Internet-based access portal through which customers  
20 can access their account information, view consumption history, pay their bills, make  
21 service inquiries and requests, or just provide feedback and suggestions. We are certainly  
22 open to exploring additional features that could be offered as well.

1           **C.     Call Center**

2           Our call center for New Hampshire will also be locally staffed. Liberty Utilities utilizes a  
3           structure that is based on having a single Customer Service Department that will serve all  
4           New Hampshire customers. Most customer service representatives (“CSRs”) will be  
5           cross-trained, so that gas CSRs can assist electric customers and vice versa during periods  
6           of peak activity or as otherwise required. In addition, CSRs will also generally be given  
7           training so they can perform back office billing work. This will allow us to maximize the  
8           efficiency of our staff and will give customers the added benefit of interacting with CSRs  
9           who have a comprehensive understanding of our processes so they can better respond to  
10          customer inquiries.

11  
12          Our plan is to place a core group of CSRs in our principal operations center, while at the  
13          same time having a number of staff situated at key locations throughout our service  
14          territory where they can be available to assist walk-in customers in addition to taking  
15          customer calls on the phone or otherwise supporting customer service needs. Utilizing  
16          available call center technology, we plan to link our CSRs at these multiple locations,  
17          thereby providing the capacity of a much larger centralized call center, while maintaining  
18          an active, accessible presence in the communities we serve. We will discuss the use of  
19          walk-in locations in more detail later in our testimony.

20  
21          Currently, under National Grid, customers needing assistance phone into a call center  
22          located in Northborough, Massachusetts that is responsible for handling calls from all  
23          over New England. Personnel in the call center are broken down into separate groups

1 based on different types of work. For example, there is a back office group for gas that is  
2 separate from the back office group for electricity, which in turn is separate from the  
3 front office group for gas and the front office group for electricity.

4  
5 Under Liberty Energy's approach, our New Hampshire call center will be dedicated to  
6 serving New Hampshire customers only. That said, to meet demand during emergencies  
7 and other peak periods, we are considering implementing a system that would allow us to  
8 provide support across jurisdictional lines. We also plan to install an integrated voice  
9 response ("IVR") system that will allow us to better route calls, monitor and record calls,  
10 and track and report statistics, but which will be tailored to the specific needs of our New  
11 Hampshire customers and the requirements and expectations of New Hampshire  
12 regulators.

13  
14 **D. Collections**

15 As with other customer service functions, the collections process will be managed and  
16 run within New Hampshire. Again, we believe that, by managing this process at the local  
17 level and supporting the close coordination of all aspects of the billing and collection  
18 process in one location, we can improve our internal communications on these issues and,  
19 ultimately, our performance with regard to collections. Currently, the credit and  
20 collections process for Granite State and EnergyNorth is based outside New Hampshire  
21 and is managed from Syracuse. We are aware of the continued scrutiny that this subject  
22 has received in the last two EnergyNorth rate cases, and will be reviewing all collection  
23 practices and will make improvements as necessary, as is discussed in more detail below.

1       **E.       Sales and Marketing**

2       Liberty Energy NH's sales and marketing services will be managed and delivered by  
3       personnel located here in New Hampshire. We expect that the gas and electric sales staff  
4       will be strategically located at operations centers throughout our service territories, rather  
5       than only at our main operations center. Included in the overall sales and marketing  
6       group will be professional staff who focus on larger business customers, including selling  
7       gas service, addressing technical aspects of customers' gas or electric service, promoting  
8       energy efficiency programs for large commercial and industrial customers, and otherwise  
9       providing direct personal service for these key gas and electric accounts. This group will  
10      also have gas sales and electric service representatives who will focus on selling and  
11      delivering the company's services to small and medium size commercial and industrial  
12      customers, residential developers and municipal customers for service related issues. We  
13      believe that the local presence of these individuals in our service territories will also help  
14      us to better identify opportunities for system growth because our sales force will be more  
15      likely to be familiar with local development plans, business expansions, and the like  
16      through their local community involvement and relationships.

17  
18      With respect to new customer requests for gas or electric service, upgrades and more  
19      complex and technical requests beyond normal customer service and billing inquiries,  
20      National Grid's current process involves numerous shared services functions located  
21      outside New Hampshire. By contrast, we plan to process initial requests through our  
22      New Hampshire customer service center, which in turn will hand them directly to the  
23      appropriate gas or electric sales/service personnel throughout our service territories. This

1 sales/service group will be responsible for providing “one stop service” for these requests  
2 and coordinating with other internal, New Hampshire-based functions such as  
3 engineering, customer metering services and operations, so that a customer’s request is  
4 handled from end-to-end in New Hampshire.

5  
6 **F. Customer Communications**

7 We plan to continue to provide the kind of communications to customers that are  
8 currently provided by National Grid (for example, bill messages, bill inserts, company  
9 web site) and to enhance this where needed. We will be establishing a Liberty Energy  
10 NH web site that will include features similar to what is currently available through the  
11 National Grid site, including links to energy efficiency programs (NHSaves.com), the  
12 Neighbor Helping Neighbor Fund, the GreenUp program, and any environmental label  
13 for electricity adopted by the Commission. The technology we plan to deploy is  
14 integrated with the Cogsdale billing system described in Mr. Tremblay and Mr.  
15 Bronicheski’s testimony and will support other services, such as online bill viewing and  
16 payment options, descriptions of rates and policies, gas odor reporting, electric and gas  
17 safety information, DigSafe information, and competitive supplier information similar to  
18 what is now available to EnergyNorth and Granite State customers.

19  
20 **G. Customer Complaints**

21 Liberty Energy NH’s local staff will respond to all customer complaints received by the  
22 company and will be responsible for working with the Commission’s staff to address  
23 complaints received through the Commission. Under National Grid, the staff responsible

1 for responding to complaints is located in Northborough in a department that is also  
2 responsible for National Grid's other New England service territories. By utilizing a  
3 team that is located in New Hampshire, we believe we will be able to enhance our ability  
4 to communicate and work with the Commission to resolve concerns promptly. We are  
5 committed to providing the same or better response time to complaints as currently exists.  
6 In our other jurisdictions, we have an excellent track record of minimizing and  
7 successfully responding to complaints.

8  
9 **IV. WALK-IN CENTERS**

10 **Q. Earlier you mentioned that Liberty Energy NH will have walk-in centers. Please**  
11 **describe your plans in this regard in more detail.**

12 A. As part of our effort to connect our customer care group more directly to our customers,  
13 we plan to have a number of walk-in customer service counters which will form part of  
14 our overall customer service structure. Specifically, although we plan to rely primarily  
15 on a central call center at our main operations location, we plan to have additional offices  
16 in other parts of our service territory. These additional offices will be staffed by one or  
17 more members of the customer service group who will take customer calls or perform  
18 other customer service work, but will also be available to address more localized issues,  
19 including customers who walk in and want to speak to someone in person regarding a  
20 billing question or other matters, such as scheduling a meter read, coordinating a service  
21 connection or disconnection, and service related matters.

1 When a customer calls or walks in to any location, our staff will have direct access to the  
2 customer information system, and, because of the fully integrated nature of the system as  
3 discussed by Mr. Tremblay, our staff will have as much and, in some cases, more detail  
4 about the customer's account than is currently available at National Grid. Joint  
5 Petitioners Attachment 16 includes copies of some of the screens that will be available to  
6 Liberty Energy NH CSRs as well as examples of information available to customers  
7 online.

8  
9 **Q. The staffing model for the call center (with some staff located in walk-in centers)**  
10 **seems counter to typical call center approaches. Why have you chosen this**  
11 **approach?**

12 A Liberty Energy NH has intentionally adopted an approach that is more "high touch" and  
13 focused on the customer. With today's technology, CSRs can be distributed across  
14 multiple locations without losing economies of scale. By having some staff located at  
15 walk-in centers, we create the option for customers to interact in person where they feel  
16 the need. We have utilized this approach in other jurisdictions and have seen an  
17 improvement in customer satisfaction.

18  
19 **V. LIBERTY UTILITIES' APPROACH TO IMPROVING COLLECTIONS**

20 **Q. Earlier you indicated that Liberty Utilities' local approach to collections is likely to**  
21 **support improved results. Please explain what you mean.**

22 A. In managing our utility operations, we rely on the use of performance targets that are set  
23 on a local basis, rather than targets that may encompass multiple jurisdictions. This

1 approach is an outgrowth of the fact that our managers are responsible for the  
2 performance of the local utility, not related functions at utilities in other jurisdictions.

3 We ask them to manage what they can control or affect.  
4

5 The nature of collections is such that it generally makes sense to focus the most effort on  
6 the highest priority accounts first (e.g., largest arrears). When a utility is managing a  
7 large portfolio of accounts across multiple jurisdictions, it may not make sense to focus  
8 the same level of resources on smaller accounts in one jurisdiction (even though they may  
9 be large in comparison to others in that jurisdiction) as it applies to larger ones in another  
10 jurisdiction. By organizing our businesses along jurisdictional lines, each jurisdictional  
11 utility determines on its own what level of resources is appropriate to focus on collections  
12 issues. At the corporate/Liberty Utilities level, we simply provide guidance regarding  
13 what collections methods are most likely to be cost-effective in different circumstances,  
14 and we monitor the effectiveness of each utility in achieving its own targets.  
15

16 One result of our approach is that each jurisdiction gets separate focus by the people in  
17 that jurisdiction who are best able to achieve the goals that have been set. It also  
18 corresponds to the manner in which each utility is regulated. We believe that our  
19 approach of using local staff to interact with New Hampshire customers will increase our  
20 ability to monitor and react to challenging accounts.



1 **Q. Can you provide an example of how your approach to collections has lead to**  
2 **improved outcomes?**

3 A. We have had significant success reducing delinquencies among customers of Liberty  
4 Water Co. by changing the timing and nature of contact that we have with delinquent  
5 customers, tightening up the processes related to customers moving in and out of  
6 premises, and utilizing an increased “hands on” approach when needed. In Arizona, we  
7 had significant success reducing delinquencies among our water customers by increasing  
8 the number of automated telephone messages, personal payment reminder calls directly  
9 to the customers, and field collection activities. Joint Petitioners Attachment 17 shows  
10 that from 2009 to 2010, during a period when the economy was relatively weak, we were  
11 able to reduce the number of customers disconnected for non-payment from 2,109 to only  
12 636. I can not say that this type of approach will have the same results everywhere;  
13 rather, I offer it to demonstrate that we are focused on addressing the issue of collections  
14 to reduce costs for all of our customers and also to demonstrate that we apply specific  
15 fixes to specific situations, rather than taking a one-size-fits-all approach.  
16

17 **VI. OTHER CUSTOMER SERVICES**

18 **A. Energy Efficiency Programs**

19 **Q. What are Liberty Energy NH's plans regarding the delivery of Commission**  
20 **approved energy efficiency programs for EnergyNorth and Granite State**  
21 **customers?**

22 A. The energy efficiency programs will be under the direction of a separate manager, who  
23 will be responsible for managing the company’s portfolio of gas and electric energy

1 efficiency programs, including vendor management, program budgets and reporting,  
2 program delivery and participation in CORE and gas energy efficiency quarterly  
3 meetings as well as the Energy Efficiency and Sustainable Energy Board. We will  
4 continue to provide the programs as approved by the Commission in DE 10-188 and will  
5 work with the parties to that docket regarding program implementation issues. We plan  
6 to make the vendor selection process transparent to ensure that local vendors are given  
7 the opportunity to participate in these programs.

8  
9 **B. Low Income Programs**

10 **Q. What are Liberty Energy NH's plans with regard to low income programs and the**  
11 **customers served by them?**

12 A. In addition to the low income programs provided directly by Granite State and  
13 EnergyNorth, we fully intend to continue both companies' history of participation and  
14 support of the Neighbor Helping Neighbor program and similar programs in New  
15 Hampshire. We plan to have a senior staff member from the Customer Service group  
16 play an active role with Neighbor Helping Neighbor, and will continue to provide access  
17 to both companies' billing envelopes to mail donation envelopes to customers who wish  
18 to support the program. We also will continue to have personnel who are dedicated to  
19 handling CAP agency inquiries and concerns. We will hold yearly educational meetings  
20 with the CAP agencies, other local low income agencies and appropriate municipal  
21 officials to guide them through our low income programs. In addition, Liberty Energy  
22 NH looks forward to working cooperatively with the Commission's staff and with other

1 utilities on administration of the Electric Assistance Program (“EAP”), including  
2 participation on the EAP Advisory Board.

3  
4 **VII. CUSTOMER SERVICE SURVEYS**

5 **Q. What efforts do you plan to undertake to ensure that your local approach to**  
6 **customer service actually results in improved levels of customer satisfaction?**

7 A. In the other jurisdictions where Liberty Utilities operates, we have engaged an  
8 independent research firm to conduct an annual customer service survey. The results  
9 have shown consistently strong ratings for customer service in all of our service  
10 territories. We plan to engage in a similar process in New Hampshire. Joint Petitioners  
11 Attachment 18 is a copy of the results from our most recent customer satisfaction survey  
12 in Arizona. The survey shows improvements in several areas that are the direct result of  
13 changes we introduced to address customer concerns or wishes from an earlier survey.  
14 Some of the specific changes we introduced included extending our office hours,  
15 improving our IVR system and assigning staff to attend community outreach events. We  
16 believe these types of results are strong evidence of our commitment to listening to our  
17 customers and adjusting our processes in order to consistently meet our customers’  
18 expectations.

19  
20 **Q. What use is made of these survey results and other input received from customers**  
21 **regarding how the company is performing?**

22 A. We are focused on meeting our customers’ needs on a consistent basis, so when  
23 complaints or concerns arise we want to make sure we deal with them quickly and

1 effectively. We use comments received on these surveys as part of our process for  
2 determining where we can improve the service we provide. The surveys, coupled with  
3 our ongoing meetings with regulators and other stakeholders that are described by Mr.  
4 Eichler in his testimony, form the backbone of our efforts to ensure that we continually  
5 meet our customers' needs and expectations. Our customer satisfaction survey  
6 demonstrates the effectiveness of this approach. We will also link management  
7 compensation to customer satisfaction results.

8  
9 **Q. Can you point to any changes that were implemented as a result of the survey**  
10 **results?**

11 A. Yes. In 2009, when we conducted our customer service survey, one specific area we  
12 heard concern from our customers on was that they wanted more payment options. In  
13 response, Liberty Water implemented an online billing option and a pre-authorized  
14 billing option.

15  
16 **Q. Are there other examples of ways in which Liberty Utilities' model focuses on**  
17 **improving customer satisfaction?**

18 A. Yes. Our staffing model is based on training our staff to perform a range of tasks and  
19 then providing them with sufficient authority to address customer concerns and needs.  
20 Our goal is to empower our staff to resolve customer issues at the first point of contact  
21 whenever possible. One way in which we encourage this is through our Liberty Heroes  
22 program, which recognizes employees who go "above and beyond the call of duty" for  
23 our customers. This contrasts with the model generally used in very large utility

1 operations where employees are more specialized in the functions to which they are  
2 assigned and, by necessity, have less discretion to resolve issues themselves. One  
3 example of where our approach can make a difference is a recent situation in which a  
4 customer facing service disconnection was unable to come to our office to make payment  
5 during normal business hours. One of our CSRs voluntarily stayed after hours and kept  
6 the office open until the customer was able to come in to pay the bill. The result was that  
7 a customer disconnection was avoided, a bill that had been in arrears was paid, and the  
8 affected customer knew that their welfare was important to us.

9

10 **VIII. CONCLUSION**

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

12 A. Yes.



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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket No. \_\_\_\_\_**

**Direct Testimony  
of  
Gerald Tremblay and David Bronicheski**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **A. Gerald Tremblay**

3 **Q. Please state your full name and business address.**

4 A. My name is Gerald Tremblay. My business address is 2845 Bristol Circle, Oakville,  
5 Ontario, Canada L6H 7H7.

6

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

8 A. I am employed by Liberty Utilities (Canada) Corp., the holding company for Liberty  
9 Utilities Co. ("Liberty Utilities"), a Delaware corporation, where I serve as Director of  
10 Finance.

11

12 **Q. What are your principal responsibilities as Director of Finance?**

13 A. As Director of Finance, I oversee and have accountability for the financial operations and  
14 reporting of Liberty Utilities, including the accounting, finance, and information  
15 technology departments.

16

17 **Q. Please describe your educational background and professional experience.**

18 A. I earned a bachelor's degree in Social Science with an honors degree in economics from  
19 the University of Ottawa in 1991. In 1999, I obtained a Certified General Accountant  
20 designation, a Canadian designation which is essentially equivalent to a Certified Public  
21 Accountant designation in the United States. My work experience includes over 18 years  
22 of accounting and finance related activities in the retail, energy, and utilities industries at  
23 increasing levels of responsibility.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**  
2 **Commission (“Commission”) or any other regulatory commission?**

3 A. No, I have not testified before this Commission. I have provided testimony in rate case  
4 proceedings on the topics of operating costs, cost of service and cost allocation matters  
5 before the Arizona Corporation Commission.

6  
7 **B. David Bronicheski**

8 **Q. Please state your full name and business address.**

9 A. My name is David Bronicheski. My business address is 2845 Bristol Circle, Oakville,  
10 Ontario, Canada L6H 7H7.

11

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

13 A. I am employed by Algonquin Power & Utilities Corp. (“Algonquin”) as its Chief  
14 Financial Officer.

15

16 **Q. What are your principal responsibilities as Chief Financial Officer?**

17 A. As Chief Financial Officer, I have ultimate responsibility for overseeing all matters  
18 relating to the financial affairs of Algonquin, including its subsidiaries.

19

20 **Q. Please describe your educational background and professional experience.**

21 A. I have a Bachelor of Arts degree in economics from Laurentian University in Sudbury,  
22 Ontario, Canada from which I graduated cum laude in 1981. I also have a Bachelor of  
23 Commerce degree from Laurentian University from which I graduated in 1982. I

1 received a Master of Business Administration from the Rotman School of Management at  
2 the University of Toronto in 1986. I am also a Chartered Accountant, having received  
3 my designation in 1984. I have over twenty-five years of senior management experience,  
4 including fourteen years in the cable television and telecommunications industries, where  
5 I held various senior management and finance positions including Executive Vice  
6 President and Chief Financial Officer of a publicly traded company. I have also served as  
7 Chief Financial Officer for a large public hospital in Ontario. In 2007, I joined  
8 Algonquin, and have served as its Chief Financial Officer since then.

9  
10 **Q. Have you previously testified before the Commission or any other regulatory**  
11 **commission?**

12 A. No, I have not testified previously.

13  
14 **C. Purpose of Testimony**

15 **Q. Please describe the purpose of your testimony.**

16 A. The purpose of our testimony is to describe the customer information and billing system  
17 we plan to implement for Liberty Energy Utilities (New Hampshire) Corp. (“Liberty  
18 Energy NH”), describe our information technology management structure, provide an  
19 overview of the accounting and financial systems we will have in place to serve Granite  
20 State Electric Company (“Granite State”) and EnergyNorth Natural Gas, Inc.  
21 (“EnergyNorth”) after their acquisition, address questions regarding the potential rate  
22 impact of the transaction, provide an overview of the financing of the transaction, and

1 discuss the fair value accounting treatment for pensions and post-retirement benefits  
2 other than pensions (“OPEBs”).  
3

4 **II. CUSTOMER CARE AND BILLING SYSTEM**

5 **Q. Does Liberty Utilities know what customer care and billing system it will be**  
6 **implementing to serve New Hampshire customers or do you plan to develop a new**  
7 **system to serve Granite State and EnergyNorth?**

8 A. We have had success utilizing a total customer care software product developed and sold  
9 by Cogsdale Corporation that addresses the full range of customer care functions, from  
10 customer account initiation to customer service requests to bill generation and account  
11 termination, including the maintenance of customer data history and communications and  
12 other customer interactions. Cogsdale, which has approximately 300 utility customers, is  
13 a well-established and reliable provider of utility billing services. Its billing system is  
14 built specifically for mid-market utilities such as EnergyNorth and Granite State. The  
15 system developed by Cogsdale and used by Liberty Utilities is fully integrated with our  
16 ERP system (Enterprise, Resource, Planning), and was designed by Cogsdale specifically  
17 for utilities that utilize Microsoft Great Plains as their ERP system. Because it is  
18 integrated into and built within our ERP system (Great Plains, which is a Microsoft  
19 product), our customer service representatives (“CSRs”) are able to easily access  
20 customer inquiries and billing information, schedule service calls, and perform all other  
21 essential functions seamlessly. Cogsdale only integrates with Microsoft Great Plains, and  
22 thus follows the look and feel of a Microsoft product, thereby seamlessly integrating with  
23 other Microsoft products such as Word, Excel, and Sharepoint. Because the entire

1 system is pre-built within Microsoft Great Plains, our customer care, operations, and  
2 finance personnel are all able to work within the same system and can take advantage of  
3 all the same Microsoft tools and access the information stored on them.

4  
5 Additionally, Cogsdale has demonstrated a willingness to perform additional software  
6 programming to add functional enhancements to the product that, while initially  
7 requested by us, are then made generally available as upgrades to and are fully supported  
8 for all users. Cogsdale provides the same service to its other utility clients, which means  
9 that Liberty benefits from product enhancements initiated by others utilities that are then  
10 provided to all in a standard, fully supported product. In those cases where a requested  
11 upgrade is specific to an individual utility, Cogsdale will still undertake to customize the  
12 product for that utility and provide the appropriate integration tools.

13  
14 **Q. What are the advantages of using a commercially available billing system such as  
15 Cogsdale, rather than one that has been custom designed for Liberty Utilities?**

16 **A.** One clear advantage is that the need for ongoing system customization programming with  
17 its attendant costs and incompatibility risks is minimal. This has resulted in a long track  
18 record of success both within Liberty Utilities and at countless other utilities that use this  
19 product. Further, this approach requires much less in-house or contracted information  
20 technology support on our part. Another important advantage is that the Cogsdale system  
21 is relatively inexpensive to purchase and implement. The system has all of these benefits,  
22 while also providing all of the functionality that Liberty Utilities' operating subsidiaries  
23 have ever needed.

1 **Q. Will Liberty Energy NH have its billing system up and running as of the date of**  
2 **closing of the stock transfers?**

3 A. Immediately after the close, we will begin the process of converting historic information  
4 files and performing the test runs or parallel processing and other functions required to  
5 implement the system for Granite State and EnergyNorth. We anticipate that it may take  
6 up to nine months to complete this process. We want to ensure that we plan and  
7 implement the new customer care system carefully and cut over from the National Grid  
8 customer care system in a manner that will minimize the potential for problems. As we  
9 approach the closing, we plan to engage software consultants from Cogsdale to assist us  
10 with the project scoping and implementation phases.

11  
12 The following is a summary of our implementation process that we have used to  
13 successfully integrate our nineteen existing utilities within Liberty Water Co. (“Liberty  
14 Water”) and which is currently in process for our California electric utility. The initial  
15 scoping consists of a system mapping exercise, including a review of the current tariff, a  
16 series of interviews with existing key personnel within customer care, and documenting  
17 current processes within the current environment. A fit/gap analysis is then produced  
18 identifying all areas of concern and any required customization work. A project  
19 implementation plan that identifies key milestones is then developed. Prior to live  
20 implementation, a series of parallel test runs are conducted to ensure accuracy of current  
21 bills to bills generated by the Cogsdale system. Once all testing is complete a cut over  
22 date is identified and the Cogsdale system is implemented.

1 **III. INFORMATION TECHNOLOGY**

2 **Q. What ongoing IT support will be provided at the local level for the New Hampshire**  
3 **utilities?**

4 A. Day-to-day IT support will be handled by professional IT staff employed in New  
5 Hampshire. The local IT staff will be responsible for supporting end users using front  
6 office systems such as GIS, work management systems, field operations, meter data  
7 systems, desktop support, printers, copiers, mobile electronics, and telecom systems. The  
8 local IT staff will coordinate with our IT personnel at the Liberty Utilities level in  
9 Oakville to ensure that all systems are functioning properly and to resolve issues as they  
10 occur. All of Liberty Utilities' financial, customer care, work management, maintenance,  
11 file management, email, directory services, and remote access systems are monitored  
12 24/7 by our collocation data center and have uninterruptible power supply and generator  
13 backup. The collocation data center is located in a remote, secure, off-site location. The  
14 servers are configured within a virtual server environment for high availability and  
15 redundancy with automatic fail over and load sharing. Full back ups are performed daily  
16 to a backup data center. Furthermore images are stored to tape and sent to our tape vault.  
17 This type of environment helps to ensure that our customer care system will have high  
18 availability for continuity of service to all of our customers.

19

20 **IV. ACCOUNTING AND FINANCIAL SYSTEMS**

21 **Q. Please describe Liberty Utilities' financial and accounting system.**

22 A. Liberty Utilities' financial and accounting system is fully integrated into the Microsoft  
23 Great Plains ERP system as well. The system incorporates all necessary utility financial

1 and accounting functions, such as the general ledger, utility billing, accounts payable,  
2 purchasing, requisitioning, fixed asset accounting, inventory, job costing, equipment  
3 maintenance, and service maintenance. Because it is a Microsoft system and all  
4 information is gathered within a single database, data can be extracted fairly easily and  
5 then imported into Microsoft Office tools. The relative ease of accessing and utilizing  
6 data through this unified system is extremely helpful in addressing regulators' requests  
7 for data and in preparing rate case filings and responding to discovery inquiries.

8  
9 Corporate accounting is expected to be provided from the Liberty Utilities group located  
10 at Algonquin's Oakville headquarters, but financial analytics will be performed locally in  
11 New Hampshire so that senior managers of Granite State and EnergyNorth in New  
12 Hampshire, who will have full responsibility for the local company's performance, will  
13 have the information and interpretation they will need to effectively run their operations.  
14 Similarly, because we expect that Granite State and EnergyNorth will be fundamentally  
15 responsible for their own financial management, they will have their own accounting  
16 capabilities located in New Hampshire, albeit with significant corporate support.

17  
18 **Q. Can you provide more specificity as to the financial functions that will be provided**  
19 **locally in New Hampshire versus those that will be provided at the corporate level**  
20 **from the Oakville office or another central location outside New Hampshire?**

21 A. We plan to recruit a finance professional, who will report to the President of Liberty  
22 Energy NH and will be responsible for the finance and administration of Granite State  
23 and EnergyNorth. This individual will provide high level analytics to support the



1 President in decision making, budgeting, planning, and forecasting, and also ensure that  
2 all policies, procedures, and controls are maintained for the New Hampshire operations.  
3 This person will also have an administration team responsible for the local procurement,  
4 inventory management, plant accounting, and information systems. As mentioned  
5 previously, there will be some corporate financial services provided from Oakville, which  
6 will relate to the following functions:

- 7 • Financial Planning, which will consist of assisting and advising with operating  
8 and capital budgets and analysis for short and long term financial forecasting.
- 9 • Accounting, which will consist of maintenance of the general ledger and related  
10 subsidiary systems, preparation and analysis of financial reports, and processing  
11 of transactions such as payroll, fixed assets, month end entries, and yearly audit  
12 work.
- 13 • Risk management, which will consist of securing all insurance requirements.
- 14 • Tax, which will consist of preparation of federal and state income, and property  
15 tax.
- 16 • Treasury, which will consist of management and administrative activities  
17 associated with financing, cash, credit and risk management, banking  
18 relationships, and general financing activities.

19  
20 **Q. What accounting standards does Liberty Energy NH plan to use for Granite State**  
21 **and EnergyNorth?**

22 A. Liberty Energy NH will utilize Federal Energy Regulatory Commission accounting  
23 standards for both Granite State and EnergyNorth, consistent with the two companies'

1 current practice. As Mr. Robertson explains in his testimony, accounting at the parent  
2 company level (i.e., Algonquin) and for all of its subsidiaries is performed in accordance  
3 with U.S. GAAP, rather than Canadian GAAP or IFRS (International Financial Reporting  
4 Standards). Therefore, the parent company financial information should be consistent  
5 with the format and reporting requirements with which the Commission is already well  
6 familiar. As Mr. Robertson also indicated, Algonquin is also Sarbanes-Oxley compliant,  
7 and thus the Commission can have comfort that the company has strong internal controls  
8 and corporate governance processes in place.

9  
10 **Q. Will functions such as procurement and inventory maintenance and control be**  
11 **performed at the local level or the corporate level?**

12 A. They will be performed at the local level. Purchasing will utilize Liberty Utilities' Great  
13 Plains purchasing inventory module. As inventory is depleted based on capital or  
14 maintenance work orders, automatic suggested requisitions will be generated based on  
15 maximum and minimum inventory levels and will advise of the need to replenish  
16 inventory. New inventory will be shipped to and stored at a warehouse located locally in  
17 New Hampshire. When the new inventory arrives, the inventory module in Great Plains  
18 will be updated accordingly.

19  
20 **Q. Please describe Liberty Utilities' budgeting and forecasting methodology.**

21 A. As is discussed in the joint testimony of Messrs. Ling, Mercier, Saad, and Demmer, we  
22 initially plan to adopt Granite State and EnergyNorth's five year capital plan. However,  
23 we will review the capital and operating budgets for Granite State and EnergyNorth,

1 consistent with our practice at our other operating utility subsidiaries. Specifically, each  
2 year a capital and operating budget are produced by each local utility to properly reflect  
3 and constantly reassess priorities. Capital budgets along with business cases are  
4 submitted for approval to Liberty Utilities' capital committee. Each business case is  
5 scrutinized to ensure that capital is being deployed properly and prudently. Any capital  
6 request that relates to addressing a safety concern for customers or employees is  
7 expedited for review and approval. Once the capital committee has approved a set of  
8 capital business case requests, they are locked down for the period in question. Any  
9 capital requests during the year outside of the approved budget must be submitted with a  
10 business case to the capital committee for approval. In addition to annual capital budgets,  
11 a long term capital spending forecast is also prepared using a sophisticated forecasting  
12 product called "Clarity." The long term forecast identifies anticipated capital needs and,  
13 therefore, future cash requirements, which is critical to meaningful planning in any  
14 capital intensive business. Similarly, each local utility also prepares an annual operating  
15 and maintenance budget, which is reviewed by Liberty Utilities' Financial Planning  
16 group. The approved budget is then tracked on an ongoing basis during the year through  
17 monthly reports, including a variance analysis.

1 **V. RATE IMPACT**

2 **Q. Given that you plan to operate Granite State and EnergyNorth with an increased**  
3 **emphasis on local staffing, are rates expected to be higher than they would have**  
4 **been under continued ownership by National Grid?**

5 A. We expect to be able to operate Granite State and EnergyNorth based on an overall cost  
6 structure that will be similar to what customers would experience under National Grid  
7 ownership, given similar levels of service.

8

9 **Q. What is the basis for that view?**

10 A. When evaluating the two main drivers of rate increases, rate base and operating expenses,  
11 we expect to be able to continue to operate the utilities for similar cost as National Grid.

12 When evaluating rate base, Liberty Energy plans to assume the capital expenditure  
13 programs currently in place by EnergyNorth and Granite State. As a result, a difference  
14 in capital expenditure levels is not anticipated, other than some capital that will need to  
15 be invested to replace existing National Grid systems that belong to the service  
16 companies, rather than Granite State and EnergyNorth. These capital expenditures,  
17 however, will be offset to a large extent by a reduction in charges from the service  
18 companies to the utilities.

19

20 With regard to operating expenses more broadly, it is our opinion based on empirical  
21 evidence from other jurisdictions that once utilities attain a certain size, the potential for  
22 additional efficiency gains is limited, if it is present at all.

23

1 With regard to the cost of capital, we plan to seek an investment grade credit rating for  
2 both utilities in order to maintain our ability to access the capital markets at reasonable  
3 cost as and when needed. As Mr. Robertson indicates in his testimony, we plan to  
4 capitalize both companies with approximately forty-five percent debt and fifty-five  
5 percent equity. By maintaining a strong balance sheet, we believe customers will  
6 ultimately benefit through a lower cost of debt and a continued ability to attract the  
7 necessary capital over the long run. The cost of equity, which is determined in a rate  
8 case, should remain relatively unchanged regardless of the ultimate owner, since that is a  
9 factor that is normally determined based on the risk of investing in the jurisdictional  
10 utility, not the identity of the corporate parent.

11  
12 **VI. FINANCING OF THE TRANSACTION**

13 **Q. Mr. Bronicheski, please provide an overview of the financing for the purchase of**  
14 **Granite State and EnergyNorth.**

15 A. The aggregate purchase price of approximately \$285 million will be financed through a  
16 combination of debt and equity. As stated in Mr. Robertson's testimony, approximately  
17 \$135 million will be funded with equity and the remainder with debt, for an ultimate  
18 capital structure of approximately forty-five percent debt and fifty-five percent equity.  
19 The amount of debt assigned to the utilities would be up to a maximum of \$120 million,  
20 of which \$35 million would be assigned to Granite State (\$20 million in addition to an  
21 existing \$15 million of debt that is already on Granite State's books) and \$85 million of  
22 which would be assigned to EnergyNorth. The final amount of debt assigned to each  
23 utility will be determined closer to closing when the actual rate base for each utility is

1 known with more certainty. We plan to begin the process of marketing the debt for the  
2 transaction approximately three months prior to the acquisition date, by obtaining a U.S.-  
3 based agent from a well recognized investment bank to assist us in the competitive  
4 bidding process in order to ensure that we achieve the lowest cost of debt possible for the  
5 utility on the best possible terms.

6  
7 **Q. Please describe the anticipated terms of the financing.**

8 A. As Mr. Robertson indicated, the equity portion will be funded by the issuance to Emera,  
9 Inc. of Algonquin common stock equal to approximately \$60 million, with the balance  
10 being raised through an additional stock issuance either through a general public offering  
11 or through a private placement.

12  
13 The debt portion I just discussed will be raised through a private placement of senior  
14 unsecured notes with U.S.-based institutional lenders. Based on our most recent private  
15 placements within Liberty Water and our recent California electric utility acquisition, we  
16 expect that the debt will have a term of ten to fifteen years and bear an interest rate of  
17 approximately 200 to 250 basis points above the U.S. Treasury note yield at the time of  
18 commitment. Estimated issuance costs are about 1.5 percent of the gross amount of the  
19 borrowing, or approximately \$2 million, which is typical for a debt issuance of this size.  
20 Based on previous utility private placement financings that we have completed, we  
21 expect the covenants under the private placement to include requirement to maintain a  
22 debt to total capitalization ratio of between 67 percent and 70 percent, which is similar to  
23 the existing unsecured long term notes of Granite State that are currently outstanding.

1 **Q. Are there any covenants or restrictions contained in other bond and note**  
2 **agreements of Granite State and EnergyNorth that would be impacted by the**  
3 **issuance of debt under this proposed financing?**

4 A. Granite State has \$15 million of unsecured long-term notes. These notes have certain  
5 restrictive covenants that stipulate that note holders may declare the debt to be due and  
6 payable if total debt becomes greater than 70 percent of total capitalization. We do not  
7 expect this to present an issue because, as previously discussed, we intend to have a  
8 capital structure of forty-five percent debt to fifty-five percent equity. EnergyNorth will  
9 not have any other long-term debt outstanding at the time of the financing because the  
10 existing long-term debt to KeySpan Corporation (“KeySpan”) will be paid off at the time  
11 of closing.

12  
13 **Q. What approvals are necessary for the financing?**

14 A. Although the debt financing will occur at the Liberty Energy NH level in the first  
15 instance, as I indicated earlier the debt will be assigned down to, and supported by  
16 promissory notes from, Granite State and EnergyNorth. Thus, the financing will require  
17 the approval of this Commission. There are no other regulatory approvals needed for this  
18 financing to occur.

19  
20 **Q. Is that financing approval part of the approvals being sought by the Joint Petition?**

21 A. Yes it is, but we recognize that the Commission will require additional information in  
22 order to fully consider this request. We plan to submit the appropriate financial

1 information and supporting schedules as soon as the terms of the financing are known  
2 with more specificity.

3

4 **VII. PENSION AND OPEB REGULATORY ASSET**

5 **Q. Mr. Eichler mentioned the need for a regulatory asset to be created for pension and**  
6 **OPEB purposes. Will the Granite State and EnergyNorth pension and OPEB plan**  
7 **assets be subject to fair market valuation at the time of acquisition by Algonquin?**

8 A. Yes. Purchase accounting rules require that pension and OPEB assets and liabilities of  
9 acquired companies be valued at fair market value at the time of acquisition. My  
10 understanding is that, currently, Granite State and EnergyNorth's pension accounting  
11 includes an unrecognized component that is amortized as part of the pension (FAS 87)  
12 and OPEB (FAS 106) accounting expense.

13

14 **Q. What is Algonquin's proposal with respect to this fair market valuation?**

15 A. We are proposing to defer the recognition of these previously unrecognized amounts as a  
16 regulatory asset and to amortize that regulatory asset over the same period used to  
17 determine FAS 87 and FAS 106 expense.

18

19 **Q. Has the Commission approved similar treatment with respect to establishing a**  
20 **regulatory asset or liability for the impact of fair market valuation in the past?**

21 A. Yes, it has. My understanding is that, in the National Grid/KeySpan merger in Docket  
22 No. DG 06-107, the Commission approved the Merger Settlement Agreement dated May  
23 15, 2007, which provided for the establishment of a regulatory asset for EnergyNorth



1 related to its fair market valuation of pension and OPEB assets. Granite State was not  
2 required to fair value its plan assets for that transaction because it was not being acquired.  
3 However, Granite State was required to fair value its retirement plan assets at the time of  
4 the National Grid/New England Electric System transaction and, as a result, established a  
5 regulatory liability to customers. Algonquin is simply requesting the same treatment  
6 previously afforded Granite State and EnergyNorth by this Commission.  
7

8 **Q. Are you proposing that Granite State and EnergyNorth include the regulatory asset**  
9 **in rate base?**

10 A. No, we are not seeking rate base treatment for the regulatory asset that would be recorded  
11 at the time of closing of the acquisition.  
12

13 **Q. Over what period of time would each utility amortize the regulatory asset?**

14 A. We propose using the same period currently used to amortize the unrecognized  
15 components in the determination of FAS 87 and FAS 106 expense, which is the average  
16 remaining service period of active employees expected to receive benefits under the plan.  
17

## 18 **VIII. CONCLUSION**

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

20 A. Yes.

**Testimony of  
Peter Eichler**

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

**National Grid USA, National Grid NE Holdings 2 LLC,  
Granite State Electric Company d/b/a National Grid,  
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,**

**- and -**

**Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.**

**Docket No. \_\_\_\_\_**

**Direct Testimony  
of  
Peter Eichler**

**March 4, 2011**

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1 **I. INTRODUCTION**

2 **Q. Please state your full name and business address.**

3 A. My name is Peter Eichler. My business address is 2845 Bristol Circle, Oakville, Ontario,  
4 Canada L6H 7H7.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. Currently, I am employed by Liberty Utilities (Canada) Corp., which is the holding  
8 company for Liberty Utilities Co. (“Liberty Utilities”), a Delaware corporation. I am the  
9 Manager of Financial Planning and Analysis, with accountability for Regulatory Affairs  
10 and Ratemaking functions.

11  
12 **Q. What are your principal responsibilities as Manager of Financial Planning and**  
13 **Analysis?**

14 A. As Manager of Financial Planning and Analysis, I have overall responsibility for  
15 regulatory strategy, including compliance filings and rate cases, for Liberty Utilities. I  
16 am also responsible for maintaining regulatory outreach programs in the jurisdictions in  
17 which the companies owned by Liberty Utilities operate, including planning regular  
18 update meetings with key regulatory personnel.

19  
20 **Q. Please describe your educational background and professional experience.**

21 A. I have been employed by Liberty Utilities since September 2009. Prior to my  
22 employment at Liberty Utilities, I was employed by Hydro One Networks Inc., Ontario’s  
23 largest distribution and transmission utility, and PowerStream Inc., a local distribution

1 company serving over 300,000 customers north of Toronto. My roles at these utilities  
2 included corporate finance, ratemaking, and regulatory affairs. I am a designated  
3 accountant, having received the Certified Management Accountant designation in  
4 Canada. In addition, I hold a Master of Business Administration degree from the  
5 University of Windsor in Ontario, Canada, as well as a Bachelor of Commerce degree  
6 with a specialization in finance from Ryerson University in Toronto, Canada. I also  
7 completed the National Association of Regulatory Utility Commissioners' Utility School  
8 in November, 2009.

9  
10 **Q. Have you previously testified before the New Hampshire Public Utilities**  
11 **Commission ("Commission")?**

12 A. No, I have not. However, I have testified previously before the Arizona Corporation  
13 Commission on several occasions in rate cases, with a particular focus on regulatory and  
14 finance issues, and before a Texas judicial panel on utility valuation for a condemnation  
15 proceeding.

16  
17 **Q. Please describe the purpose of your testimony.**

18 A. The purpose of my testimony is to discuss Liberty Utilities' overall philosophy with  
19 regard to meeting its regulatory obligations and our plans to actively engage with our  
20 customers and the communities we serve; address certain accounting issues related to the  
21 purchase of Granite State Electric Company ("Granite State") and EnergyNorth Natural  
22 Gas, Inc. ("EnergyNorth"); discuss the rate impact of the transaction; summarize the  
23 regulatory approvals needed for the transaction; and provide an overview of Liberty

1 Utilities' affiliate relationships and the cost allocation methodologies used to apportion  
2 costs.

3  
4 **II. OVERVIEW OF REGULATORY PHILOSOPHY**

5 **Q. Please provide an overview of Liberty Utilities' regulatory philosophy.**

6 A. As Mr. Robertson discusses more broadly in his testimony, our regulatory outreach  
7 program not only is a core element of Liberty Utilities' business philosophy, it is also a  
8 key part Algonquin Power & Utilities Corp.'s ("Algonquin") business model—  
9 specifically the "Integrate" component of the approach described by Mr. Robertson and  
10 shown in Joint Petitioners Attachment 2. The fundamental premise of the philosophy is  
11 to actively maintain open lines of communications with regulators and other stakeholders,  
12 ensure that Liberty Utilities is an outstanding member of the utility community, and act  
13 as a partner in furthering the programs and policies of regulatory bodies.

14  
15 **Q. How does Liberty Utilities maintain open lines of communications with its  
16 regulators and other stakeholders?**

17 A. In addition to a general ongoing effort to keep regulators in each jurisdiction where we do  
18 business informed of matters of interest to them, we schedule regular meetings to provide  
19 updates on our operations and elicit feedback on our performance. In those jurisdictions  
20 where *ex parte* rules permit, we include the commissioners themselves in this process.  
21 We have found that conducting meetings on a semi-annual or even quarterly basis helps  
22 to ensure that regulators have an opportunity to learn more about issues that we encounter  
23 in operating our business and delivering service to our customers, share feedback from

1 our customers, learn more about issues that are important to the regulatory commissions,  
2 and respond quickly to matters of concern. These meetings also provide an opportunity  
3 to keep regulators apprised of changes in service or business processes that we are  
4 considering implementing. In particular, the meetings provide an excellent opportunity  
5 for the commissions' consumer affairs divisions to let us know how we are doing and  
6 enable us to further evaluate where we can make changes that benefit our customers. We  
7 very much want to encourage an open dialogue and an atmosphere of accessibility and  
8 responsiveness in our relationship with our customers and the regulators who oversee our  
9 operations. We plan to implement a similar process in New Hampshire from the outset to  
10 clearly signal our desire to place customer service and regulatory relations at the top of  
11 our list of priorities.

12  
13 **Q. With utilities in different jurisdictions, how is Liberty Utilities able to interact with**  
14 **regulators and other stakeholders on a regular basis and in a meaningful way?**

15 A. As discussed in Mr. Robertson's testimony, Liberty Utilities believes in operating the  
16 utilities it owns with significant focus on local operations. Regulatory Affairs is no  
17 different. As in other areas, we have organized Regulatory Affairs along jurisdictional  
18 lines, with authority and control vested at the local level. Thus, we establish and  
19 maintain regulatory relationships directly through our team at the local level. We believe  
20 that the people who are best positioned to respond quickly to any questions and who are  
21 best positioned to provide the latest, most meaningful information and updates should be  
22 the ones who coordinate, oversee and conduct these meetings and, most important, they  
23 should be responsible for follow up on action items coming out of the meetings we have



1 with regulatory staff at the commissions. Because these are the people who are running  
2 the utility and are familiar with the needs of local customers and the concerns of the  
3 regulators in their state, the meetings can focus on the most important issues at any given  
4 time and result in meaningful dialogue and prompt follow up on matters that have been  
5 identified for further action.

6  
7 We believe these meetings will be of particular value early on in our relationship with the  
8 Commission and other stakeholders because an ownership change can provide an  
9 opportunity for customers and others to voice their desire for changes to existing  
10 operating practices and for us to accommodate those changes. In particular, as a  
11 company that is focused on a single jurisdiction, Liberty Energy Utilities (New  
12 Hampshire) Corp. (“Liberty Energy NH”) can and will adapt its practices to meet local  
13 needs, while a larger company may not be in a position to do so or at least cannot do so  
14 as readily.

15  
16 **Q. Can you give an example of where Liberty Utilities has used feedback it received  
17 from regulatory stakeholders to improve its service offering?**

18 A. One example is the recent implementation of a “Footprint Calculator” that was developed  
19 by Liberty Water Co. (“Liberty Water”) in response to input received from regulators and  
20 legislators in a number of our jurisdictions who have expressed a desire for utilities to  
21 focus on providing better customer information materials regarding conservation. In  
22 response to those concerns, we developed this tool to assist customers in estimating their  
23 water footprint, so they can then compare their water usage to that of the community,

1 state, or country, and enable them to change their consumption patterns. Today, that  
2 footprint calculator is front and center on Liberty Water's website at  
3 www.libertywater.com (see Joint Petitioners Attachment 19). Programs such as the water  
4 footprint calculator clearly demonstrate Liberty Utilities' commitment to sustainability  
5 and our willingness to respond directly to concerns raised by state regulatory  
6 commissions and legislators.

7  
8 **Q. You indicated that Liberty Energy NH will maintain contact with stakeholders**  
9 **beyond the Commission. What do you mean by that?**

10 A. We seek to communicate and stay in contact with our customers and the community in a  
11 number of ways. One hallmark of our approach to providing service is to locate the  
12 customer call center within the state where service is being provided and to maintain  
13 customer walk-in centers in a number of locations. Second, we conduct regular customer  
14 satisfaction surveys to track the effectiveness of our efforts to meet customers'  
15 expectations and needs. Messrs. Sherry, Tremblay and Wood discuss these initiatives in  
16 more detail. We also conduct programs designed to integrate our employees more  
17 directly into the community. For example, Liberty Utilities has a program called Liberty  
18 Days that is designed to teach our customers about utility programs and conservation  
19 efforts. We do this by encouraging volunteerism at local events that our customers are  
20 likely to attend. In 2010, we participated in thirty-one such community events, and the  
21 employees of our local utilities volunteered many hours of support for these events. In  
22 addition to giving back to the community, we also use these events as opportunities to

1 speak with our customers, often distributing materials on conservation and other  
2 customer service related information.

3

4 **Q. Can you give us some examples of the types of events you participate in?**

5 A. Yes. In the past year, Liberty Utilities personnel have participated in school based  
6 fundraisers and community holiday events for Christmas and Halloween, our employees  
7 have acted as “bell ringers” for the Salvation Army, and we held our own “Open House”  
8 events so our customers could visit our offices, learn about their utility company and the  
9 services available to them, and ask us questions about our operations.

10

11 **Q. Does Liberty Energy NH plan to be that active in New Hampshire?**

12 A. Absolutely. As I mentioned before, we believe these types of activities are key to the  
13 “Integrate” portion of the business plan described by Mr. Robertson. To further support  
14 this key function, our organization will be structured so that a key member of our  
15 leadership team (specifically, the Vice President of Government, Regulatory &  
16 Community Affairs) will have responsibility for community support and relations.

17

18 **Q. Please provide more detail about the responsibility of the Vice President of  
19 Government, Regulatory & Community Affairs.**

20 A. The Vice President of Government, Regulatory & Community Affairs will be based in  
21 New Hampshire and will report directly to the New Hampshire President. Our plan is to  
22 make this position one that will be a key part of our Senior Management Team for  
23 Liberty Energy NH. The Vice President of Government, Regulatory & Community

1 Affairs will be responsible for maintaining ongoing interactions with local officials and  
2 the business community to ensure we are meeting customer expectations and to work  
3 closely with all functions across our organization to ensure that we respond promptly to  
4 any concerns that are raised and to facilitate our support for important state policies.

5  
6 **Q. What about responsibility for regulatory filings?**

7 A. Regulatory filings will be primarily supported by the operational area that is related to the  
8 information covered by the particular filing, with oversight from the Government,  
9 Regulatory & Community Affairs group. Liberty Utilities has traditionally ensured  
10 ongoing compliance with required regulatory filings by maintaining databases of those  
11 filings that include information such as the type of filings, regulatory jurisdiction, filing  
12 date, resource requirements, information requirements, etc. This way, the operational  
13 group to which a particular filing relates can provide the most relevant information  
14 required, while the Government, Regulatory & Community Affairs group can provide the  
15 required oversight and ensure that all filings conform to applicable requirements and are  
16 submitted within required deadlines.

17  
18 **III. EFFECT OF ACQUISITION ON ACCOUNTING PRACTICES**

19 **Q. Will Granite State or EnergyNorth experience any accounting changes as a result of**  
20 **the acquisition by Liberty Energy?**

21 A. No. We do not intend to “push down” the purchase accounting to Granite State and  
22 EnergyNorth, and as a result, there are no regulatory accounting changes that are  
23 anticipated, except for the creation of a regulatory asset related to pensions and post-

1 retirement benefits other than pensions (“OPEBs”), which is described in the testimony  
2 of Mr. Tremblay and Mr. Bronicheski.

3  
4 **Q. Does Liberty Energy NH intend to seek recovery for an acquisition premium or any  
5 transaction costs through the rates charged by Granite State and EnergyNorth?**

6 A. No. We will not seek recovery for an acquisition premium through rates. Any  
7 acquisition premium will likely be booked as an intangible asset by Algonquin, most  
8 likely at the Liberty Energy NH level of the corporate structure. We do not expect to  
9 reflect the adjustment on the books of Granite State or EnergyNorth and, in any event, we  
10 do not intend to seek rate recovery of such a premium. We also have no plans to seek  
11 recovery of any of the transaction costs related to the stock purchase.

12  
13 **IV. RATE FILINGS**

14 **Q. Does Liberty Energy NH have any plans to increase the base rates of either  
15 EnergyNorth or Granite State as a result of the acquisition of the two companies?**

16 A. We have no plans to petition for an increase in EnergyNorth’s or Granite State’s rates as  
17 a consequence of this transaction.

18  
19 **Q Does Liberty Energy NH have plans to file for any other rate increases?**

20 A. With regard to Granite State, we do expect to seek an increase in rates in 2013, at the  
21 conclusion of the rate plan agreed to as part of the settlement in Docket DG 06-107  
22 relating to National Grid’s merger with KeySpan Corporation (“KeySpan”). I should  
23 note, however, that a rate filing by National Grid for Granite State was highly likely in

1 any event, given that Granite State is substantially underearning its last allowed rate of  
2 return. For the twelve months ending December 31, 2009, the last complete calendar  
3 year for which Granite State filed a report with the Commission, its return on equity was  
4 negative 1.3 percent. Furthermore, I understand from National Grid that for the twelve  
5 months ending September 30, 2010, Granite State's earned return on equity was negative  
6 3.91 percent.

7  
8 **Q. Under Liberty Energy NH's ownership will Granite State and EnergyNorth have**  
9 **access to capital at favorable costs?**

10 A. As the Commission is aware, the cost of equity is determined primarily with regard to the  
11 risks of the particular business being analyzed (i.e., Granite State or EnergyNorth), rather  
12 than the financial standing of its shareholder or by reference to other affiliated  
13 enterprises. Therefore, we do not expect a change in the cost of equity for ratemaking  
14 purposes. In fact, by maintaining a strong balance sheet for these utilities, as is our plan,  
15 we should be able to ensure that their ability to access the capital markets is not impaired.  
16 Moreover, given Algonquin's strong balance sheet and excellent credit rating, as  
17 discussed by Mr. Robertson, we have sufficient and ready access to equity and debt  
18 capital when needed and can use that access to meet the on-going capital requirements of  
19 Granite State and EnergyNorth.

20  
21 With respect to borrowing costs, Granite State and EnergyNorth will have access to the  
22 debt markets, both directly and through funding from Liberty Energy NH and/or  
23 Algonquin. Algonquin will seek and obtain a separate credit rating for Liberty Energy

1 NH to ensure continued access to the debt capital markets. We recently completed the  
2 credit rating process our California utility, and obtained a BBB (flat) investment grade  
3 credit rating.

4

5 **Q. Is Liberty Energy NH seeking to change any of the rate adjustment mechanisms**  
6 **currently in place for Granite State and EnergyNorth as a result of the**  
7 **KeySpan/National Grid merger?**

8 A. No. We believe these rate adjustment mechanisms represent important regulatory  
9 responses to particular circumstances and are critical to supporting and encouraging the  
10 capital investment that is necessary to maintain and improve system reliability. One such  
11 program is the cast iron/bare steel (“CIBS”) main replacement program for EnergyNorth.  
12 With respect to Granite State, the Commission has approved a Reliability Enhancement  
13 Program (“REP”) and a Vegetation Management Program (“VMP”) that runs through  
14 National Grid’s Fiscal Year 2013 and provides for recovery of both the capital  
15 investment and increases to operation and maintenance expense necessary to support the  
16 Company’s ongoing system reliability and vegetation management efforts.

17

18 **Q. How are these mechanisms related to Liberty Energy’s goals and its view of the**  
19 **regulatory atmosphere in New Hampshire?**

20 A. We believe that ratemaking mechanisms like these demonstrate that New Hampshire is a  
21 jurisdiction where regulators will provide rate support for the level of service requested  
22 or required. Our expectation is that this type of supportive regulatory relationship will  
23 continue if we meet our obligations as a utility, which is why we are interested in

1 purchasing these two companies. We are very supportive of making reliability and other  
2 service quality related investments, but there is a need for this type of non-revenue  
3 producing investment to be recognized promptly in rates. We see the mechanisms  
4 established by this Commission as doing just that. Our investors expect us to seek out  
5 jurisdictions where capital investment is needed and the regulatory framework provides  
6 appropriate levels of support. We view that as being the case with Granite State and  
7 EnergyNorth.

8  
9 **Q. It sounds as if these programs are important to Liberty Energy NH simply because**  
10 **they provide the potential for more timely recovery of invested capital. Is that**  
11 **correct?**

12 A. The significance of these mechanisms goes far beyond that. First, the more timely the  
13 recovery of the investment, the more a utility will feel encouraged and supported to  
14 invest in maintaining and improving the infrastructure necessary to provide service to  
15 customers. This will help ensure system reliability over time, which directly benefits  
16 customers and can reduce costs over the long run. Second, there are external parties that  
17 closely watch the regulatory environment in each state and rate those jurisdictions in that  
18 regard, which can have a significant impact on the cost of capital. For example, Standard  
19 and Poor's has rated New Hampshire as a "credit supportive" jurisdiction (see Joint  
20 Petitioners Attachment 20), a factor that influenced Algonquin's interest in purchasing  
21 Granite State and EnergyNorth and that is likely to have a positive impact on how the  
22 capital markets perceive these companies when we need to access the debt or equity  
23 markets. Obviously, there are many factors that bear upon risk when a debt or equity



1 investor is assessing a particular company, but certainly the regulatory environment and  
2 favorable ratemaking mechanisms are quite important.

3

4 **V. OTHER REGULATORY APPROVALS**

5 **Q. What other regulatory approvals will be required in conjunction with the proposed**  
6 **stock purchase transactions?**

7 A. As Mr. Robertson indicated, there are a number of approvals required beyond those being  
8 requested from this Commission, including from the Federal Energy Regulatory  
9 Commission, the Committee on Foreign Investment in the United States (“CFIUS”), and  
10 the U.S. Department of Justice and the Federal Trade Commission under the Hart-Scott-  
11 Rodino Antitrust Improvements Act.

12

13 **Q. What is the anticipated timeframe for those approvals?**

14 A. While I cannot say exactly when approvals or other confirming action will be received,  
15 given the timeframes noted above, none of these governmental review processes are  
16 expected to delay the proposed transaction.

17

18 **Q. Are you seeking any approvals from this Commission beyond approval of the stock**  
19 **transfer itself and the establishment of regulatory assets relating to the pension and**  
20 **OPEB assets that you referred to earlier?**

21 A. We expect to seek approval of the issuance of long term debt instruments by Granite  
22 State and EnergyNorth to Liberty Energy to reflect the debt incurred by Liberty Energy  
23 NH that will be pushed down onto the books of the two utilities. Mr. Bronicheski’s

1 testimony describes the debt financing that Algonquin plans to undertake at the Liberty  
2 Energy NH level to provide funding for the acquisition of the two utilities. Because some  
3 or all of that debt will be supported by corresponding obligations from the utilities, the  
4 utilities will need to obtain Commission authorization under RSA 369 for their respective  
5 portions of the debt.

6  
7 **Q. Does Liberty Energy NH require any changes in the short term debt approval levels**  
8 **for the two utilities?**

9 A. No. Granite State currently operates at a short term debt level that is within the ten  
10 percent rule set out in N.H. Code of Admin Rule Puc 307.05, and we expect this to  
11 provide adequate short term borrowing capacity. With regard to EnergyNorth, the  
12 flexible short term debt levels provided by the settlement in DG 06-122 for fuel inventory  
13 financing and other short term purposes are also adequate.

14  
15 **Q. Does Liberty Energy NH expect that either Granite State or EnergyNorth will enter**  
16 **into any affiliate contracts?**

17 A. Yes. Granite State and EnergyNorth will both enter into affiliate contracts with Liberty  
18 Energy NH, Liberty Utilities, and Algonquin to provide certain shared services. The cost  
19 of those services will be charged to the utilities consistent with the costs allocation  
20 methodology that I will describe later in my testimony. These services will include  
21 strategic management, access to capital, and financial controls services that Algonquin  
22 will provide, and some corporate accounting, human resources, IT, rates, regulatory  
23 affairs, environmental health, safety, and security, and utility planning services that will

1 be provided by Liberty Utilities. Once the management services agreement has been  
2 executed, we will file it with the Commission, consistent with RSA 366. These  
3 agreements are described in further detail by Mr. Pasioka in his testimony.

4

5 **Q. Can you provide an overview of what the shared services will be?**

6 A. Yes. Joint Petitioners Attachment 21 provides a summary of the types of services that  
7 will be provided to Granite State and EnergyNorth by each of the entities.

8

9 **VI. COST ALLOCATIONS**

10 **Q. Please discuss the process Algonquin and Liberty Utilities use for cost allocation**  
11 **purposes.**

12 A. Algonquin and its subsidiaries operate as part of a shared services model under which  
13 certain services provided at the corporate level, either by Algonquin itself or by Liberty  
14 Utilities, are charged to Algonquin affiliates based on either a direct charge or a defined  
15 cost allocation methodology. The majority of costs are based on direct charges because  
16 they reflect labor costs for particular services. Direct charges for labor are based on time  
17 sheets that are kept for all management employees to reflect the specific entity for which  
18 they are performing services at any given time and the project they are working on. By  
19 utilizing direct charges whenever feasible, the shared services model has a significant  
20 level of transparency (and simplicity) that enables regulators to readily determine the  
21 costs attributable to parent level or affiliate services and whether those costs are  
22 appropriate.

1 **Q. Can you provide a high level overview of what costs will be allocated?**

2 A. Yes. The cost allocations can be categorized into three distinct areas.

3 • Central Office Costs – These costs relate to the strategic management, access to  
4 capital, and internal controls provided by Algonquin to all of its subsidiaries,  
5 including Liberty Energy NH. These allocations are non-labor based.

6 • Liberty Utilities Costs – These costs relate to the administration of the utilities  
7 group using a shared services model. Allocated costs include labor for services  
8 such as accounting and information technology services.

9 • Liberty Energy NH Costs – These costs will be specific to Granite State and  
10 EnergyNorth. Examples of shared resources for which allocations may be used  
11 include Human Resources, Finance, Regulatory Affairs and Environmental,  
12 Health, Safety, and Security.

13 I will discuss each of these in greater detail below.

14

15 **Q. What costs are allocated, rather than being directly charged, and how is that cost**  
16 **allocation determined?**

17 A. Algonquin and its affiliates have a cost allocation manual (see Joint Petitioners  
18 Attachment 22) that sets forth a cost allocation methodology to be used by all Algonquin  
19 entities, based largely on the guidelines established by the National Association of  
20 Regulatory Utility Commissioners. Under the methodology set forth in the manual,  
21 allocated costs generally fit into four major categories: (1) Strategic Management; (2)  
22 Capital Access; (3) Financial Controls; and (4) Administrative. Strategic Management  
23 includes costs related to professional services (e.g., general legal costs). Capital Access

1 includes items such as fees to be listed on the Toronto Stock Exchange, shareholder  
2 communications expense, and other expenses associated with Algonquin's being a  
3 publicly traded company and accessing the capital markets. Financial Controls includes  
4 costs related to tax services, tax planning, parent level audits, and Algonquin's Board of  
5 Directors. Administrative encompasses costs such as rent, depreciation expense for  
6 office equipment, and other office costs.

7  
8 **Q. For those costs that are allocated, rather than directly charged, how does Algonquin**  
9 **determine the portion to allocate to each of its subsidiaries?**

10 A. Algonquin's cost allocation methodology is based on several factors—EBITDA,  
11 revenues, plant in service, employees, square footage, and expenses. Where one of these  
12 factors is the principal cost driver, it is used exclusively to allocate costs among  
13 Algonquin's subsidiaries - Algonquin Power Co., Liberty Water, and Liberty Energy.  
14 Where a single cost driver cannot be identified, four factors – EBITDA, revenues, plant  
15 in service, and expenses are averaged to determine the proper cost allocation. Costs  
16 allocated to Liberty Water or Liberty Energy are then further allocated to their respective  
17 subsidiaries based on a mix of four factors including plant in service, customer count,  
18 labor costs, and other expenses. In addition, there are certain costs for services  
19 performed by Liberty Utilities, rather than Algonquin, that must be charged to the  
20 appropriate entities.

1 **Q. How are the costs for services that are performed by Liberty Utilities charged?**

2 A. Those costs mostly relate to labor, which generally can be directly charged. Certain of  
3 the services benefit Algonquin itself, and therefore they are directly charged to  
4 Algonquin. The majority of the costs and the related services benefit Liberty Water and  
5 Liberty Energy and their subsidiaries. These costs are directly charged either to Liberty  
6 Water or Liberty Energy, as appropriate, and in turn, are allocated to each operating  
7 company based on a weighted average of four different factors—rate base, total  
8 customers, non-labor expenses, and labor. Where costs cannot be attributed either to  
9 Liberty Water or Liberty Energy, they are divided using the four factor methodology  
10 described above. Also, non-labor costs are allocated using a four factor methodology.

11

12 **Q. How will the cost allocation methodology for Liberty Energy NH work?**

13 A. Liberty Energy NH will use the same allocation principles as all of our other utilities,  
14 which means direct charging as much as possible, and using the cost allocation drivers  
15 discussed in the cost allocation manual provided as Joint Petitioners Attachment 22.

16

17 **VII. CONCLUSION**

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

19 A. Yes. It does.