

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 20, 2011 - 10:15 a.m.
Concord, New Hampshire

NHPUC MAY04'11 PM 1:44

RE: DG 11-040
NATIONAL GRID USA, ET AL:
Joint Petition for Authority to
Transfer Ownership of Granite State
Electric and EnergyNorth Natural
Gas, Inc. to Liberty Energy Utilities
Corp. (Prehearing conference)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. National Grid USA, et al:
Steven V. Camerino, Esq. (McLane, Graf...)
Sarah B. Knowlton, Esq. (McLane, Graf...)
Celia O'Brien, Esq. (Asst. General Counsel)

Reptg. Liberty Energy Utilities Corp.:
Victor D. Del Vecchio, Esq.
Mary Lou McDonald, Esq. (General Counsel)

COURT REPORTER: Steven E. Patnaude, LCR No. 52

ORIGINAL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

APPEARANCES: (Continued)

**Reptg. International Brotherhood of
Electrical Workers (IBEW) Local 326:**
James G. Red Simpson, Business Manager

**Reptg. United Steel Workers of America
Local 12012-3:**
Shawn J. Sullivan, Esq.

**Reptg. The Way Home, Pamela Locke, and
John Martino:**
Alan Linder, Esq. (N.H. Legal Assistance)

Reptg. Granite State Hydropower Association:
Howard M. Moffett, Esq. (Orr & Reno)

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Rorie E. P. Hollenberg, Esq.
Kenneth E. Traum, Asst. Consumer Advocate
Stephen R. Eckberg
Office of Consumer Advocate

Reptg. the NHPUC Staff:
Lynn Fabrizio, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Amanda O. Noonan, Dir./Consumer Affairs Div.
Thomas C. Frantz, Director/Electric Division
Randall Knepper, Director/Safety Division

P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the prehearing conference in Docket DG 11-040. On March 4, 2011, National Grid and Liberty Energy Utilities filed a joint petition for authority to transfer ownership of Granite State Electric and EnergyNorth Natural Gas to Liberty Energy NH. The aggregate purchase price to be paid for the stock of Granite State Electric is \$83 million less certain existing indebtedness, and the aggregate purchase price for the stock of EnergyNorth is \$202 million.

We issued an order of notice on March 29 setting the prehearing conference for this morning. I also note for the record that we have the Office of Consumer Advocate's Notice of Participation. We have Petitions to Intervene filed by the United Steel Workers of America, Granite State Hydropower Association, the International Brotherhood of Electrical Workers. We have three Petitions to Intervene filed by New Hampshire Legal Assistance, on behalf of Pamela Locke, The Way Home, and John Martino. And, we also have a Petition to Intervene by the Business & Industry Association. We have some comments filed by the Town of Hanover. And, I also note that the Applicants have filed the affidavit of

1 publication.

2 So, before we hear a brief summary of
3 the positions of parties, let's go around the room and
4 take appearances, so I'll know who's here. And, then, if
5 there's anyone else who is seeking to intervene, if they
6 could indicate at that time.

7 So, beginning with Mr. Del Vecchio.

8 MR. DEL VECCHIO: Thank you, Mr.
9 Chairman. Good morning, Mr. Chairman, Commissioner Below,
10 Commissioner Ignatius. Victor Del Vecchio, representing
11 Liberty Energy Utilities and Liberty Energy Utilities New
12 Hampshire. With me today, at the table actually, is Ian
13 Robertson, the Chief Executive Officer of Algonquin Power
14 & Utilities Corp; Peter Eichler, who is the Manager of
15 Financial Planning, responsible for regulatory and
16 ratemaking matters; David Pasieka, who is the interim
17 President of Liberty Energy New Hampshire; and Mary Lou
18 McDonald, the General Counsel and Corporate Secretary of
19 Algonquin Power.

20 CHAIRMAN GETZ: Good morning, everyone.

21 MR. CAMERINO: Good morning,
22 Commissioners. Steve Camerino and Sarah Knowlton, from
23 McLane, Graf, Raulerson & Middleton, and Celia O'Brien,
24 Assistant General Counsel for National Grid, appearing on

1 behalf of National Grid USA and its affiliates. And, also
2 with us at counsel table this morning are Tim Horan,
3 President for National Grid's New Hampshire and Rhode
4 Island operations. And, at the end of the table, Phil
5 DeCicco, Senior Counsel for National Grid.

6 CHAIRMAN GETZ: Good morning.

7 MR. SIMPSON: Good morning,
8 Commissioners. I'm James Red Simpson, Business Manager
9 and Financial Secretary for IBEW Local 326, which
10 represents the workers of the Salem, New Hampshire
11 platform.

12 CHAIRMAN GETZ: Good morning.

13 MR. LINDER: Good morning, Mr. Chairman
14 and Commissioners. My name is Alan Linder, an attorney
15 from New Hampshire Legal Assistance. And, we represent
16 The Way Home, a low-income organization; we represent
17 Pamela Locke, a low-income customer of
18 EnergyNorth/National Grid; and we represent John Martino,
19 a low-income customer of Granite State Electric.

20 CHAIRMAN GETZ: Good morning.

21 MR. LINDER: Good morning.

22 MR. SULLIVAN: Good morning,
23 Commissioners. Attorney Shawn Sullivan, representing
24 United Steel Workers Local 12012. I'm joined here by

1 Kenneth Spottiswood, the Union Chairman of that bargaining
2 unit.

3 CHAIRMAN GETZ: Good morning.

4 MR. MOFFETT: Good morning,
5 Commissioners. I am Howard Moffett, from Orr & Reno, in
6 Concord, here this morning to represent Granite State
7 Hydropower Association.

8 CHAIRMAN GETZ: Good morning.

9 MS. HATFIELD: Good morning,
10 Commissioners. Meredith Hatfield, for the Office of
11 Consumer Advocate, on behalf of residential ratepayers.
12 And, with me for the Office are Rorie Hollenberg, Ken
13 Traum, and Steve Eckberg.

14 CHAIRMAN GETZ: Good morning.

15 MS. FABRIZIO: Good morning,
16 Commissioners. Lynn Fabrizio, on behalf of Staff. And,
17 with me at the table today are Steve Frink, the Assistant
18 Director of the Gas Division; Amanda Noonan, Director of
19 the Consumer Affairs Division; Tom Frantz, Director of the
20 Electric Division; and Randy Knepper, Director of the
21 Safety Division.

22 CHAIRMAN GETZ: Good morning. So, it
23 looks like everyone who has filed a written Petition to
24 Intervene is represented here this morning. And, take it

1 that no oral Petitions to Intervene that are being put
2 forth this morning.

3 So, Mr. Del Vecchio, first I'd ask, do
4 you have any objections to any of the Petitions to
5 Intervenor?

6 MR. DEL VECCHIO: No, Mr. Chairman.

7 CHAIRMAN GETZ: And, Mr. Camerino?

8 MR. CAMERINO: No objections.

9 CHAIRMAN GETZ: Okay. Thank you.

10 CMSR. IGNATIUS: I did have one
11 question. Mr. Sullivan, in looking at the Petition for
12 Intervention by the United Steel Workers, you stated that
13 there are citizens of the State of New Hampshire who are
14 members of the union employed by National Grid.

15 MR. SULLIVAN: Yes, there are.

16 CMSR. IGNATIUS: Are there people who
17 you represent who are actual employees of the New
18 Hampshire operation?

19 MR. SULLIVAN: Yes. There are about 80
20 of them.

21 CMSR. IGNATIUS: All right. Thank you.

22 CHAIRMAN GETZ: And, let me amend my
23 earlier statement. I said "it looked like that everyone
24 who has petitioned to intervene has made an appearance

1 today", and I believe there's a Petition to Intervene by
2 the Business & Industry Association, and does not appear
3 to be anyone here today to make an appearance.

4 So, let's begin, Mr. Del Vecchio, an
5 opportunity to state the position of the Applicant.

6 MR. DEL VECCHIO: Thank you. Mr.
7 Chairman, I think Mr. Camerino would like to start.

8 CHAIRMAN GETZ: Mr. Camerino.

9 MR. CAMERINO: Thank you, Mr. Chairman.
10 First, let me just start with a brief overview of the
11 transaction to orient the Commission. This is, from a
12 corporate standpoint, is a sale of the stock of Granite
13 State Electric and EnergyNorth. And, to the extent
14 applicable, the companies are seeking approval under RSA
15 374:30 and 374:33. We are not seeking to proceed under
16 the more expedited statute, 369, Section 8. We recognize
17 that the Commission will expect to conduct a fairly
18 detailed investigation of this transaction, and we would
19 -- are not asking that the Commission comply with the time
20 frames under that statute.

21 From a corporate transactional
22 standpoint, the acquisition is really quite
23 straightforward. There is no change in the ownership of
24 the assets of the entities. Those will remain with

1 Granite State Electric and EnergyNorth, which are the
2 utilities that are subject to this Commission's
3 jurisdiction. What is changing is the ownership of those
4 two utilities.

5 At the ground level, however, there are
6 really no changes at all. The field personnel who are
7 employed by those entities will remain employed by those
8 entities. The day-to-day operations of those entities
9 will remain the same, subject to the descriptions that are
10 in the testimony regarding the operating philosophy of
11 Algonquin. The assets that are owned by those utilities
12 will all remain the same and will remain owned by those
13 utilities.

14 In addition to the employees continuing
15 with those utilities, there are a significant number of
16 National Grid Service Company employees who will become
17 employees of the local utilities or the appropriate
18 Liberty Energy entity providing services to those New
19 Hampshire utilities on an ongoing basis.

20 There are three other approvals that the
21 parties are seeking as part of this transaction from other
22 regulatory bodies. The first is from the Federal Energy
23 Regulatory Commission. Some of the Granite State Electric
24 assets are subject to FERC jurisdiction, and that approval

1 is pending. It's expected in late May, perhaps mid June.
2 The second is what's referred to as "CFIUS", the Committee
3 on Foreign Investment in the United States. That approval
4 has already been received. The third is the
5 Hart-Scott-Rodino antitrust approval that's required from
6 the Department of Justice and the Federal Trade
7 Commission, and that approval has been received.

8 A fair amount of this filing addresses
9 the transition process or the transition services to be
10 provided by National Grid to Liberty Energy after the
11 transaction closes. We want to make clear that National
12 Grid is committed to providing transition services to
13 Liberty over a time period that will provide the
14 Commission with the assurance that it needs, that customer
15 service and the safety and reliability of the electric and
16 gas distribution systems will be maintained at the levels
17 that the Commission expects and the customers deserve.

18 Transition services will remain in
19 place, being provided by National Grid, until Liberty is
20 ready to take over those services. And, that will be
21 determined on a service-by-service basis, as opposed to
22 some kind of clean-cut, where everything moves over on one
23 day. It will be determined and transferred service by
24 service.

1 During the Transition Period, those
2 services will be provided by the same National Grid
3 personnel, the same National Grid systems, as was provided
4 prior to the closing, and, therefore, there should be no
5 change in quality of any kind.

6 After the transition, the Liberty
7 personnel, who will be providing services to customers,
8 will be primarily the same people who were formerly
9 employed by National Grid at the service company level or
10 by the two utilities at the operating company level. And,
11 again, we believe that that will ensure consistent
12 quality, both during the transition and afterwards.

13 So, you'll notice that the Transition
14 Service Agreements are designed to be comprehensive. By
15 that, I mean that they have identified every possible
16 service that Liberty Energy might need from National Grid
17 during the transition process. That doesn't mean that
18 Liberty Energy will take all of those services, and they
19 are in the process of determining which services will be
20 needed post closing. And, we are also in the process of
21 discussing for how long those may be needed. So, they're
22 designed to be comprehensive to give Liberty Energy access
23 to all those services. And, as we move forward, we will
24 determine which ones are actually needed and for how long.

1 The transaction comes about as a result
2 of National Grid's efforts to refocus its own distribution
3 utility business in those jurisdictions where it has a
4 larger presence. For National Grid, as you're aware, New
5 Hampshire constitutes about two percent of its entire
6 business. For Algonquin and Liberty Energy, that figure
7 will be more like 20 percent. We think that that provides
8 a real benefit to New Hampshire, because the transaction
9 will give New Hampshire an opportunity to have a more
10 localized presence from these two utilities and restore
11 greater local control, which we believe is something that
12 we've heard from a number of parties they would like to
13 see.

14 From an overall standpoint, we think
15 that the transaction more than meets the "public interest"
16 standard. There's no adverse impact to customers. We
17 think, as I said, there will be an opportunity for more
18 localized management and control. We know that New
19 Hampshire will constitute a significantly larger portion
20 of the total overall corporate business. And, we think
21 that that's something that the Commission will look
22 favorably upon.

23 In sum, we're prepared to undergo the
24 discovery process with the Staff and other parties. We

1 look forward to responding to questions. We know that
2 there are key areas that the Staff is going to want more
3 information before they can take a final position. And,
4 we very much look forward to cooperating with them, the
5 Consumer Advocate, and the other intervenors, assisting
6 the Commission with its investigation. Thank you.

7 CHAIRMAN GETZ: All right. Thank you.

8 MR. DEL VECCHIO: Thank you, Mr.
9 Chairman. Today, I'd like to discuss what we believe is
10 an opportunity in New Hampshire for increased visibility,
11 increased presence and increased labor force returning to
12 the state. I won't, Mr. Chairman, focus on the details of
13 the transaction, which I think Mr. Camerino bravely
14 addressed, but I would like to discuss briefly some of the
15 reasons why we believe that the transaction is lawful and
16 consistent with public good.

17 First, Algonquin is one of the largest
18 commercial power and generator and utilities companies in
19 Canada. Algonquin owns and operates an approximately
20 \$1.1 billion portfolio of renewable power electric
21 generation and utility companies operating across North
22 America and serves approximately 125,000 utility customers
23 in the United States. Customers who, by the way, rely on
24 the critical services provided by the Algonquin family of

1 companies for power and for water.

2 Algonquin has been a model citizen in
3 New Hampshire since 1998, employing 13 people and
4 providing 18 megawatts of production capacity through its
5 hydroelectric facilities headquartered in Tilton. Over
6 50 percent of Algonquin's revenues are generated through
7 its U.S.-based operations. Its power generation unit
8 includes 45 renewable power generating facilities and 12
9 high-efficiency thermal generating facilities located in
10 six United States' states and Canada. Its utility
11 services unit, in turn, operates 20 regulated utilities
12 located in five states that provide water, wastewater, and
13 electric utility service to consumers.

14 Second, Granite State and EnergyNorth
15 will become locally managed and operated upon completion
16 of the transaction, returning a significant number of
17 skilled and well-paying jobs to New Hampshire. Among
18 other things, Mr. Chairman, I would focus on: The fact
19 that Liberty Energy intends to designate a New
20 Hampshire-based president, who will be employed in New
21 Hampshire and will have full-time responsibility for the
22 day-to-day operations of the two companies. Granite
23 State's and EnergyNorth's existing field operations, as
24 Mr. Camerino indicated, will largely remain unchanged as a

1 result of the transaction. Liberty Energy plans to employ
2 within New Hampshire the individuals necessary to deliver
3 most of the services that National Grid now provides from
4 service locations situated in service company facilities
5 in Massachusetts and New York. And, in that regard,
6 Liberty will establish and maintain a New Hampshire
7 headquarters and operations center for all core functions
8 of Granite State and EnergyNorth that are returned to New
9 Hampshire, establishing walk-in centers in the state to
10 enhance face-to-face customer interaction and overall
11 customer satisfaction.

12 Third, Liberty is committed to
13 continuing to invest the capital necessary to provide safe
14 and reliable utility service in the state, as the docket
15 will demonstrate, and Algonquin and its affiliates are
16 capable and responsible owners for whom the Granite
17 State/EnergyNorth assets represent an excellent strategic
18 fit.

19 Fourth, the history of the Algonquin
20 companies demonstrates that the companies are focused on
21 investing in assets with the expectation that they will
22 hold them for the long term. Along those lines, the
23 Algonquin companies manage their businesses with the goal
24 of best-in-class service, with an emphasis on reinvestment

1 and building strong regulatory relationships. During the
2 ten years in which Algonquin has operated and acquired
3 utility businesses, it has not sold any of those
4 utilities. Its history of successfully and safely
5 operating a large number of utilities demonstrates its
6 ability to transition the management of the two utilities
7 upon conclusion of this transaction.

8 Fifth, the two utilities will also have
9 the ongoing support of National Grid, as we heard
10 Mr. Camerino also discuss. Specifically, National Grid
11 will continue to provide services in all functional areas
12 in which the local utilities are not ready to operate on a
13 stand-alone basis at the time of the closing. The TSAs
14 will continue in place with regard to each such service
15 until the local utilities are fully ready to assume them.

16 And, finally, Liberty Energy New
17 Hampshire does not intend to cause either Granite State or
18 EnergyNorth to seek rate recovery of any acquisition
19 premium or transaction costs arising from the stock
20 transfer, nor does it have plans to make any substantive
21 changes to either Granite State's or EnergyNorth's tariffs
22 as a result of the transaction.

23 In short, Commissioners, Liberty New
24 Hampshire is confident that it can deliver the highest

1 level of service and regulatory responsiveness while
2 maintaining an overall cost structure that is consistent
3 with what customers could reasonably have expected under
4 current ownership. We know, and I think the people at
5 this table know, that there are some who have expressed
6 concern regarding whether Liberty Energy New Hampshire
7 should be authorized to purchase these utilities. And, we
8 understand that the burden of proof in this regard rests
9 with the Companies. We are confident, however,
10 Commissioners, that our Petition and the discovery in this
11 case will show not only that Liberty is well qualified to
12 operate the Granite State and EnergyNorth utilities, but
13 also that the customers will benefit from the operating
14 model and regulatory approach that Liberty plans to bring
15 to New Hampshire. We believe that the Commission will
16 find that Liberty will be a constructive, responsive and
17 capable new partner in New Hampshire, permitting customers
18 to receive first class service at just and reasonable
19 rates.

20 The Companies look forward,
21 Commissioners, to addressing any questions that may arise
22 during the course of this proceeding, and I thank you for
23 the opportunity of having given this preliminary statement
24 now.

1 CHAIRMAN GETZ: Thank you. Mr. Linder.

2 MR. LINDER: Thank you, Mr. Chairman and
3 Commissioners. Our low-income clients' main concern is
4 that the new owner, if approved, have the same level of
5 commitment to the low income programs that National Grid
6 has and has had for a number of years. The five main low
7 income-based programs are Granite State Electric
8 participates in the Low Income Bill Assistance Electric
9 Assistance Program, and our clients would like to see that
10 commitment of National Grid maintained. Secondly,
11 EnergyNorth/National Grid has a Low Income Gas Rate
12 Discount and the R-4 rate, and we would like to see the
13 new owner assume the same level of commitment that
14 EnergyNorth/National Grid has shown over the years towards
15 that low income rate. Third, National Grid
16 Gas/EnergyNorth participates in the Low Income Energy
17 Efficiency Program, along with the other energy efficiency
18 programs that the gas company participates in. Fourth,
19 National Grid participates in the Low Income Electric
20 Energy Efficiency Program, which is part of the Statewide
21 Core Energy Efficiency Programs that serve
22 commercial/industrial and residential customers, including
23 low income customers.

24 And, finally, National Grid, through the

1 years, has shown a high level of commitment towards its
2 philanthropic endeavors, which includes the
3 Neighbor-Helping-Neighbor Program, which provides bill
4 assistance to those lower income customers who, for some
5 reason, may not qualify for the current Electric
6 Assistance Program assistance and the Low Income Gas
7 Discount Assistance Program.

8 So, that is the major concerns of the
9 low-income clients whom we represent. Thank you.

10 CHAIRMAN GETZ: Thank you. Mr. Simpson.

11 MR. SIMPSON: Thank you, Mr. Chairman.

12 Good morning, Commission. As I've stated earlier, my name
13 is James Simpson. I'm the Business Manager and Financial
14 Secretary.

15 (Court reporter interruption.)

16 MR. SIMPSON: I'm sorry. I'm the
17 Business Manager of --

18 CHAIRMAN GETZ: You can sit. It might
19 be easier for the court reporter.

20 MR. SIMPSON: As I had -- is that
21 better?

22 MR. PATNAUDE: Yes.

23 MR. SIMPSON: As I had stated earlier, I
24 represent a number of employees in Granite State Electric

1 that work out of the Salem, New Hampshire Division Office.
2 I also represent a number of employees with National Grid
3 in Massachusetts, which performs the support functions
4 today for Salem, New Hampshire.

5 Since Algonquin and Liberty Power has
6 come on board, and we have had numerous discussions as to
7 the future of the Granite State group, they have showed a
8 remarkable acceptance of the Union, and a willingness to
9 work with the Union, as far as making sure the manpower
10 levels are correct for the work that needs to be provided.
11 Which is a real breath of fresh air, if I may be so
12 liberal about it, as far as some of these companies are
13 concerned these days. The IBEW is extremely optimistic
14 about this plan going forward, and would ask that you look
15 on it favorably.

16 CHAIRMAN GETZ: Thank you.

17 Mr. Sullivan.

18 MR. SULLIVAN: Thank you, Mr. Chairman.
19 As I stated previously, I represent the interests of the
20 United Steel Workers, Local 12012, 80 members strong in
21 New Hampshire. We provide the gas service from Berlin
22 through southern New Hampshire. I represent the people
23 who work in the field and maintain the system, they
24 improve the system. We have been accepted in previous

1 proceedings involving prior iterations of these companies,
2 being KeySpan, National Grid, at the PUC, we've been
3 intervenors. My group brings knowledge, experience in
4 areas of safety, efficiency. And, we look forward to
5 working with the other parties here in this process to
6 maintain safety, efficiency, at reasonable rates. Thank
7 you.

8 CHAIRMAN GETZ: Thank you. Mr. Moffett.

9 MR. MOFFETT: Thank you, Mr. Chairman.

10 Granite State Hydropower Association is here in order to
11 see how this transaction is going to be affected by the
12 Commission's implementation of the Affiliate Transaction
13 Rules for public utilities, and, at the outside, the
14 restructuring statutes.

15 Our interest arises from the
16 circumstance that Algonquin is presently involved as an
17 owner of generation facilities in New Hampshire,
18 specifically eight small hydroelectric projects, as far as
19 we understand. Granite State Hydropower Association
20 represents approximately 45 similarly situated small hydro
21 projects that are not owned by Algonquin. And, so, our
22 interest is in understanding how, as this transaction
23 moves forward, the Companies and the Commission will
24 propose to bring the Affiliate Transaction Rules to bear

1 at a minimum. And, at the outside, we think it could
2 raise questions about the ownership of those generation
3 facilities under the restructuring statute.

4 Granite State doesn't take any position
5 -- Granite state Hydropower Association doesn't take any
6 position on that issue at the moment. But we are very
7 interested in the question. We do not oppose the
8 transaction, but we're very interested in seeing how this
9 issue is handled as part of the transaction.

10 CHAIRMAN GETZ: Thank you.

11 Ms. Hatfield.

12 MS. HATFIELD: Thank you, Mr. Chairman.
13 The OCA is still in the process of reviewing the Company's
14 filing. And, we look forward to working with the
15 Companies, Staff, and the intervenors to thoroughly review
16 the filing. And, I wanted to just mention a few key areas
17 that we'll be focusing on. One is the issue of Transition
18 Service Agreements, including the costs of those
19 agreements, and also the processes that are put in place
20 to determine when a particular service or system is ready
21 for cutover.

22 We're also looking at the fact that this
23 is Liberty's first acquisition of a gas utility, and we
24 think that raises a lot of issues related to the operation

1 of that particular utility, including safety and other
2 related issues.

3 And, we look forward to working with all
4 of the parties. Thank you.

5 CHAIRMAN GETZ: Thank you.
6 Ms. Fabrizio.

7 MS. FABRIZIO: Thank you, Mr. Chairman.
8 Good morning, Commissioners. This is an important docket
9 for New Hampshire ratepayers and the transaction is one
10 with many moving parts. While Staff has not yet developed
11 a detailed position on the Joint Petition, it has
12 identified a number of areas that merit careful review and
13 further investigation. Key areas include Algonquin's
14 experience and ability to operate electric and gas
15 distribution companies, the proposed IT system, staffing
16 issues, the proposed financing arrangements, Algonquin's
17 emergency response capabilities, and implementation of the
18 transition.

19 Algonquin has very limited experience in
20 operating an electric utility and no experience operating
21 a natural gas utility. While National Grid employees
22 currently located in New Hampshire and performing New
23 Hampshire field operations will be retained, virtually all
24 of Granite's and EnergyNorth's regulatory, engineering,

1 gas supply, dispatch, meter testing, marketing,
2 accounting, and customer service functions are currently
3 performed by personnel employed by National Grid's
4 affiliates in Massachusetts and New York. A number of
5 those employees, as we've heard this morning, are expected
6 to be offered positions with Algonquin, but it is unclear
7 as yet how many and at what cost. Staff will need to
8 explore the impact staffing changes may have on Granite
9 and EnergyNorth rates, services, and operations. For
10 example, the Stock Purchase Agreements require Algonquin
11 to provide the same compensation and benefits to National
12 Grid employees taking positions with Algonquin as they are
13 currently receiving with National Grid. While the wages
14 and benefits of those employees reflect a higher cost of
15 living than would be expected for New Hampshire, under
16 National Grid only a small portion of the overall service
17 company costs are allocated to Granite and EnergyNorth.
18 Under Algonquin, the cost of these employees will be fully
19 borne by New Hampshire.

20 In addition, many, if not all, of the
21 operational systems supporting National Grid's utility
22 functions in New Hampshire are not included as part of the
23 transfer. Staff plans to seek much more detailed
24 information regarding the system Algonquin plans to use to

1 support its billing and customer service functions, as
2 well as other operational systems, such as outage
3 management, accounting, energy supply planning, energy
4 contracting, mapping, integrated resource planning, and
5 energy efficiency planning. The Commission is well aware
6 of the potential impact that less-than-functional
7 operational systems could have on customers and safe and
8 reliable service. Staff would like to ensure that the
9 Commission has the information it needs to assess
10 Algonquin's capability to manage and operate the Granite
11 and EnergyNorth systems.

12 Algonquin is proposing to refinance both
13 Granite and EnergyNorth with a yet to be determined
14 capital structure and weighted cost of capital. According
15 to the Petition, Algonquin will be seeking authority for
16 the debt portion of the financing in a petition to be
17 filed at some point later in the course of this
18 proceeding. Without knowing the terms and conditions of
19 the new financing and the expected cost structure for the
20 Companies, it is impossible to determine what the impact
21 on future rates will be. In order to rule on the
22 Petition, the Commission needs to be fully informed of the
23 proposed terms of financing and able to evaluate the
24 effects of the acquisition as a whole. Staff anticipates

1 close scrutiny of the financing details when they are
2 filed.

3 In addition to concerns regarding rate
4 impacts and the systems required to support utility
5 operations in New Hampshire, there are a number of general
6 safety concerns that merit further inquiry. Granite and
7 EnergyNorth currently are signatories to the National Grid
8 Mutual Assistance Agreement through which affiliate
9 companies assist in emergency response efforts. Because
10 of the number, size, and proximity of its affiliates,
11 National Grid is well positioned to provide emergency
12 services to Granite and EnergyNorth. Staff will be
13 looking at Algonquin's emergency response plans, including
14 its ability to secure assistance in emergency situations.

15 Finally, the Petitioners have noted that
16 the Stock Purchase Agreements will terminate if the stock
17 transfers are not consummated by or on September 30, 2011;
18 however, the Companies have the right to extend the
19 agreements through March 30th, 2012. Given the numerous
20 issues raised by the Petition, Staff believes a
21 comprehensive and meaningful review of the Petition is not
22 possible to conclude prior to September 30. We will be
23 working, however, with the Petitioners and intervenors in
24 today's tech session to develop a procedural schedule that

1 will try to allow for completion of the acquisition by
2 March 30th, 2012. Thank you.

3 CHAIRMAN GETZ: Thank you.

4 (Chairman and Commissioners conferring.)

5 CHAIRMAN GETZ: Opportunity to respond
6 to anything, Mr. Camerino? Mr. Del Vecchio?

7 MR. DEL VECCHIO: No thank you, Mr.
8 Chairman.

9 CHAIRMAN GETZ: Okay. Two things. One
10 is, administratively, there's the Motion for Protective
11 Order and Confidential Treatment, that a secretarial
12 letter was issued on September 7th, instructing the
13 Companies to -- April 7th, to refile. So, I assume that's
14 something that's in progress?

15 MR. CAMERINO: Yes, Mr. Chairman. Two
16 points on that, actually. One is that, I believe the
17 Consumer Advocate had indicated there was an agreement to
18 remove some of the redactions, if I can put it that way,
19 and bring into the public record some of the things that
20 the Company had originally sought protection of. And, I
21 would just like to identify for the record here today
22 where those changes are, so that, when the Commission
23 rules on the motion, it's aware that those are no longer
24 in play.

1 And, the second is, our intention was,
2 as soon as we got an order from the Commission indicating
3 what it had approved confidentiality of, we would then
4 refile those schedules in compliance with the letter. We
5 wanted to avoid filing them twice, and we didn't know what
6 action might be taken on the motion and what further
7 discussion there might be today. So, that was our plan,
8 was to await a Commission order on the motion, if that's
9 okay with the Commission?

10 CHAIRMAN GETZ: Okay. Is there any
11 other discussion about that? It wasn't clear to me that
12 that was what the expected process was to rule on the
13 motion, that there was going to be some refileing, and then
14 -- and then reviewing it. But it sounds like there's
15 still a dispute?

16 MR. CAMERINO: I don't believe there is
17 any dispute. And, we will obviously do whatever the
18 Commission asks us to do. But our hope was to avoid
19 filing the redacted schedules in the fashion that the
20 Commission had indicated, and then being told that some of
21 that material couldn't be protected and we had to file
22 again. So, that was the reason for holding off until
23 today's hearing.

24 And, as I indicated, the other thing I

1 would like to do is just clearly identify for the
2 Commission those areas that the Companies have now agreed
3 are not -- for which it's not seeking confidentiality.

4 CHAIRMAN GETZ: Well, that would be
5 useful.

6 MR. CAMERINO: Okay. So, I'll just read
7 those quickly into the record. With regard to the
8 EnergyNorth Schedule, Section 1.1(a), regarding "Corporate
9 Employees", the Company agrees not to redact the columns
10 headed "Job Title", "Band", "Union Code", "Work Location",
11 and "Company". Section 1.1(f) of the EnergyNorth
12 disclosure schedules, which covers "Represented
13 Employees", the Company agrees not to redact the columns
14 headed "Union Code", "Work Location", and "Company". In
15 the EnergyNorth disclosure schedules, Section 5.8,
16 regarding "Environmental Matters", the Company will redact
17 only the last sentences of Paragraphs 3(a), (e) and (f),
18 which pertain to confidential settlement agreements with
19 third parties. The remaining portions of those
20 paragraphs, which describe the Keene, Concord, Manchester
21 former MGPs will not be redacted.

22 And, then, there are two Granite State
23 Electric schedules, Section 1.1(a), regarding "Corporate
24 Employees", the Companies will not redact the columns

1 headed "Company", "Job Title", "Band", "Code", "Location",
2 and "Pay Status". And, Section 1.1(f) [e?] of the
3 schedules, regarding "Represented Employees", the
4 Companies will not redact the columns headed "Company",
5 "Union Code", "Location", and "Pay Status". Thank you.

6 CHAIRMAN GETZ: Thank you.

7 Ms. Hatfield, is there any, or Staff, any comment?

8 MS. HATFIELD: We want to thank the
9 Company for the description they just gave of the
10 materials they're willing to make public. And, we also
11 appreciate that, in the Commission's letter, we believe
12 that you directed the Company to more clearly mark where
13 things are redacted, so that one does not have to have the
14 two documents side-by-side in order to ensure that one is
15 properly protecting confidential material. Thank you.

16 CHAIRMAN GETZ: Thank you.

17 Ms. Fabrizio, anything on that issue?

18 MS. FABRIZIO: No.

19 CHAIRMAN GETZ: All right. Then, the
20 last thing is with respect to all of the Petitions to
21 Intervene. We find that the Petitioners have demonstrated
22 rights that may be affected by the proceeding. And, we
23 have concluded that the interest of justice and orderly
24 and prompt conduct of the hearings would not be impaired

1 by allowing all of the interventions.

2 So, is there anything else we need to
3 address this morning, before the parties move into the
4 technical session?

5 (No verbal response)

6 CHAIRMAN GETZ: Okay. Hearing nothing,
7 then we'll await a recommendation from the parties as to
8 the procedural schedule. Thank you, everyone.

9 (Whereupon the prehearing conference
10 ended at 10:53 a.m., and the parties
11 conducted a technical session
12 thereafter.)

13

14

15

16

17

18

19

20

21

22

23

24