

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 21, 2015 - 9:05 a.m.
Concord, New Hampshire

DAY 1

{REDACTED - for public use} NHPUC JUL 30 '15 PM 1:10

RE: DG 14-380
LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. d/b/a LIBERTY UTILITIES:
*Petition for Approval of a Firm
Transportation Agreement with the
Tennessee Gas Pipeline Company, LLC.*

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq. (Rath, Young...)

Reptg. the Pipe Line Awareness Network
for the Northeast, Inc. (PLAN):
Richard A. Kanoff, Esq. (Burns & Levinson)
Zachary R. Gates, Esq. (Burns & Levinson)

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Dr. Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Rorie E. Patterson, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Melissa Whitten (LaCapra Associates)

Court Reporter: Steven E. Patnaude, LCR No. 52

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* * *

WITNESS PANEL: **FRANCISCO C. DaFONTE**
 WILLIAM J. CLARK
 MELISSA WHITTEN

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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: All right. As I
3 think everyone here knows, we're here this morning in
4 Docket DG 14-380, which is Liberty's filing for approval
5 of a Precedent Agreement with respect to the Kinder -- the
6 proposed Kinder Morgan pipeline called "Northeast Direct",
7 I think. We're going to go in two stages. The first
8 stage is going to be a public comment period. We've
9 received extensive public comments in writing, via e-mail,
10 if they still are coming in, I suspect. We've got 30
11 minutes set aside for that this morning. When that is
12 done, we will proceed with the consideration of a
13 Settlement Agreement submitted by a couple of Parties, and
14 the positions of the Parties who have not joined the
15 Settlement.

16 So, rather than take appearances,
17 because we haven't started the public -- the hearing on
18 the Settlement Agreement, we're going to start with the
19 public comment period. We have six people who have signed
20 up to speak, and another three or four who have signed in
21 and saying they don't wish to speak. I'll start with
22 those four and just make sure that I understand that. I
23 have Joan Geary.

24 MS. GEARY: Yes.

1 CHAIRMAN HONIGBERG: Suzanne Gray.

2 MS. GRAY: Yes.

3 CHAIRMAN HONIGBERG: Thomas Young.

4 MR. YOUNG: Yes.

5 CHAIRMAN HONIGBERG: And Kaela Law, who
6 do not wish to speak. I have six who have signed up to
7 speak. We're going to take them in this order, so be
8 ready. Peggy Huard, John Kieleley, --

9 MR. KIELEY: "Kieleley".

10 CHAIRMAN HONIGBERG: "Kieleley", okay.
11 Sorry about that. Karen Sullivan, James Rodger, --

12 MR. RODGER: Yes.

13 CHAIRMAN HONIGBERG: -- Douglas
14 Whitbeck, --

15 MR. WHITBECK: Yes.

16 CHAIRMAN HONIGBERG: -- and Richard
17 Husband.

18 MR. HUSBAND: Yes.

19 CHAIRMAN HONIGBERG: So, we have 30
20 minutes set aside, and we have six people. Try and keep
21 your comments to three-four minutes, and we'll get through
22 this pretty efficiently, and then we can start the
23 hearing.

24 So, Ms. Huard.

1 MS. HUARD: Yes. Good afternoon.

2 CHAIRMAN HONIGBERG: Actually, it's
3 still morning.

4 MS. HUARD: Oh, it's still morning.

5 CHAIRMAN HONIGBERG: We've got a ways to
6 go, but --

7 MS. HUARD: It's been a long morning.
8 Early morning for me.

9 Liberty Utilities claim in their
10 Petition to the New Hampshire Public Utilities Commission
11 in Docket DG 14-380 that this Agreement is "prudent and
12 for public interest". This is arguably furthest from the
13 truth. I refer you to the numerous comments, specifically
14 the one by my State Rep., Charlene Takesian, with numerous
15 questions that certainly need answers before this
16 agreement should be approved. I share many of the same
17 concerns and questions. There are many charts that need
18 to be considered accurately and interpreted by independent
19 parties.

20 It would seem to me that it would be
21 unethical and negligent for the New Hampshire Public
22 Utility Commission to consider this Petition before you
23 today without considering the criminally destructive and
24 corrupt pipeline projects needed to transport the increase

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1 in natural gas indicated in this Petition.

2 Whether it be TGP/Kinder Morgan or
3 another pipeline company, like Spectra, I have found a
4 trail to a tremendous amount of public corruption that you
5 can look at in the public documents at the Federal
6 Election Commission. There are numerous energy companies,
7 numerous utility companies, including Richard Kinder,
8 including Duke Energy, that have paid millions of dollars
9 to public committee -- political committees.

10 I would also ask you to consider past
11 fraud involved with Enron and the energy crisis in 2001,
12 and the likelihood that many of the same fraudulent and
13 deceptive tactics still exist in the entire energy
14 industry today. It's important to be certain that the
15 claims made in this permit, this Petition, are, in fact,
16 founded in sound analysis, is obtained from several
17 independent sources, not biased, related sources.

18 As you may or may not know, the two
19 related projects in my area, in Hudson, New Hampshire, is
20 a power line project and a pipeline project, which are
21 proposed to collocate in the same location. I'm going to
22 spare you all the details of the pipeline, because you
23 can -- because time is limited. But you can reference the
24 details in FERC Docket PF-422.

1 Both of these projects pose
2 life-threatening, detrimental, irreversible effects to
3 both people and environment. I personally have summarized
4 these concerns in a letter to the Office of Consumer
5 Advocate and against this document -- docket, as well as
6 to FERC. I personally will be placed, it was called the
7 "blast zone", a thousand foot radius from the proposed
8 pipeline. There are numerous people throughout New
9 Hampshire, in addition to the environmental concerns, that
10 will be placed in this life-threatening position, without
11 any consideration financially or any restitution
12 whatsoever from TGP or Kinder Morgan.

13 Tennessee Gas Pipelines, based on my
14 research, and their own statements in their parent
15 company's filings at the -- with the Securities & Exchange
16 Commission, have questionable integrity
17 business/environmental practices. You can consider the
18 information and concerns that I previously relayed and
19 references I have made to their own public filing, to
20 Kinder Morgan, their parent company's own public filing.

21 TGP is a subsidiary of Kinder Morgan, a
22 company that evolved from executive shareholders of Enron
23 Corporation. The public filing obtained from SEC for
24 Kinder Morgan shows a pattern of negligence, causing

1 numerous accidents, loss of life, and unnecessary
2 destruction to the environment.

3 Liberty Utilities is a subsidiary of a
4 Canadian company called "Algonquin Power & Utilities
5 Corporation". Both Kinder Morgan and Algonquin Power &
6 Utilities Corporation are publicly traded and very
7 profitable, turning millions dollar profits. The goal of
8 publicly traded companies, like Kinder Morgan and
9 Algonquin Power Utilities Corporation, is profit,
10 shareholder return, and pension contributions; not public
11 interest.

12 According to the public filing for
13 Algonquin Power & Utilities, both Liberty Utilities and
14 Kinder Morgan, parent of TGP, have formed a very
15 profitable agreement. Therefore, I feel that profit is
16 the sole motive for this Agreement sought today, not the
17 public benefit and interest. While you may feel that the
18 pending power line and pipeline projects need not be
19 considered in this hearing and your ultimate decision to
20 grant approval for the Agreement sought today, I feel they
21 are key factors in assessing the reliability of the facts
22 presented and the likelihood that the contract is not
23 prudent, nor for the public interest, but their own
24 greedy, profitable benefit.

1 Please deny this request sought by
2 Liberty Utilities today. Thank you very much.

3 CHAIRMAN HONIGBERG: Thank you,
4 Ms. Huard.

5 MS. HUARD: Thank you.

6 CHAIRMAN HONIGBERG: Since you started
7 talking, we had two more -- three more people come in, two
8 of whom wish to speak. I will remind everyone that we've
9 only set aside 30 minutes for the public comment period.
10 So, I encourage you to keep your comments brief. If
11 someone has already said something you were planning on
12 saying, please feel free to say "I don't need to add
13 anything" or "I agree with so-and-so", that will keep
14 things moving. The two people who have come in and wish
15 to speak are Liz Fletcher and John Lewicke. So, I'm aware
16 of them. They are now on the list. And, a name, I'm
17 sorry, I cannot read, Anna, starts with an "F", is here,
18 does not wish to speak.

19 Mr. Kieley.

20 MR. KIELEY: Good morning. My name is
21 John Kieley. I'm a long-term selectman in the Town of
22 Temple. And, since my retirement from that position in
23 March, I have spent a good deal of time dealing with the
24 subject of the Pipeline. My comments this morning will be

1 addressed towards the Liberty application.

2 I'd like to start by saying that, in my
3 opinion, public policy should discourage utility contracts
4 that heavily impact New Hampshire's people, its economy,
5 its environment, particularly when there are alternatives
6 available to the proposal. This application is an attempt
7 to justify a huge construction project that would be
8 devastating to the residents of literally dozens of New
9 Hampshire towns. It's not just the towns on the pipeline,
10 with a pipeline running through it, but adjacent towns
11 like Temple.

12 In Temple's case, our elementary school
13 is not only within the incineration zone of the largest
14 compressor station ever proposed for this part of the
15 United States, but it's also within range of the massive
16 air pollution that is guaranteed to take place if this
17 pipeline is built and that compressor station is
18 constructed where Kinder Morgan says it will be now.
19 There is an extremely long list of toxins and carcinogens
20 that absolutely will be pumped out of that compressor
21 station into the air, exempt from the Clean Air Act. And,
22 our school children, in addition to our residents
23 at-large, will be breathing in those fumes.

24 I've spent a lot of time on this subject

1 outside of the Town of Temple, not only in adjoining
2 towns, but in a group called the "Pipeline Coalition",
3 which includes 14 of the towns that the pipe actually goes
4 through. There is no benefit to Liberty customers from
5 this proposal. The alternatives to the Kinder Morgan
6 project are less expensive, and equally as important to
7 New Hampshire residents, they'd be coming through existing
8 pipelines.

9 This project, the Liberty project or
10 contract, if approved, would not only have no cost/benefit
11 to Liberty's customers, but it would come at a huge price
12 to New Hampshire residents.

13 I encourage you to reject the utility's
14 application. Thank you very much.

15 CHAIRMAN HONIGBERG: Thank you,
16 Mr. Kieley. Ms. Sullivan.

17 MR. SULLIVAN: I am Karen Sullivan of
18 New Ipswich, New Hampshire. I am within the half-mile
19 blast zone of the largest proposed compressor station for
20 the Northeast. I think it's disingenuous that Liberty is
21 a subsidiary of Kinder Morgan and of the Tennessee Gas
22 Pipeline Company. I think it's disingenuous that they're
23 giving each other the okay to go ahead and do this,
24 keeping themselves in the money chain. I do not think it

1 is necessary. There are three other pipelines that are
2 not up to capacity, which would handle whatever's coming
3 through.

4 And, I urge -- urge you to deny this
5 application. Thank you. I won't take any more time.
6 Thank you.

7 CHAIRMAN HONIGBERG: Thank you,
8 Ms. Sullivan. Mr. Rodger.

9 MR. RODGER: Good morning, Mr. Chairman
10 and everyone. My name is James Rodger. I'd like to
11 qualify myself. I'm a retired pipeline technician. I
12 worked on SCADA systems, Supervisory Control and Data
13 Acquisitions systems. So, I'm intimately associated with
14 pipelines and the knowledge of pipelines and how they
15 work. I worked on a 1,300 mile pipeline years ago, which
16 now I believe presently is owned by Kinder Morgan.

17 And, I just want to mention that
18 anywhere along this line, for the volume they're talking
19 about pumping or compressing, it takes an enormous amount
20 of horsepower to do that. And, it's just common sense
21 that you can't have a quiet compressor station. You're
22 going to have noise, you're going to have smell, you're
23 going to have light pollution.

24 And, the other issue is the very nature

1 of fracking gas releases absolutely everything that's
2 under the earth up into that stream. It's dirty gas, as
3 far as I'm concerned. There could be hydrogen sulphide,
4 there could be benzine in there, there could be radon gas.
5 How would you like to cook your evening meal on the stove
6 with radon gas, folks? I'd consider it.

7 Please deny the request, Mr. Chairman.

8 Thank you.

9 CHAIRMAN HONIGBERG: Thank you,
10 Mr. Rodger. Mr. Whitbeck.

11 MR. WHITBECK: Good morning. My name is
12 Doug Whitbeck. I'm a resident of Mason, New Hampshire.
13 Thank you for the opportunity to speak. I would like to
14 point out, last I checked, Kinder Morgan stocks were in
15 decline. And, that was even before the announcement that
16 they wish to downsize the pipeline, and before Liberty
17 announced that they really didn't need all the gas that
18 they initially had said they could use.

19 There is a study called "Drilling
20 Deeper", which suggests that the supply of natural gas, or
21 I say the word "natural", "natural" is a word that belongs
22 on a box of cereal, not on fracked gas, that the supply is
23 not infinite. And, that it could be, if we continue to
24 build pipelines and rush to export, we could exhaust the

1 Marcellus shale somewhere in ten to twenty years. So,
2 this is a short-term solution, building all these
3 pipelines up through the Northeast.

4 And, knowing what we know now, I would
5 question if that's somewhere we really want to go, given
6 the predictions of impending climate change.

7 So, this is talked about as being a
8 "bridge fuel" and a "bridge technology". People, both
9 individuals and municipalities, are making the change to
10 renewables on their own. It is something, I would say, we
11 should be encouraging, rather than investing in massive
12 obsolete fossil fuel technology. We should be encouraging
13 solar. We should be encouraging smart grids. We should
14 be investing in our future and not our demise.

15 And, I request that you deny the
16 pipeline permit. Thank you.

17 CHAIRMAN HONIGBERG: Thank you,
18 Mr. Whitbeck. Mr. Husband.

19 MR. HUSBAND: Thank you very much. My
20 name is Richard Husband. I'm a citizen of Litchfield.
21 I'm here today with a group of protestors out front. Some
22 of you may have seen them as you drove in, some of may --
23 some of you may have avoided seeing them as you drove in.
24 Whether you did see us or avoided seeing us, please don't

1 forget us when you make your decision.

2 We are representative of a number of not
3 only individuals, but towns, who have voted unanimously
4 against the Kinder Morgan Pipeline project, the NED
5 project. And, the Commission should not be fooled into
6 thinking this proceeding today is just about approval of a
7 specific piece of the gas going through that pipeline to
8 Liberty Utilities. But for that pipeline, there would not
9 be a hearing today. This proceeding is really all about
10 validation of the NED Pipeline.

11 We are respectful out front. We're
12 intentionally small, as not to be disruptive. We're being
13 polite. But please do not leave this hearing today
14 thinking that we are not angry. A lot of citizens in this
15 state are angry, as has been said. A lot of citizens are
16 being affected by this. I have seen estimates of 200,000
17 or more New Hampshire citizens who are being negatively
18 affected by this pipeline.

19 The corporations involved in this
20 proceeding have money. So, they have a voice. The
21 politicians and government involved in this proceeding
22 have power. So, they have a voice. The individual
23 citizens that are affected by this proceeding most have a
24 little voice, if any. In fact, all we really have for a

1 voice in this proceeding, other than the protestors out
2 front and the letters we send in that are probably
3 ignored, is the Consumer Advocate's Office, that is
4 involved in this proceeding. And, I would urge the
5 Commission to please follow the recommendations of the
6 expert of the Consumer Advocacy Office, who has pointed
7 out numerous reasons why this Petition for approval of the
8 Liberty Utilities Agreement with Tennessee Gas and Kinder
9 Morgan should be rejected.

10 We can go over all the reasons, they
11 have been enumerated, but, basically, it's unnecessary.
12 Three experts have laid it out in this case. You've seen
13 it all in the newspapers. All we're talking about is
14 something that's going to devastate our landscape, it's
15 going to carve up our towns, it poses safety risks, it
16 takes private property from individuals, and
17 correspondingly ruins their lives.

18 A lot of people involved in this have
19 nothing left but their homes. And, they're going to be
20 taken from them, essentially, if you know what it would be
21 like to have a pipeline run through your yard.

22 There is really no benefit to New
23 Hampshire. As I understand it, somewhere between only
24 five and ten percent, I believe Kinder Morgan says

1 ten percent, of what is going to run through that
2 monstrous pipeline is actually going to go to New
3 Hampshire residents. There is no benefit to our
4 residents. There's no -- there's no projected expansion
5 of Liberty Utilities' customer lines. This is a
6 transmission line, it's not a servicing line. And,
7 they're not promising anything, they just say "it presents
8 the opportunity for expansion", but we need definite
9 commitments before we commit to allowing the pipeline.

10 In terms of businesses, given the small
11 percentage that's going through the pipeline, I don't see
12 how they benefited. And, they can get the same gas from
13 the Spectra Pipeline that is farther -- further advanced
14 into the approval process and will be up and running in
15 November 2018, than they can get through this Kinder
16 Morgan Pipeline.

17 There are better alternatives. Please
18 take a look at everything that has been submitted to you
19 for comments, and the expert testimony in this matter, and
20 reject the Petition before you. Thank you.

21 CHAIRMAN HONIGBERG: Thank you,
22 Mr. Husband. Ms. Fletcher.

23 MS. FLETCHER: Good morning. I'm Liz
24 Fletcher. I live in Mason, New Hampshire. And, I'm a

1 member of the Mason Conservation Commission. And, I would
2 strongly urge Public Utilities to pay attention to your
3 own Consumer Advocate and expert, which found that this
4 contract would cost more to Liberty's utility customers
5 than if they ordered a more reasonable amount of gas for
6 the actual need that is in New Hampshire.

7 So, if this contract is approved, the
8 Public Utilities will be committing or having a hand in
9 committing excess cost to the economic core of New
10 Hampshire, which are the large cities up and down the
11 Merrimack Valley, who are the main Liberty Utility
12 customers. So, please follow the advice of your own
13 advocate and expert and reject this Pipeline.

14 It's a conflict of interest, in a way,
15 to have Liberty Utilities, as a customer and an investor,
16 and it is an investor through Algonquin. And, it seems a
17 little bit of a coincidence, they asked for 115,000
18 originally, now they're happy to get 100,000. That's like
19 an 83 percent reduction. Whereas the pipeline just went
20 from 36 inches to 30 inches. That's an 86 percent
21 reduction. It goes in line with their investment. So,
22 don't rubber stamp the investment of Liberty Utilities.
23 Think of Liberty Utilities' customers and saving them from
24 excess costs. Thank you.

1 CHAIRMAN HONIGBERG: Thank you,
2 Ms. Fletcher. Mr. Lewicke.

3 MR. LEWICKE: Good morning, members of
4 the Committee. I'm John Lewicke, from Mason. And, one
5 thing I'd like to point out is that all of this is
6 predicated on need. And, in the Winter of 2013/2014, that
7 need was created artificially, when FERC and ISO-New
8 England essentially forced the generators to use oil
9 rather than gas. And, that we do not need additional
10 pipeline capacity. We have many other possibilities for
11 peak shaving and so forth, storage. There are small LNG
12 compressor plants -- or, liquification plants available.
13 And, it can be stored and can fill the need, and has
14 filled the need for 40 years in New England.

15 And, the only reason we're here today is
16 because FERC and ISO-New England artificially forced the
17 generators not to use gas in that one winter. And,
18 without that, we wouldn't even be talking about this. We
19 certainly do not need enough pipeline capacity to feed
20 every possible user every hour at every day of the year.
21 There are many ways of dealing with that, including
22 storage and moving LNG in for the peak use. And, that's
23 what we've done, and it's worked every winter, except for
24 one, for 40 years. And, the only reason it didn't work

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1 that year is because of the manipulated market. Thank
2 you. That's all I have.

3 CHAIRMAN HONIGBERG: Thank you,
4 Mr. Lewicke. Since we started, another member of the
5 public came in, not wishing to speak, that would be
6 Mr. Montgomery, who I think I saw come in, sitting in the
7 back.

8 That is all of the people who signed in
9 wishing to speak. Is there anyone who came in who wishes
10 to speak? There is someone. Come on down.

11 CHAIRMAN HONIGBERG: Please identify
12 yourself.

13 MS. MCGHEE: Good morning. Yes. I'm
14 Kat McGhee. I'm from Hollis, New Hampshire. And, I was
15 on the task force there to study the impact to Hollis when
16 we were on the route before December. And, now, I'm a
17 member of the Nashua Regional Planning Commission Energy
18 Facility Advisory Committee. And, we've been doing
19 research, and we've pulled together a white paper
20 discussing the impact of the project on the Nashua
21 Regional Planning Commission area. And, we had Liberty
22 Utilities come in as part of our investigation. We've had
23 Kinder Morgan come in, and Spectra, and Eversource,
24 *etcetera*.

1 And, what I wanted to get into the
2 record today or just make mention of is that the reason
3 I'm here is that I think the approval of this contract
4 will actually be used to justify the FERC approval at the
5 higher level and justify the case for need. And, when
6 Liberty came to speak with us, they did a slide
7 presentation, which is on the NRPC website. And, they had
8 a slide that showed the two major business projects that
9 they thought they could expand if they had access to
10 additional gas.

11 And, the slide, I don't remember the
12 numbers exactly, I think they were 48,000, but it was
13 "Dekatherms per year". And, all of the other slides we
14 had seen were in capacities of "Dekatherms per day". And,
15 so, someone in the group raised their hand and they said
16 "is that right, "dekatherms per year"? That's kind of
17 infinitesimal." And, they said "yes, that's right."

18 So, those were the two projects that
19 were being used to support the idea that Liberty needed
20 further access to large amounts of additional gas. And,
21 then, there's the filing that went from 115 Dekatherms --
22 115,000 Dekatherms per day, to a request for an adjustment
23 down. And, when -- I'm on a committee on need and demand,
24 so, we've been really researching the numbers. And, when

1 we went and looked at the filings both in New Hampshire so
2 far and in Massachusetts, the anchor shippers that have
3 signed up for NED gas are signing up for a combination of
4 both replacement and incremental gas. Incremental being
5 new supply that's needed.

6 So, the actual application from Liberty
7 Utilities is really only for 50,000 Dekatherms per day, if
8 it's at the 100 Dekatherms per day level. Because 50,000
9 of that supply that's being requested is replacement gas
10 that they're already securing from someone else in the
11 system at this point, so then that would be stranded
12 somewhere else, that would be excess capacity.

13 So, I think, if you really do a look at
14 the numbers, that the argument that people are making that
15 this gas can be secured in other ways, and that this --
16 this need by Liberty for access to additional gas is
17 really not as large as they're trying to make it look, and
18 that the pipeline is a massive overbuild in order to
19 address that. So, I think that's one of the key things
20 that a lot of us who are here wanted to get across today,
21 is that this contract, if approved, is just another
22 steppingstone, another checking box, you know, a checked
23 box to get FERC approval, and then this massive
24 infrastructure will come and there won't be any way to

1 stop it. So, it's a very important linchpin.

2 And, understanding what we actually gain
3 in the region, and what ratepayers will gain, we ask that
4 you really look into this deeply, because I think we will
5 lose monetarily and economically a lot more than we will
6 gain. Thank you.

7 CHAIRMAN HONIGBERG: Thank you,
8 Ms. McGhee. Is there anyone else who has come in who
9 wishes to speak?

10 (No verbal response)

11 CHAIRMAN HONIGBERG: All right. We're
12 going to close the public comment portion of the morning.
13 Thank you all for your cooperation in working through that
14 as quickly as you did.

15 (Public comment portion of the hearing
16 was closed at 9:33 a.m.)

17 (Hearing on the merits opened at
18 9:34 a.m.)

19 CHAIRMAN HONIGBERG: All right. We're
20 going to open the hearing in 14-380, a consideration of
21 Liberty's proposed Precedent Agreement with the Pipeline.
22 As I said, we do have a partial settlement. So, how are
23 we going to proceed? I know we have an Exhibit List up
24 here, which someone has placed up here, and we have a red

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1 folder, which I'm sure someone is going to explain.

2 But, before we go any further, let's
3 take appearances.

4 MS. KNOWLTON: Good morning,
5 Commissioners. My name is Sarah Knowlton. And, I'm here
6 today from Rath, Young & Pignatelli. And, I'm appearing
7 on behalf of Liberty Utilities (EnergyNorth Natural Gas)
8 Corp.

9 MS. CHAMBERLIN: Good morning. Susan
10 Chamberlin, Consumer Advocate. And, with me today is
11 Dr. Pradip Chattopadhyay.

12 CHAIRMAN HONIGBERG: I think there's
13 somebody in the back of the room that needs to identify
14 himself.

15 MR. KANOFF: Good morning. Richard
16 Kanoff. I represent Pipe Line Awareness Network for the
17 Northeast. And, with me is Zachary Gates, both from Burns
18 & Levinson.

19 MS. PATTERSON: Good morning. Excuse
20 me. Rorie Patterson, here on behalf of the Public
21 Utilities Commission Staff. And, with me today is the
22 Assistant Director of the Gas & Water Division, Stephen
23 Frink, and our consultant, Melissa Whitten. Thank you.

24 CHAIRMAN HONIGBERG: So, who wants to

1 tell me about the Exhibit List that's up here?

2 MS. KNOWLTON: I'd be happy to. So, the
3 Company has prepared an Exhibit List starting with Exhibit
4 3. We had two exhibits that were marked as record
5 requests from the prehearing conference, which is why
6 we've proposed to start at "3". And, these are all
7 documents that have already been filed with the
8 Commission, with one exception, and that would be
9 Exhibit 10. So, what we've done on the list is included
10 the proposed exhibit number, the tab in the Commission's
11 docketbook where the exhibit can be found, and then a
12 description of the exhibit. The confidential materials
13 are in the Commission's files, but redacted versions are
14 up on the Commission's website.

15 I have circulated the list in advance to
16 counsel for all the Parties. And, we are in agreement as
17 where we would propose to begin today. Exhibit 10, which
18 is not in the Commission's docketbook, is a correction to
19 a confidential page of Mr. DaFonte's rebuttal testimony
20 that he would make on the stand.

21 CHAIRMAN HONIGBERG: Okay.

22 (The documents, as described on the
23 provided Exhibit List, were herewith
24 marked as **Exhibit 3** through **Exhibit 22**,

1 respectively, for identification.)

2 CHAIRMAN HONIGBERG: With respect to
3 confidential treatment of materials, I understand that
4 there's still a pending motion on certain materials. I
5 don't remember, it must be your motion, right,
6 Ms. Knowlton?

7 MS. KNOWLTON: That's correct.

8 CHAIRMAN HONIGBERG: Is there any
9 objection to Ms. Knowlton's Motion for Confidential
10 Treatment?

11 MS. PATTERSON: No objection.

12 MS. CHAMBERLIN: No objection.

13 MR. KANOFF: No objection.

14 CHAIRMAN HONIGBERG: All right. That
15 motion is granted. We have up here lots of red folders.
16 The red folders signify that there's confidential
17 information somewhere in here. If someone is going to be
18 referring to what is confidential information, we need to
19 be careful. If it's possible to concentrate the
20 discussions of confidential information before or after
21 breaks, that will make things easier on everyone. We
22 understand it may not be possible. It may come up. But
23 I'd ask the counsel especially to pay attention to that as
24 we go forward.

1 I understand that the Staff and Liberty
2 are going to be putting up a panel of witnesses to discuss
3 the Settlement, is that correct?

4 MS. KNOWLTON: Yes, it is.

5 MS. PATTERSON: Yes.

6 CHAIRMAN HONIGBERG: And, then,
7 Mr. Kanoff, you have a witness you'd like to present after
8 they're done, is that correct?

9 MR. KANOFF: We do. I believe that OCA
10 was going to go first, however.

11 CHAIRMAN HONIGBERG: If that's what's
12 been agreed, that's fine. Ms. Chamberlin, your witness
13 will go first. And, then, Mr. Kanoff, your witness?

14 MS. CHAMBERLIN: Yes.

15 MR. KANOFF: That's correct.

16 CHAIRMAN HONIGBERG: Okay. In terms of
17 examination of the panel of witnesses, I mean, typically,
18 Mr. Kanoff, we would expect you to go first. Although, do
19 you have an agreement on that as well with Ms. Chamberlin?

20 MS. CHAMBERLIN: I had anticipated going
21 first, because of the other order. I don't know that we
22 discussed it.

23 CHAIRMAN HONIGBERG: If you guys, if
24 that's how you want to do it, that's fine with us. It's

1 just so everybody knows what we're going to do.

2 MR. KANOFF: That's fine.

3 CHAIRMAN HONIGBERG: Okay. Is there any
4 other business we need to take up, before we have the
5 witnesses take the stand?

6 MS. KNOWLTON: There are two other
7 matters that the Company wanted to at least bring to the
8 Commission's attention. And, I don't know that it
9 requires that you do anything at the moment. But the
10 first is the availability of hearing transcripts. The
11 Company would request that the transcripts be made
12 available as quickly as Mr. Patnaude is able to do.

13 CHAIRMAN HONIGBERG: Mr. Patnaude is, as
14 we know, a magician.

15 MS. KNOWLTON: I agree.

16 CHAIRMAN HONIGBERG: And, he will
17 conjure up whatever needs to be conjured, I'm sure.

18 MS. KNOWLTON: The second is that the
19 Company, from the start of the case, has requested that
20 the Commission issue its order in time so that the 30-day
21 rehearing period could run in advance of the regulatory
22 approval deadline. This was something that we had raised
23 at the prehearing conference. I understand that this
24 hearing date has been moved a number of times. But,

1 noneththeless, we still request that the Commission issue an
2 order so that the 30-day rehearing period can run in
3 advance of September 1st, which means that the Company is
4 requesting an order by the end of this month.

5 CHAIRMAN HONIGBERG: Mr. Patnaude is not
6 the only magician in the room.

7 Is there anything else we need to take
8 up, before we call the witnesses? Mr. Kanoff.

9 MR. KANOFF: Yes.

10 CHAIRMAN HONIGBERG: Just -- off the
11 record.

12 (Brief off-the-record discussion
13 ensued.)

14 CHAIRMAN HONIGBERG: Go ahead.

15 MR. KANOFF: We would like to request,
16 as part of the case, that time be allowed for briefing.
17 Which I know is not necessarily a part of every case.
18 But, in this case, with respect to the complexity and the
19 confidential information, the different experts that have
20 submitted information, it would seem to us that it would
21 be beneficial to the Commission to have briefs. And, we
22 would ask that that be allowed and a period of time be set
23 aside for that.

24 CHAIRMAN HONIGBERG: I understand the

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 request. I think we'll see where we stand at the end of
2 the proceeding, whether that's today or tomorrow, and
3 we'll consider it at that time.

4 Anything else people want to raise
5 before we get started?

6 (No verbal response)

7 CHAIRMAN HONIGBERG: It would seem not.
8 Then, why don't we bring the witnesses up to the stand.

9 MS. KNOWLTON: The Company calls Mr.
10 DaFonte and Mr. Clark.

11 MS. PATTERSON: And, the Staff would
12 call Melissa Whitten to the stand please.

13 (Whereupon **Francisco C. DaFonte,**
14 **William J. Clark,** and **Melissa Whitten**
15 were duly sworn by the Court Reporter.)

16 CHAIRMAN HONIGBERG: Off the record.

17 (Brief off-the-record discussion
18 ensued.)

19 CHAIRMAN HONIGBERG: Ms. Knowlton.

20 MS. KNOWLTON: Thank you.

21 **FRANCISCO C. DaFONTE, SWORN**

22 **WILLIAM J. CLARK, SWORN**

23 **MELISSA WHITTEN, SWORN**

24 **DIRECT EXAMINATION**

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 BY MS. KNOWLTON:

2 Q. Mr. DaFonte, I'll start with you. Would you please
3 state your full name for the record.

4 A. (DaFonte) Francisco C. DaFonte.

5 Q. By whom are you employed?

6 A. (DaFonte) I am employed by Liberty Utilities Service
7 Corp., representing EnergyNorth.

8 Q. Is Liberty Utilities a subsidiary of Kinder Morgan?

9 A. (DaFonte) No, it is not.

10 Q. What company is it a subsidiary of?

11 A. (DaFonte) It is a subsidiary of Liberty Utilities Co.,
12 which is a subsidiary of Algonquin Power & Utilities
13 Company.

14 Q. What are your responsibilities at the Company?

15 A. (DaFonte) I am responsible for the planning,
16 procurement, demand forecasting, retail choice
17 programs, and also for various other planning and
18 forecasting, contracting, and the like, for
19 EnergyNorth.

20 Q. What were your responsibilities with regard to this
21 docket?

22 A. (DaFonte) With regard to this docket, I was responsible
23 for negotiating the Precedent Agreement with Tennessee
24 Gas Pipeline as part of an LDC Consortium of New

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 England utilities.

2 In addition, I oversaw the analysis in
3 the case, and provided direct and rebuttal testimony,
4 as well as sponsoring responses to various data
5 requests, too many to enumerate at this point.

6 Q. Do you have any prior experience in negotiating
7 precedent agreements before the -- other than the
8 Agreement that is before the Commission today?

9 A. (DaFonte) I do. I've been doing this for 30 years now,
10 with various utilities in New England. I have
11 negotiated more than a dozen precedent agreements for
12 long-term capacity on pipelines, including Spectra
13 Energy, Iroquois Gas Transportation, Vector Pipeline,
14 Tennessee Gas Pipeline, Portland Natural Gas
15 Transmission System, Texas Eastern Gas Transmission,
16 and others.

17 Q. Thank you. Mr. Clark, would you please state your full
18 name for the record.

19 A. (Clark) William J. Clark.

20 Q. By whom are you employed?

21 A. (Clark) Liberty Utilities Service Corp., representing
22 EnergyNorth.

23 Q. What is your -- what is the nature of your position
24 with that company?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (Clark) I am the Business Development Manager for New
2 Hampshire.

3 Q. Would you describe your job duties for the Commission.

4 A. (Clark) I am responsible for new growth initiatives,
5 tariff enhancements, and business opportunities.

6 Q. Would you identify your background in gas sales.

7 A. (Clark) Sure. I have 22 years in the gas market,
8 starting back with Boston Gas, and then exiting Boston
9 Gas to a start-up subsidiary for gas sales on the
10 unregulated side. And, then, the last five years in
11 New Hampshire, previously with National Grid, now with
12 Liberty on the Gas Sales team.

13 Q. Would you describe on a day-to-day basis what your
14 involvement in gas sales is now?

15 A. (Clark) On a day-to-day basis today, it is looking at
16 new franchise opportunities, new tariff enhancements to
17 aid in the growth and development of natural gas sales
18 through the state.

19 Q. Do you discuss the possibility of gas service for new
20 customers?

21 A. (Clark) I do. What we do now is, there are some new
22 tariff enhancements that we will be enacting hopefully
23 soon, and we've had some recent ones as well that aided
24 in that.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Do you meet with potential customers to talk about gas
2 service?

3 A. (Clark) Not at this point. In previous experience in
4 New Hampshire, I did. Right now, we have a Gas Sales
5 team in the state representing ten people that has an
6 in-state sales manager.

7 Q. Do you interact with them in your daily job duties?

8 A. (Clark) I do. I do. What we do now is we have
9 biweekly meetings with the Sales team, looking at new
10 opportunities, new ways that business development can
11 assist them in the growth of the natural gas market.

12 MS. KNOWLTON: Thank you. At this
13 point, I'll turn this over to Attorney Hollenberg
14 [Patterson] to qualify her witness.

15 MS. PATTERSON: Thank you.

16 **DIRECT EXAMINATION**

17 BY MS. PATTERSON:

18 Q. Good morning, Ms. Whitten. Will you please state your
19 name.

20 A. (Whitten) My name is Melissa Whitten.

21 Q. And, for whom do you work?

22 A. (Whitten) I work for LaCapra Associates, Incorporated.

23 Q. What type of work do you do for LaCapra?

24 A. (Whitten) I'm an energy consultant at LaCapra,

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 specializing in natural gas issues.

2 Q. And, how long have you done this type of work?

3 A. (Whitten) As a consultant?

4 Q. Yes.

5 A. (Whitten) I've worked for LaCapra Associates since
6 April of 2009.

7 Q. Thank you. During this time, have you had an
8 opportunity to testify as an expert witness and defend
9 that testimony before a state agency that regulates
10 public utilities?

11 A. (Whitten) Yes, I have.

12 Q. And, aside from your work with LaCapra, do you have any
13 other natural gas/public utility related experience?

14 A. (Whitten) Prior to working for LaCapra, I worked for
15 Cascade Natural Gas Corporation, located in --
16 headquartered in Seattle, Washington, but serving
17 territories in both Washington and Oregon.

18 Q. And, is your total experience, professional experience,
19 included in and summarized in your testimony that was
20 filed in this proceeding, which has now been marked as
21 "Exhibits 12" and "13"?

22 A. (Whitten) Yes, it is.

23 MS. PATTERSON: And, if I might just
24 approach the witness to have her identify the testimony

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 that's been admitted for identification purposes.

2 (Atty. Patterson showing document to
3 Witness Whitten.)

4 BY MS. PATTERSON:

5 Q. Do you recognize this document, which is a cover letter
6 dated May 8th, 2015, to Director -- Executive Director
7 Debra Howland, from me, and it encloses a copy of your
8 confidential testimony? If you could just take a look
9 and let me know if that's the same document?

10 A. (Whitten) Yes, it is.

11 Q. And that document is dated May 8th, 2015?

12 A. (Whitten) Yes, it is.

13 Q. Thank you. Does any of your experience include
14 procuring capacity on behalf of gas LDCs, or local
15 distribution companies?

16 A. (Whitten) Yes. Although, it doesn't include precedent
17 agreements, I was involved in shipper conferences to
18 evaluate new pipeline capacity and changes to existing
19 pipeline capacity agreements.

20 Q. And, in your role as an expert witness for LaCapra on
21 -- associated with LaCapra on behalf of other clients,
22 do you have experience reviewing and analyzing
23 precedent agreements for natural gas LDCs?

24 A. (Whitten) Yes, I do.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. And, on whose behalf are you testifying today?

2 A. (Whitten) I'm testifying on behalf of the New Hampshire
3 Public Utility Commission Staff.

4 Q. Thank you. Do you have any corrections to make to your
5 testimony?

6 A. (Whitten) There's just a minor correction on the cover
7 page. It has two -- a duplicate "the" in the title.

8 Q. Okay. Thank you. And, if you were asked the questions
9 in your testimony today, as filed, would your answers
10 be the same?

11 A. (Whitten) As filed, yes.

12 Q. In addition to testifying on behalf of Staff today,
13 what other activities have you been involved in during
14 this docket?

15 A. (Whitten) As a consultant for -- in another
16 jurisdiction?

17 Q. Within this docket today, what other activities,
18 besides testifying today, have you participated in?

19 A. (Whitten) I have been asked by Staff to participate in
20 settlement discussions.

21 Q. And, did you also participate, in assistance with
22 Staff, in discovery to the Company and from the
23 Company, and technical sessions?

24 A. (Whitten) Yes, of course. I apologize. Including

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 reviewing the initial Precedent Agreement, my
2 responsibilities included developing discovery, sets of
3 discovery, and appearing and participating in two
4 technical sessions.

5 Q. And, you also responded to discovery from the Company?

6 A. (Whitten) We did respond to one set of discovery, yes.

7 Q. And, you are familiar with -- in that case, you're
8 familiar with the terms of the Settlement Agreement
9 between the Commission Staff and the Company?

10 A. (Whitten) Yes, I am.

11 Q. And, are you also, because of that participation,
12 familiar with the reasons that Staff entered into that
13 Settlement Agreement?

14 A. (Whitten) Yes, I am.

15 BY MS. KNOWLTON:

16 Q. Mr. DaFonte, you filed various pieces of testimony in
17 this docket, correct?

18 A. (DaFonte) That's correct.

19 Q. Let's take them one by one. Starting with what's been
20 marked for identification as "Exhibit 3", which was
21 your direct testimony filed on December 31st, 2014, the
22 confidential version, Bates numbers 001 through 296.

23 Do you have that before you?

24 A. (DaFonte) Yes, I do.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. And, do you have any -- well, let's just -- we've
2 marked for identification as "Exhibit 4" the redacted
3 version of that document. Do you have that before you
4 as well?

5 A. (DaFonte) Yes, I do.

6 Q. Do you have any corrections to either the confidential
7 or redacted versions of that testimony?

8 A. (DaFonte) Not to the direct testimony.

9 Q. If I were to ask you the questions that are contained
10 in your testimony today, would the answers be the same?

11 A. (DaFonte) Yes, they would.

12 Q. Okay. If you would now look at what we've marked for
13 identification as "Exhibit 5", which is confidential
14 Pages 31R through 33R, and with a redacted version as
15 "Exhibit 6". Are you familiar with these pages?

16 A. (DaFonte) Yes, I am.

17 Q. And, can you just identify for the Commission why those
18 revised pages were filed?

19 CHAIRMAN HONIGBERG: Ms. Knowlton, while
20 you're looking for that, I'll note that neither
21 Commissioner Scott nor I think we have what you're talking
22 about.

23 MS. KNOWLTON: Okay. Well, maybe we
24 should, if we might take a brief recess then and make

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1 copies for you. I apologize. I believed this was a tab
2 that was in the Commission's docketbook, at Tab -- Tabs 5
3 and 6. And, we can --

4 CHAIRMAN HONIGBERG: Let's go off the
5 record for a minute.

6 (Brief off-the-record discussion
7 ensued.)

8 CHAIRMAN HONIGBERG: All right. So,
9 let's take a five-minute break, you can locate that.

10 MS. KNOWLTON: Okay.

11 (Recess was taken at 9:55 a.m. and the
12 hearing resumed at 10:05 a.m.)

13 CHAIRMAN HONIGBERG: All right. So, we
14 have things sorted out?

15 MS. KNOWLTON: I believe we have things
16 sorted out. So, Mr. DaFonte is prepared to explain
17 Exhibit 5, which is the confidential version of Pages 31R
18 through 33R. As well as Exhibit 6, which is the redacted
19 version of those pages.

20 BY MS. KNOWLTON:

21 Q. So, Mr. DaFonte, if you would please explain why the
22 Company filed the revised Pages 31R through 33R of your
23 direct testimony.

24 A. (DaFonte) Yes. The original filing had information

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 that was redacted, that later was made public. Whether
2 it was related to a rate or just some of the wording
3 that was redacted that shouldn't have been. So, with
4 that, if we turn to Page 31 of my direct testimony,
5 that's Bates Page 031, Line 19, at the bottom of the
6 page, the word "approximately" was inadvertently
7 redacted, and that is now public.

8 On Page 32, Line 7, beginning with the
9 word "as", and going through Line 11, ending with the
10 abbreviation "Dth", that was also inadvertently
11 redacted and is now public. And, also, at the bottom
12 of Page 32, Line 21, the rate associated with PNGTS was
13 subsequently made public by PNGTS, and, therefore, the
14 Company is also making that public, no longer redacted.

15 And, then, on Page 33, Line 2, beginning
16 with the word "cannot", and going through Line 3,
17 ending with the word "of", and then commencing again on
18 Line 3, with the word "as", and going through Line 4,
19 with the word "project", that was also made public and
20 inadvertently redacted.

21 Q. And, Mr. DaFonte, if I were to tell you that the
22 redactions were done as the result of a Right to Know
23 request filed by the Town of Dracut, would that refresh
24 your recollection?

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1 A. (DaFonte) That's correct. It was a result of that
2 Right to Know request from the Town of Dracut.

3 Q. If you would now turn to what's been marked for
4 identification as "Exhibit 7", which is the Amendment
5 to the Precedent Agreement, dated March 23rd, 2015.

6 CHAIRMAN HONIGBERG: Ms. Knowlton,
7 before you continue, I'll just note then, in Exhibits 5
8 and 6, comparing that to the as-filed testimony, there's
9 an additional section that was unredacted, on Page 32,
10 Lines 5 and 6. But it's trivia, just you can go on.

11 MS. KNOWLTON: Okay. Thank you.

12 BY MS. KNOWLTON:

13 Q. Mr. DaFonte, are you familiar with the Amendment to the
14 Precedent Agreement?

15 A. (DaFonte) Yes, I am.

16 Q. And, would you explain why it was amended?

17 A. (DaFonte) Yes. The Precedent Agreement was amended to
18 accommodate the changes in the hearing date in this
19 docket, such that the original regulatory approval date
20 of July 31st was extended to September 1st. And, also,
21 subsequent regulatory out clauses were extended, to
22 again accommodate the timing of the hearing in this
23 docket.

24 Q. If you would turn next to your rebuttal testimony,

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 we've marked for identification as "Exhibit 8, the
2 redacted version of your June 4th, 2015 testimony, as
3 "Exhibit 9", the confidential version of that
4 testimony, do you have that before you?

5 A. (DaFonte) Yes, I do.

6 Q. Was that testimony drafted by you or under your
7 direction?

8 A. (DaFonte) Yes, it was.

9 Q. Do you have any corrections to that testimony today?

10 A. (DaFonte) I do. We can start with Bates Page 005, Line
11 4, Moody's was incorrectly shown as indication of
12 "copyright", where it should have been as a registered
13 trademark.

14 Q. Okay. So, an "r" in the circle, instead of a "c" in
15 the circle?

16 A. (DaFonte) Yes. Thank you. On Bates 015, Line 7, the
17 word "to" should be inserted between the words
18 "exposed" and "the", and "to" is t-o. And, then,
19 lastly, on Bates 047, Table 8, --

20 Q. And, if I might interrupt you, Mr. DaFonte. We've
21 marked for identification as "Exhibit 10" a revised
22 Page 47R, to address the correction here, because it
23 contains confidential information, and we didn't want
24 Mr. DaFonte to read the number aloud in a public

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 hearing.

2 A. (DaFonte) Correct.

3 Q. But if you can explain the nature of the correction to
4 the Commissioners?

5 A. (DaFonte) Sure. As shown in Table 8, there is a
6 calculation there that determines a breakeven price.
7 That calculation for the total cost of Dracut purchases
8 did not include the Tennessee demand charges that the
9 Company currently pays for its capacity from Dracut up
10 the Concord Lateral. So, adding those demand charges
11 in there would increase the total Dracut purchases and
12 result in a higher production area breakeven price.
13 And, that calculation or that revised calculation is
14 provided in the confidential version.

15 Q. Subject to those corrections, if I were to ask you the
16 questions contained in your rebuttal today, would the
17 answers be the same?

18 A. (DaFonte) Yes, they would.

19 Q. Mr. Clark, do you have before you what's been marked
20 for identification as "Exhibit 11"?

21 A. (Clark) I do.

22 Q. And, that is the rebuttal testimony that you filed in
23 this docket?

24 A. (Clark) It is.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Was that testimony prepared by you or under your
2 direction?

3 A. (Clark) Yes. It was.

4 Q. Do you have any corrections to that testimony?

5 A. (Clark) No, I do not.

6 Q. If I were to ask you the questions contained in your
7 testimony today, would the answers be the same?

8 A. (Clark) Yes.

9 Q. Other than filing rebuttal testimony, did you
10 participate in other ways in this docket?

11 A. (Clark) I participated in tech -- in data requests, as
12 well as settlement negotiations.

13 Q. Thank you.

14 CHAIRMAN HONIGBERG: Can I get a
15 clarification on the correction Mr. DaFonte made on
16 Page 47? The text that leads into that table has numbers
17 on it, they're not shown as confidential on what I'm
18 looking at, but they appear to be related to the numbers
19 that are in the confidential box. And, they're -- it
20 seems like some of the numbers that are in the text maybe
21 should be changed to match what's in the corrected box,
22 but I'm not sure.

23 WITNESS DaFONTE: The numbers shown on
24 Lines 6 and 7 are approximate values. The detailed

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1 calculations are provided in the confidential table. I
2 think the breakeven prices would not necessarily have to
3 be redacted. It's more so the costs that led up to that
4 calculation which are in that table. So, I think you're
5 right, the Line 6 and 7 numbers are, again, approximations
6 of the breakeven price that were calculated in the table.

7 CHAIRMAN HONIGBERG: Should they be
8 corrected to reflect what appears to be changes in the
9 calculations done in 8?

10 WITNESS DaFONTE: Yes. They would --
11 that would also be a change that would have to take place,
12 given the incorrect -- or, I should say that the lack of
13 inclusion of the Tennessee demand charges in the total
14 Dracut price.

15 CHAIRMAN HONIGBERG: Okay. I think we
16 understand what's happened. So, I think, if you guys can
17 just work out what should appear on those lines, you can
18 deal with that as we go forward. It doesn't have to be
19 done right now.

20 MS. KNOWLTON: Okay.

21 MS. PATTERSON: Would you like to
22 reserve a record request for that or --

23 CHAIRMAN HONIGBERG: No. That's not
24 necessary. This is a matter of taking a pen and crossing

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1 something out in a document, and just making sure that
2 whatever appears in our file that can be accessed online
3 is correct.

4 Go ahead, Ms. Knowlton.

5 MS. KNOWLTON: Thank you.

6 BY MS. KNOWLTON:

7 Q. Mr. DaFonte, let's now turn to the Settlement Agreement
8 that's before the Commission today, which has been
9 marked for identification as "Exhibit 14". Do you have
10 that?

11 A. (DaFonte) Yes, I do.

12 Q. And, you testified earlier that you participated in
13 discussions that led to this Settlement?

14 A. (DaFonte) That's correct.

15 Q. What I'd like you to do is to start by addressing the
16 substantive terms of the Settlement and what the
17 Company has agreed to, beginning with the amount of
18 capacity that the Settling Parties have agreed that the
19 Company should purchase.

20 A. (DaFonte) The Parties have agreed to a contracted
21 capacity volume of 115,000 Dekatherms per day, which is
22 in line with what the Company's request was. Further
23 to that, there is an option to reduce that 115,000
24 Dekatherms per day down to 100,000 Dekatherms per day,

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1 given certain requirements by the Company contained in
2 the Settlement Agreement.

3 Q. Why don't you walk us through one-by-one what each of
4 those circumstances are, starting with the design day
5 capacity for iNATGAS firm sales?

6 A. (DaFonte) Sure. So, the way that the Agreement works,
7 with respect to the ability to reduce the 115,000
8 Dekatherms down to 100,000 Dekatherms, is tied to a
9 combination of the design day requirements of the
10 iNATGAS CNG, which just stands for "compressed natural
11 gas", facility, as well as the returning
12 capacity-exempt customers. These are customers that
13 are on the Company's distribution system, but do not
14 hold any capacity from the Company to receive their
15 service. Therefore, they're contracting with a third
16 party marketer for their supply and capacity service.

17 There has been a trend, in both
18 EnergyNorth's service territory and throughout New
19 England, of these capacity-exempt customers returning
20 to sales service, and then ultimately going back to
21 transportation service. The difference being that,
22 once they return to sales service, they get a -- what I
23 call a "slice" of the Company's portfolio. So, their
24 proportionate share of all of the Company's assets.

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1 Now, this is a recent trend that's
2 developed as a result of the lack of capacity in the
3 region and the high prices that are paid by these
4 customers and others for market area supply. And, so,
5 as these contracts roll off with their third party
6 supplier, some of which may have been entered into
7 three years ago, two years ago, when prices were muted,
8 the repricing has caused these customers to rethink how
9 they're going to manage their fuel procurement. And,
10 so, we've had quite a few that have returned. And,
11 like I said, there is also a trend within the New
12 England region overall of these customers returning.
13 So, we have to be prepared to serve these customers.

14 Q. Mr. DaFonte -- oh, I'm sorry. I was just going to say,
15 since you filed your rebuttal testimony, have there
16 been any other capacity-exempt customers that have
17 returned?

18 A. (DaFonte) Yes. We've had two or three additional
19 customers that have returned, with approximately about
20 a 200 Dekatherm requirement on design day. But we do
21 still have approximately 14,000 Dekatherms of design
22 day capacity-exempt load out there. So, part of the
23 Settlement is really tracking those customers as well,
24 because they're essentially like a new customer,

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1 because the Company has to serve them with capacity.

2 And, so, as those customers come back, that would

3 increase our design day requirements.

4 Q. Is there a process that a capacity-exempt customer
5 needs to follow, if it wants to come back to receive
6 capacity from the Company?

7 A. (DaFonte) Yes. There is a process. It's in the
8 tariff. And, basically, they notify us within ten
9 business days of the commencement of their new -- of
10 their cycle, beginning of their cycle, that they want
11 to return to sales service. So, there isn't a lot of
12 notification, prior notification. So, the Company has
13 to be ready and prepared to serve these customers,
14 particularly, in the winter period, where the Company
15 already plans for their supplies in advance. And, so,
16 customers returning during the winter -- during the
17 winter period will cause the Company to have to go out
18 and purchase spot supplies, for example, or, if there
19 is insufficient capacity, the Company would have to go
20 out and try to procure that capacity. Which, you know,
21 clearly, what we've put forth in this filing is a
22 long-term plan to ensure that there is sufficient
23 capacity to serve both new customers, existing
24 capacity-exempt customers, and ensure -- continue to

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1 ensure reliability.

2 Q. And. There's a third category that -- in subpart (c)?

3 A. (DaFonte) Correct. The third component is a sort of
4 recent development, which is the Concord Steam
5 customers that have contacted the Company, and the
6 Company is working with, to move them to a direct
7 natural gas service from the Company. So, essentially,
8 it would be considered new customers from Concord
9 Steam.

10 And, so, when taken together in the
11 aggregate, beginning after July 1st, 2015, and going
12 through July -- or, April, I should say, April 1st of
13 2017, if the total design day requirements in aggregate
14 for these three groups is 10,000 Dekatherms or greater,
15 then the 115,000 Dekatherms of capacity stands. If
16 it's less than 10,000 Dekatherms, then the Company can
17 reduce the 115,000 Dekatherm commitment down to 100,000
18 Dekatherms.

19 In essence, what we have here is a
20 no-cost option for the Company and its customers. The
21 Company negotiated that arrangement with Tennessee, as
22 it falls within the range of 100,000 to 115,000
23 stipulated in the Precedent Agreement. And, so, it is
24 a benefit to customers. And, you know, as part of the

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1 Settlement, it's an important distinction from what
2 was, you know, originally just a 115,000 Dekatherm
3 filing, or the potential for 100,000. This now has
4 specific milestones in place that would dictate whether
5 the 115 remains in place or the 100.

6 Q. And, Mr. DaFonte, if you would look at -- looking at
7 the Settlement Agreement, there is an Attachment A to
8 it, which is titled "Amendment Number 2 to Precedent
9 Agreement". Are you familiar with this attachment?

10 A. (DaFonte) Yes, I am.

11 Q. And, what is the intent of including this here?

12 A. (DaFonte) The intent is to basically provide a draft of
13 the -- what would be a precedent -- an Amendment to the
14 Precedent Agreement. Should the Commission approve the
15 Settlement Agreement, then the Company, within 30 days,
16 would file an executed Amendment to the Precedent
17 Agreement, essentially in the form provided here as
18 "Attachment A".

19 Q. And, is that amendment necessary, because, under the
20 Precedent Agreement that the Company has already
21 entered into with Tennessee, it doesn't have the
22 authority to drop the capacity purchase level down to
23 100,000 Dekatherms a day?

24 A. (DaFonte) That's correct. The Company is not, in and

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1 of itself, able to reduce the 115,000 Dekatherms down
2 to 100. It would only be as a result of a Commission
3 order. In this case, there is now an option for the
4 Company to reduce it, as I mentioned, as part of this
5 Settlement, and specific milestones associated with the
6 Settlement.

7 Q. When the Company put together its forecast to determine
8 the amount of capacity it should purchase, did it
9 factor in the potential return of Concord Steam
10 customers?

11 A. (DaFonte) No, it did not. That is a recent
12 development.

13 Q. And, Mr. Clark, with regard to iNATGAS, can you give
14 the Commission an update on the status of that project?

15 A. (Clark) Sure. Innovative Natural Gas and EnergyNorth
16 entered into a special contract last year, where
17 EnergyNorth would provide compressed natural gas to
18 their facility being constructed here in Concord. As
19 part of that, they have agreed to become a sales
20 customer for the first year of operation. Which, if
21 they leave sales service and return to -- go to
22 transportation service, they would take that capacity
23 charge with them. Right now, the facility is under
24 construction, on time for a commencement this fall,

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1 will be in operation.

2 Q. Mr. DaFonte, do you have an opinion about whether
3 115,000 Dekatherms a day is still the appropriate
4 amount of capacity that the Company should purchase?

5 A. (DaFonte) Yes, I do. I do believe that 115,000 is the
6 appropriate level of capacity. It ensures long-term
7 reliability of supply. The 115,000 also provides the
8 flexibility to adjust the portfolio to changing market
9 conditions by being able to adjust the retirement or
10 inclusion of aging LP facilities, that is the Company
11 believes that its existing propane facilities are not a
12 viable long-term solution, and would not ultimately be
13 part of the Company's portfolio.

14 However, it doesn't make sense to make a
15 decision to retire those facilities at this point in
16 time, because we still have to determine whether the
17 Northeast Energy Delivery, or "NED", project is going
18 to get built. Even after it gets built, and we have
19 the 115,000 Dekatherms, we still have three or four
20 years of market development that will take place. We
21 have three or four years of growth on the Company's
22 system. As stipulated in the Settlement, there are
23 issues that have to be addressed with regard to iNATGAS
24 and their volumes. There are, you know,

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1 capacity-exempt returning load customers that have to
2 be tracked. And, of course, the Concord Steam
3 customers, among other market dynamics that would
4 potentially impact the Company's customers. So, having
5 the 115 in place gives the Company some time and
6 ability to determine what it will do ultimately with
7 those propane facilities, and whether it retires one,
8 two, or all of those facilities at a given point in
9 time. Without it, the Company is essentially at the
10 mercy of the market, and going out and procuring or
11 having to procure either supply or capacity to meet
12 those requirements. And, they're not insignificant.
13 Those facilities provide approximately 34,600
14 Dekatherms of design day supply to the Company.

15 And, so, when we talk about the
16 "115,000", 50,000 really is replacement of existing
17 capacity that has a receipt point in Dracut, a very
18 illiquid market. 65,000 is really for growth, to meet
19 the requirements of these customers that I mention, the
20 iNATGAS, the capacity-exempt, and the Concord Steam, as
21 well as the Company's other growth opportunities.

22 So, really, when taking the propane out
23 of the equation, you're left with essentially about
24 20,000 Dekatherms for growth, if you will. And, so,

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1 having that 115 really provides us with that
2 flexibility that we need. And, again, as I said, it's
3 a no-cost option. If the growth doesn't materialize,
4 then it would make sense to go with the 100,000 at that
5 point.

6 So, the Company is certainly --
7 certainly understands the issues with capacity and
8 having a reserve, and growing into that. And, as part
9 of the Settlement it is, you know, it's willing to
10 reduce that capacity, if needed.

11 Q. When you refer to the propane plants that are owned by
12 the Company, the Company, of course, now also includes
13 a system out in Keene, is that right?

14 A. (DaFonte) That is correct.

15 Q. But you're not referring to the propane/air system that
16 serves Keene customers, are you?

17 A. (DaFonte) No. No, I'm not. I want to make that clear
18 that, you know, Keene is sole sourced by propane. So,
19 the Keene customers would not be happy if we retired
20 that facility at any point in time before there was an
21 alternative. But that also brings out, you know,
22 another issue, which is that those Keene customers,
23 now, as a result of the NED project, may be able to be
24 served directly by natural gas in the future. And, of

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1 course, that load is not factored into the Company's
2 demand filing -- or, their demand requirements that
3 were in its initial filing.

4 Q. So, there -- it sounds as though there are other events
5 that are occurring now, and the Company anticipates
6 occurring in the future, that could affect the amount
7 of capacity that it needs to serve customers into the
8 future?

9 A. (DaFonte) Correct. There are, certainly, there are
10 things that have changed since the Company made its
11 initial filing. And, those, you know, include
12 continuation of capacity-exempt customers returning to
13 sales service. You know, they include the possibility
14 of reaching other markets that weren't initially
15 available to the Company, as a result of the change in
16 the route by the Tennessee Company. And, so, those are
17 things that weren't initially included as part of the
18 Company's growing design day requirements. But,
19 certainly, they're there now as an opportunity and
20 another potential for growth.

21 You know, in addition, there's -- Kinder
22 Morgan has announced recently, I believe, on July 16th
23 that it was going to move forward with the NED project,
24 based on the commitments that it had in place. Of

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1 course, those commitments, much like ours, are, you
2 know, are predicated on state commission approval of
3 the contracts. But that was announced. Also, the
4 Company had initially did a comparison of what it
5 considered to be viable pipeline alternatives. One was
6 the C2C --

7 CHAIRMAN HONIGBERG: Mr. DaFonte, do you
8 remember what the question was?

9 MS. KNOWLTON: I have a new question for
10 him.

11 CHAIRMAN HONIGBERG: Yes. I think we
12 lost a thread there, so --

13 MS. KNOWLTON: Yes. I'm going to jump
14 in and ask a couple of questions. Thank you.

15 BY MS. KNOWLTON:

16 Q. You referred to Dracut as being "illiquid". Would you
17 explain what you mean by that?

18 A. (DaFonte) Well, "illiquid" typically refers to, you
19 know, a lack of supply or a lack of suppliers. In the
20 case of Dracut, it's both. We have declining supplies
21 coming off of Atlantic Canada, Offshore Sable Island
22 project and the Deep Panuke project. As explained in
23 my rebuttal testimony, the producer or owner of the
24 Deep Panuke production, Encana, that's E-n-c-a-n-a,

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1 they recently announced back in February that they were
2 reducing the proven reserves of that field by
3 50 percent. There is also indications from several
4 sources, including some independent consultants, that
5 Deep Panuke and Sable Island volumes may be reduced,
6 and, ultimately, you know, shut down within the next
7 two to three years.

8 So, that is an important component of
9 the supply that comes to Dracut. Additional supply
10 comes in from PNGTS as well. And, some of that supply
11 is now going north, into Canada, to serve some of the
12 growing demand of the utilities up there. And, there
13 is also LNG from the Canaport facility in New
14 Brunswick. That is owned by Repsol. And, those
15 volumes also make their way to Dracut.

16 But, with LNG, it's a global commodity.
17 So, it won't necessarily come to the U.S., unless the
18 price point is such that it's more cost-effective,
19 there's more margin to be gained by delivering to the
20 U.S. versus to Europe or to Asia or other countries
21 that may require LNG as a sole source supply.

22 So, those all contribute to a lack of
23 liquidity, and that accounts for a lot of the price
24 spikes, particularly where demand continues to increase

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1 in the region. That really hasn't, you know, that
2 hasn't changed, it continues to increase, not just on
3 the local distribution company side for thermal use,
4 but also for gas-fired electric generation.

5 Q. If the Company receives supply at Dracut, is it
6 dependent upon the availability of the Concord Lateral?

7 A. (DaFonte) Yes. You know, the existing capacity held by
8 the Company is about 15,000 Dekatherms from Dracut.
9 So, it can purchase and does purchase a good amount of
10 capacity or a good amount of supply at Dracut. But,
11 anything incremental to that would require an expansion
12 of the Concord Lateral. And, that expansion cost, in
13 my initial testimony, is much lower than what the
14 revised cost estimate is from Tennessee, which I have
15 provided in a data response. But that revised
16 expansion cost is more than double what the initial
17 estimate was. And, that initial estimate is really
18 what the Company used throughout its analysis, its
19 economic analysis. It has not gone back and redone the
20 economic analysis. The Tennessee NED capacity was
21 already the least cost, as compared to the other
22 projects.

23 Q. And, Mr. DaFonte, if I could ask you about those other
24 projects. Let's start with C2C. Is the C2C project

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1 dependent upon expansion of the Concord Lateral?

2 A. (DaFonte) Yes, it is. The C2C project is only
3 providing deliveries to Dracut, and nothing beyond
4 Dracut.

5 Q. And, Atlantic Bridge, which is the other project that's
6 been discussed in this docket, is that also dependent
7 upon expansion of the Concord Lateral?

8 A. (DaFonte) Yes, it is. Similar to C2C, it only delivers
9 to Dracut.

10 Q. Would both of those projects then, if considered as
11 options, be subject to the further increase in the cost
12 of expansion of the Concord Lateral for which the
13 Company has received?

14 A. (DaFonte) Yes, they would.

15 Q. And, can you give the Commission a rough sense of those
16 two alternatives, what the cost would be relative to
17 purchasing 115,000 Dekatherms a day from Tennessee,
18 just order of magnitude?

19 A. (DaFonte) Well, you know, with the -- with the
20 additional costs, we're looking at, you know, a
21 significant increase. I'm not sure that I can do the
22 math at this point in time. But, like I said, it would
23 be double of what was initially proposed, which would
24 be in the, you know, approaching a billion dollars, in

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1 terms of increased costs versus the NED project.

2 Q. Is the cost of the Concord -- the Concord Lateral
3 upgrade confidential, the actual dollar amount?

4 A. (DaFonte) Yes, it is.

5 MS. KNOWLTON: And, I think Mr. DaFonte
6 can, when we go on to a confidential record, we'd like to
7 circle back to that and have Mr. DaFonte address what the
8 actual upgrade cost would be.

9 CHAIRMAN HONIGBERG: Okay. And, I'll --

10 MS. KNOWLTON: We'll make a note.

11 CHAIRMAN HONIGBERG: Make a note of
12 that.

13 BY MS. KNOWLTON:

14 Q. Mr. DaFonte, your testimony has and the Precedent
15 Agreement itself also refers to what's called a "Supply
16 Path Agreement". Would you explain what that is.

17 A. (DaFonte) The Supply Path Agreement is a project that
18 is being proposed by Tennessee Gas Pipeline, that would
19 deliver supplies directly from Marcellus production
20 area to the Wright interconnect with the NED Market
21 Path project. That provides access to the most
22 prolific production area within North America, provides
23 access to the lowest prices of natural gas in North
24 America, provides access to multiple storage

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1 facilities, which the Company currently has contracts
2 with, provides price stability, and also an ability to
3 optimize its storage capacity, as I mentioned.

4 In essence, what the Company would gain
5 through a contract with the Supply Path would be an
6 opportunity to go from purchasing gas at one of the
7 highest price points in North America, which is Dracut,
8 Massachusetts, to the absolute lowest price point in
9 North America, which is a -- was something that would
10 be inconceivable just a few years ago. But that's the
11 benefit of the supply portion of the Tennessee project.

12 The Company is in negotiations, is
13 finalizing negotiations with that Supply Path project,
14 and hopes to have a filing before the Commission within
15 the next month or so.

16 Q. Is approval of that Supply Path Agreement a contingency
17 in any way for approval of the Precedent Agreement
18 that's before the Commission today?

19 A. (DaFonte) No, it's not. The analysis that was
20 conducted in this docket stands alone. It was based on
21 a receipt point at Wright, and the analysis shows that
22 it was the -- the "NED project", I should say, is the
23 most cost-effective of the alternatives that was
24 identified by the Company.

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1 In addition, the Market Path project is
2 predicated on being -- on having some upstream
3 supplies, whether contracted directly by the Company on
4 other projects, such as Constitution Pipeline or the
5 NED Supply Path project, or simply buying at Wright
6 from suppliers on those projects. So, in other words,
7 the Company is not -- does not have to contract for NED
8 capacity if there is no supply source at Wright.

9 Q. If the Settlement Agreement is approved and the Company
10 proceeds with purchase of capacity from Tennessee under
11 the Precedent Agreement, are those capacity costs
12 incurred by the Company a pass-through to the Company's
13 customers?

14 A. (DaFonte) Yes, they are. Absolutely.

15 Q. There's no markup by the Company on the capacity?

16 A. (DaFonte) There's no markup. And, in addition, you
17 know, the Company has the obligation to minimize those
18 fixed costs through optimization of the portfolio.

19 Q. How does the Company do that?

20 A. (DaFonte) Well, the Company, over the years, has
21 entered into various optimization arrangements. We use
22 asset management arrangements, whereby the Company
23 assigns its capacity to a third party wholesale either
24 producer or marketer, and that entity provides the

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1 Company with a fee for the right to manage those
2 assets, because there are, you know, there are
3 significant values to different types of capacity that
4 the Company holds. And, so, those entities are much
5 more capable of optimizing that capacity, because of
6 their ability to enter into hedging, they're large
7 trading organizations, and their ability to combine
8 those assets with others that they currently hold. So,
9 that's one methodology.

10 Doing capacity releases as well, which
11 is, essentially, taking your existing capacity, and,
12 when you do not require it, you put it out into the
13 market, and it's bid on by those that need the
14 capacity. And, so, that becomes an offset to the fixed
15 costs. And, then, there's what we call "off-system
16 sales", and that is, essentially, bundling the capacity
17 with commodity and making a sale to a third party,
18 whether it's a, you know, industrial customer or a
19 gas-fired generator.

20 Q. To the extent that the Company were to undertake those
21 efforts and to sell any reserve capacity that it had
22 and generate revenues from that, would those revenues
23 flow through to the benefit of customers through the
24 Company's cost of gas proceeding?

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1 A. (DaFonte) Yes, dollar-for-dollar.

2 Q. If you would turn, Mr. DaFonte, back to the Settlement
3 Agreement itself, I'm looking at Page 3, the
4 calculation that you spoke of to determine whether or
5 not the Precedent Agreement will remain at 115,000
6 Dekatherms a day or whether it would be reduced down to
7 100,000 Dekatherms a day, does the Settlement Agreement
8 address, you know, where that is going to be made, in
9 terms of what kind of notice there would be to, you
10 know, the Commission and its Staff and the Consumer
11 Advocate and others, if they were interested in
12 following whether or not that reduction was going to be
13 made?

14 A. (DaFonte) Yes. The actual design day capacity will be
15 reported through its cost of gas filing. So, in
16 testimony within the cost of gas filing, the Company
17 will provide an update to the Commission, Staff, and
18 others, as to where the growth initiatives or the
19 standards that are provided for through iNATGAS,
20 capacity-exempt, and Concord Steam. Those will all be
21 updated within the Cost of Gas filing, as I mentioned.

22 Q. And, is it your understanding that the Company makes
23 two Cost of Gas filings every year, winter and summer?

24 A. (DaFonte) Correct. This would be a Winter Cost of Gas

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 filing.

2 Q. I think, if you look at the -- look back at the words
3 on Page 3, it actually doesn't limit it to winter. It
4 just refers to "Cost of Gas", is that right?

5 A. (DaFonte) Yes. That's correct. My apologies for that.
6 That is, both the Summer and Winter Cost of Gas filings
7 will be updated.

8 Q. Let's turn now to Page 4, which addresses a "Growth
9 Incentive" provision in the Settlement Agreement.

10 MS. PATTERSON: Excuse me for one moment
11 please.

12 CHAIRMAN HONIGBERG: Go off the record.
13 (Atty. Patterson conferring with Atty.
14 Knowlton.)

15 CHAIRMAN HONIGBERG: Go ahead,
16 Ms. Knowlton.

17 MS. KNOWLTON: Thank you.

18 BY MS. KNOWLTON:

19 Q. Mr. Clark, I'll ask you to start with this provision
20 and provide the Commission with -- just start at the
21 high level first and explain what this provision is
22 intended to do, and then we'll get into the mechanics
23 of it.

24 A. (Clark) The growth incentive is a target metric that

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 the Company will have to meet or face a reduction in
2 their Cost of Gas filings. So, the target metrics will
3 be 2,000 customer additions per year, or 650,000 annual
4 Dekatherms per year in new growth. Those customers are
5 through all rate classifications, residential and
6 commercial, and the Dekatherm Target is also through
7 commercial and residential. The targets are
8 individually set. And, we would -- the Company would
9 only have to achieve one of those per year for the
10 incentive/disincentive to take place.

11 Q. So, in other words, if the Company met the Customer
12 Target, but it didn't meet the Dekatherm Target, then
13 the growth target would be considered achieved under
14 the Settlement Agreement?

15 A. (Clark) Correct.

16 Q. And, you know, again, is it the purpose of this
17 provision to give the Company an incentive to undertake
18 efforts to grow the number of customers and the amount
19 of volumes on its system?

20 A. (Clark) It is an incentive, not that we need the
21 incentive. We've been, since Liberty has taken over,
22 we've gone from an average of 600 customer additions
23 per year under National Grid's last two years of
24 ownership, to --

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 (Court reporter interruption.)

2 WITNESS CLARK: I'm sorry.

3 **CONTINUED BY THE WITNESS:**

4 A. (Clark) It went from 600 under National Grid, to 1,200
5 under Liberty Utilities.

6 BY MS. KNOWLTON:

7 Q. And, how did the Company achieve that growth?

8 A. (Clark) Well, in the past ownership, under National
9 Grid, the state was served basically by three instate
10 personnel, sales personnel, and a support staff based
11 in either New York or Massachusetts of another three
12 personnel. Since Liberty is taking over, we are now up
13 to nine instate personnel. It's all done out of the
14 Manchester Operations yard. And, we've also added
15 another Operations personnel that will assist with
16 sales and the identification of services and mains.

17 We've undertaken a tariff enhancement
18 that was almost two years old, that eliminated the \$900
19 contribution that was required by National Grid for a
20 residential service customer for 100 feet of service.
21 That has been eliminated. So, a new residential or
22 commercial -- residential, excuse me, residential
23 customer that's within 100 feet of the gas main will
24 receive a free gas service.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 We've taken the commercial calculation
2 for contributions from four years to six years, and
3 we've eliminated the loadings from our calculations on
4 whether the CIAC is warranted or not.

5 Q. What kind of activities do the Sales team undertake to
6 solicit new leads for customers and, you know, see the
7 identification of a potential customer all the way
8 through the end of actually signing up the customer for
9 gas service?

10 A. (Clark) Uh-huh. Well, one of the first things we did
11 was identify what the market is in our territory. So,
12 we've taken those steps and have identified that we
13 have 14,000 customers that we consider "on main". And,
14 when we say "on main", that's within 100 feet of the
15 gas main currently. And, we've also identified 80,000
16 "off main" customers in our existing service
17 territories, that would require a main extension to
18 serve them.

19 From there, we've done some marketing
20 and outreach. Again, with the ten personnel instate,
21 we are now going out on the road, actively meeting with
22 engineers, town officials, and developers looking for
23 projects.

24 Q. Can you give us some examples of some growth projects

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 that the Company has completed --

2 A. (Clark) Sure.

3 Q. -- or has in the works now?

4 A. Sure. One of the very first projects that was a pretty
5 large-scale project that was enabled by that tariff
6 revision was the Bedford Expansion project. So, the
7 Bedford project was in two phases. Phase I is under
8 construction now; Phase II will begin in Summer of
9 2016, completed by the Fall of 2016. In total, that's
10 approximately three miles of gas main from the
11 intersection of Palomino and Whittemore, in Bedford,
12 ending at the intersection of 101 and Wallace Road.
13 That is probably, yes, I'm sorry, three miles of gas
14 main extensions. We will get the Bedford High School
15 as part of that expansion, going by the Copper Door
16 Restaurant, that area over in Bedford.

17 What we were able to do there with the
18 new tariff was, in the past, you would have to
19 individually calculate every customer's contribution
20 independently. And, it made the project very hard to
21 work and make it sellable, because you were constantly
22 going back and adjusting volumes. So, with this
23 portfolio analysis, we were able to sign up the three
24 large anchor tenants, and basically go under the new

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 tariff, that 60 percent of the remaining customers
2 along that route would take service. And, you could
3 use the calculations of their GPM against the
4 construction cost to make sure that the project was
5 viable.

6 What we did on that project was, got the
7 three anchor customers to sign Service Line Agreement
8 forms, calculated the remaining 60 percent of the GPM,
9 project was viable, and we moved forward. Since we
10 started putting pipe in the ground, we've signed up an
11 additional 13 customers. And, what was not included in
12 the calculation was these residential customers that
13 we'd be going by, we didn't market to them initially,
14 because we weren't sure which street we were going to
15 be going down to serve the anchors. Once that was
16 finalized, we identified 41 residential customers along
17 Seabee Ave., in Bedford. And, since my testimony, 21
18 of those have signed up to receive service.

19 We have many other projects similar to
20 that. The developer in the Bedford project is also
21 beginning a new undertaking up in Laconia with 96
22 residential units that we agreed to serve, along with
23 Lakes Region Community College, which is next door, we
24 kind of put them as a portfolio.

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1 Q. Do you consider the growth targets, whether it's the
2 Dekatherm Target or the Customer Target in the
3 Settlement Agreement to be achievable by the Company?

4 A. (Clark) They are achievable. They are -- they will be
5 the biggest numbers that we've ever done, but they are
6 achievable. As I mentioned, last year was our best
7 year, at 1,200 customers.

8 Q. Are you able to give the Commission a sense, if you
9 express the targets in terms of a percentage increase
10 over what the Company is currently doing, what it would
11 be for let's start with the Customer Target?

12 A. (Clark) It would be on the order of a 65 percent
13 increase over what our best year was.

14 Q. And, what about the Dekatherm Target?

15 A. (Clark) The Dekatherm was a little closer to,
16 approximately 15 to 20 percent increase over our best
17 year.

18 Q. Okay. Mr. Clark, are there any opportunities that
19 you've identified to grow the Company's distribution
20 system outside of its current franchise area, if this
21 Precedent Agreement is approved and the Pipeline is
22 ultimately constructed?

23 A. (Clark) Yes, we have. We've been, since the NED
24 project's got rerouted north through New Hampshire,

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1 we've identified 11 potential towns. And, the response
2 to this is in Staff 1-11. There are some confidential
3 information in there that we can get to later. But, on
4 a high level, there's 11 potential towns that we've
5 done some preliminary work on serving, and have come up
6 with different estimates on what that load potential
7 is. There's a couple different saturation rates that
8 we're assuming. And, depending on which rate is used,
9 the load for those towns is between 850,000 and
10 1.2 million Dekatherms annually.

11 Q. Do those calculations include the potential of serving
12 Keene?

13 A. (Clark) They do not.

14 Q. Mr. DaFonte, I'm interested to hear from you about this
15 Growth Incentive provision that's in the Settlement
16 Agreement. You testified earlier that you have been
17 involved in about a dozen precedent agreements over the
18 course of your 30 year career, is that correct?

19 A. (DaFonte) That's correct.

20 Q. Would you give the Commission a sense for this
21 provision that's in the Settlement of whether this is
22 something that you've seen before when you've
23 negotiated other precedent agreements?

24 A. (DaFonte) I have never seen this type of provision in

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1 the past. This is unique. Again, in my 30 years,
2 never have I seen this. But, as part of an overall
3 settlement, you know, the Company agreed to it. It
4 also applies whether the Company has 115,000 Dekatherms
5 or whether it has 100,000 Dekatherms. So, it truly is
6 a, you know, growth incentive, regardless of the
7 ultimate volume commitment by the Company.

8 Q. Is there a financial aspect to the incentive?

9 A. (DaFonte) Yes. Yes, there is. There are, you know,
10 what I would consider maybe "disincentives", if we do
11 not reach specific targets. Specifically, as we
12 measure the actual Customer Growth Target and the
13 actual Dekatherm Target, those averages, which are
14 going to be tracked beginning in 2017, if those
15 averages are below the established targets, which Mr.
16 Clark spoke of, namely, the addition of 2,000 customers
17 or the additional load, annual load of 650,000
18 Dekatherms, then the Company would be disallowed -- or,
19 would not be allowed to recover certain costs within
20 its Cost of Gas filing.

21 There are tiers associated with that
22 recovery. If, out of the two benchmarks, either the
23 customer count or the volume addition, whichever one is
24 closest to the target, that percentage, if less than

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 80 percent, the Company would not be allowed to recover
2 \$300,000 in its Cost of Gas filing for those costs
3 associated with the NED Pipeline. If the percentage is
4 between 90 percent -- I'm sorry, between 80 percent and
5 90 percent, then the Company would not be allowed to
6 recover \$225,000 in its Cost of Gas filing. And, then,
7 lastly, if those targets are between 90 percent and
8 less than 100 percent, then the cost recovery would be
9 reduced by 150,000 Dekatherms -- I'm sorry, \$150,000 in
10 its Cost of Gas filing.

11 Q. This growth target only applies if the NED Pipeline
12 comes on line and the propane plants that you've
13 previously described remain on line, correct?

14 A. (DaFonte) Correct. The propane plants, as I mentioned
15 earlier, contribute to the design day supply that the
16 Company requires to satisfy its customers. If, with
17 the addition of the NED capacity, those plants are no
18 longer required, then that effectively reduces the
19 reserve capacity created by the addition of the NED
20 contract. And, that's essentially what this is
21 designed to do. It allows the Company, as I said
22 earlier, to shape its portfolio in the future,
23 depending on market conditions. And, some of those
24 market conditions are related to growth within the

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Company's existing service territory and in other
2 future service territories.

3 So, if that doesn't materialize, then
4 the Company would look at retirement of these propane
5 facilities. And, if it does retire those propane
6 facilities, then it effectively has reduced its reserve
7 capacity and would essentially be in a planning horizon
8 of five to ten years or so before it needed additional
9 capacity. So, that's the way in which the Company can
10 sort of -- it can avoid some of these disallowances by
11 reducing or retiring the propane facilities in the
12 future.

13 Q. If you look at Page 6 of the Settlement, Section C,
14 titled "Analysis to be Provided in the Next IRP
15 Filing", which is "Integrated Resource Plan", does the
16 Settlement provide for the filing of any analysis
17 associated with potential retirement of those
18 facilities?

19 A. (DaFonte) Yes, it does. The Company, in its next IRP
20 filing, which is due February 9th of 2017, will provide
21 an analysis that indicates whether the Company plans to
22 retire any of its propane facilities within the five
23 year planning horizon of the Integrated Resource Plan.
24 And, it will include in that, as part of that analysis,

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1 the revenue requirement associated with each of the
2 plants over its remaining life, and any estimated
3 salvage value of the plant assets.

4 Q. Are there other facets to the IRP that the Company has
5 agreed to as part of this Settlement?

6 A. (DaFonte) Yes. The Company has agreed to conduct a
7 cost/benefit analysis associated with constructing a
8 lateral to serve the Keene Division, as compared to
9 other supply alternatives. It will also include a
10 forecast of load on a customer class basis in its next
11 IRP, and will continue with the impacts of energy
12 efficiency on the demand forecast long-term.

13 Q. And, is the intent of these provisions that require the
14 filing of the analysis of whether it's the retirement
15 of their propane facilities, the cost/benefit analysis
16 of constructing a lateral to serve Keene versus other
17 supply alternatives, is the intent behind these
18 provisions to give the Staff and the Consumer Advocate
19 and other participating parties a preview of what the
20 potential options are in regard to each of these
21 elements, before the Company goes ahead and makes a
22 decision about what to do?

23 A. (DaFonte) Yes, of course. The intent of the Integrated
24 Resource Plan is to provide the Company's plan to meet

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1 its firm customer requirements over a five-year
2 planning horizon, or beyond, if, in fact, there is a
3 need beyond that five-year period. And, it also allows
4 for the inclusion of long-term energy efficiency
5 measures and the impact of those energy efficiency
6 measures on the Company's demand.

7 Q. Mr. DaFonte, do you have an opinion about whether this
8 Settlement Agreement is in the public interest?

9 A. (DaFonte) I do. I have a strong opinion. I think
10 it's -- it's an agreement that provides long-term
11 assurances of firm capacity to the Company's citygates,
12 and ultimately to satisfy growing customer demand. It
13 provides access to lower cost supplies. It does away
14 with the volatility that has been experienced by the
15 Company's customers over the last few years through
16 having to make market area purchases. It has access
17 now with a -- with the Supply Path Agreement to the
18 most prolific production in the country, in North
19 America, and the lowest price point in North America.

20 The Company also gains important
21 flexibility with regard to future capacity decisions,
22 by being able to essentially tailor its portfolio in
23 the future to meet what it has forecasted for customer
24 demand at this point in time. So, it allows the

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1 Company to gain additional information with regard to
2 its growth initiatives, with regard to the changing
3 market conditions in the region. Certainly,
4 understanding that there are a lot of other things
5 going on with regard to looking at pipeline capacity,
6 even on the electric generation, gas-fired generation
7 side. So, all of those things are very unpredictable.
8 Having this capacity provides the Company with
9 additional flexibility to manage its portfolio, as I
10 mentioned, and tailor it to the customer needs.

11 We also, as part of this capacity, are
12 getting a much needed secondary feed into our
13 distribution system. Today, the Company is served
14 solely off of the Concord Lateral. And, putting all of
15 its requirements on one lateral is certainly not as
16 reliable as having a secondary delivery point off of a,
17 you know, a high pressure pipeline, and having the
18 ability to expand its distribution system because of
19 that, that new interconnect. As opposed to having to
20 expand the existing Concord Lateral, at, you know, a
21 rate that is significantly higher than the NED project
22 itself. So, you know, just the expansion of the
23 Concord Lateral, which only provides you access to
24 Dracut, is more expensive than the rate on the NED

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1 project going all the way back to Wright.

2 Q. Mr. Clark, do you agree with Mr. DaFonte, that the
3 Settlement Agreement is in the public interest?

4 A. (Clark) I do. I believe it will allow the Company to
5 continue with its aggressive customer expansion, which
6 will allow access to the Company's core energy
7 efficiency programs, as well as adding fuel
8 diversification to parts of the state that are
9 currently served by two fuels.

10 Q. When you refer to "fuel diversification", you mean the
11 availability of natural gas to customers that currently
12 do not have -- well, to individuals or companies that
13 currently do not have access to it?

14 A. (Clark) Correct. Any individual or business that
15 currently has access to fuel oil or propane now could
16 have access to natural gases.

17 MS. KNOWLTON: The Company has nothing
18 further for its witnesses.

19 CHAIRMAN HONIGBERG: Except you're going
20 to want to circle back to the confidential.

21 MS. KNOWLTON: Correct. Thank you.
22 Once we reach that part of the hearing, I'll circle back.

23 CHAIRMAN HONIGBERG: I knew one of us
24 needed to make a note of that.

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1 MS. KNOWLTON: I've got my list. There
2 are two items.

3 CHAIRMAN HONIGBERG: All right.
4 (Brief off-the-record discussion ensued
5 between the Chairman and Court
6 Reporter.)

7 CHAIRMAN HONIGBERG: Okay. All right.
8 Ms. Patterson, why don't you continue.

9 MS. PATTERSON: Thank you. Good
10 morning, Ms. Whitten.

11 WITNESS WHITTEN: Good morning.

12 BY MS. PATTERSON:

13 Q. Before I ask you some questions about the Settlement
14 Agreement on behalf of Staff, I'd like to ask you a few
15 questions about your testimony. And, specifically, if
16 we could turn to Bates 53 to 54 of your testimony.
17 And, if you could address the five concerns that are
18 listed there please.

19 A. (Whitten) Certainly. On Bates 53, I begin to list the
20 five concerns that I had after reviewing the initial
21 filing. They include that the Company indicates it can
22 continue to obtain citygate deliveries to meet design
23 day deficits in the near term, but does not indicate
24 that it cannot continue to do so to cover at least a

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 portion of the forecasted design day deficit beyond
2 that initial term.

3 Second, I say that the PA assumes -- the
4 Precedent Agreement assumes 115,000 Dekatherms a day of
5 capacity, only 50,000 of which will replace the
6 existing TGP Dracut contract, the existing contract,
7 leaving 65,000 dekatherms a day of incremental
8 capacity, that results, and this is the key point,
9 results in excess capacity in the first year of the NED
10 agreement.

11 CHAIRMAN HONIGBERG: Ms. Whitten, I'm
12 going to stop you. We don't need you to reread --

13 WITNESS WHITTEN: Okay.

14 CHAIRMAN HONIGBERG: -- or summarize
15 these, I think. I think Ms. Patterson wants to ask you
16 about them.

17 WITNESS WHITTEN: Okay.

18 CHAIRMAN HONIGBERG: Because we all have
19 them in front of us.

20 WITNESS WHITTEN: Okay.

21 **CONTINUED BY THE WITNESS:**

22 A. (Whitten) And, then, I was, just to sum up, I was
23 concerned that, at the end of the 20-year term of the
24 Precedent Agreement, there would be -- still be 2,000

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1 Dekatherms a day of excess capacity, otherwise referred
2 to by the Company as "reserve capacity".

3 BY MS. PATTERSON:

4 Q. And, in addition to those concerns, you had -- do you
5 agree that you had a concern that the forecast -- the
6 Precedent Agreement forecast was inconsistent with the
7 Company's last IRP forecast?

8 A. (Whitten) Yes, I did. The Company's latest IRP
9 forecast, which we reviewed, showed that residential
10 growth was expected to be flat, to perhaps even
11 negative. And, the Company was including in its
12 Precedent Agreement an updated forecast that showed
13 substantial increase in demand growth on a design day
14 for all customer classes. And, it was a concern to me
15 that those two facts were inconsistent.

16 Q. Rather than actually -- could we just address the
17 concerns that you've identified now, and we'll turn to
18 the other concerns, in terms of how the Settlement
19 Agreement responds to the concerns that you have? For
20 instance, the concern number (a), on Page 53, how is
21 that resolved by the Settlement Agreement, for the
22 purposes of Staff?

23 A. (Whitten) Well, the Company, in general, what -- can I
24 just address in general what I find comforting about

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1 the Settlement Agreement, is that the Company has an
2 obligation to show that it can achieve growth to meet
3 the needs of the -- to meet the design day demand
4 assumed under the Precedent Agreement. And, the
5 continuation of receiving citygate supply at Dracut is
6 a general concern recognized in the marketplace.

7 So, what I was concerned about is that
8 they address, in response to discovery, and I believe
9 also in follow-up, in rebuttal, that they have received
10 more recent information on the supply availability at
11 Dracut from the existing sources that suggest that
12 those supplies are in decline. And, to continue to
13 rely upon supply received at Dracut would mean that
14 they would be further subject to price volatility,
15 especially during the winter period, at the same time
16 that they expect to be adding residential and
17 commercial customers to their design day requirements.

18 And, as part of the review that we did,
19 we recognize that what the Company is supposed to
20 provide is a "least-cost" or "best-cost" alternative.
21 And, if there are options to reduce price volatility
22 over time, by looking at other sources of supply, then
23 they should consider those. Citygate supply, which is
24 a delivered gas supply, not relying upon this Company's

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1 own pipeline capacity, but relying upon a third party
2 to commit and deliver firm at that point, is less
3 secure than having your own pipeline capacity, a
4 Company having your own pipeline capacity under
5 contract. So, reviewing the additional information on
6 the reductions in supply expected to be delivered at
7 Dracut over time address some of my concern about that.

8 Q. And, the next concern that you mention relates to
9 "excess capacity". How has that concern been addressed
10 by the Settlement Agreement?

11 A. (Whitten) Well, specifically by the Company doing two
12 things. One is, assuming the risk that, if they don't
13 achieve growth targets, on either number of customers
14 or dekatherms per day, of new growth, new demand, over
15 the timeframe specified in the Settlement Agreement,
16 then they are at risk of paying a penalty associated
17 with missing those targets.

18 Secondly, they have agreed in their next
19 IRP to address how they forecast their growth by
20 customer class, instead of using what they had used in
21 the Precedent Agreement, which was a overall trend
22 projection for total design day growth.

23 Q. And, you had mentioned a concern about the trend
24 projection in your testimony.

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1 A. (Whitten) Yes, I did.

2 Q. And, that was in -- having them do it by class is to
3 resolve that concern or to address that concern?

4 A. (Whitten) Right. Their testimony, the original
5 testimony, said that they base their growth and design
6 day requirements on an overall trend projection of I
7 believe it was "1.46 percent". When we drill down into
8 the IRP forecast on which the Precedent Agreement
9 forecast was based, we could see that that was a trend
10 forecast projection for C&I class only. And, it's a
11 trend, in how they modeled it, it's basically a overall
12 trend they saw in that particular customer class over
13 time. But, if you looked at the same -- if you looked
14 for a similar growth rate in the residential class
15 equations included in their IRP, they did not show that
16 level of growth.

17 So, to transition, in one year, from
18 showing flat to maybe possibly even negative growth in
19 the residential class, to assuming that all classes
20 will grow at the same rate, was something that the
21 Company needed to explain. And, as part of the process
22 that I was involved in, reviewing discovery and meeting
23 in tech sessions and hearing from the Company's
24 witnesses in rebuttal, they provided a stronger basis

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1 for how they're going to achieve those growth targets,
2 especially in the residential section -- sector.

3 Q. And, your next concern, on Page 54, relates to the
4 "aggressive and speculative forecast of growth". Do
5 you agree that that is addressed by the requirements
6 for reduction in capacity should demand not be realized
7 at some point in the future?

8 A. (Whitten) Yes. It directly addresses that concern.

9 Q. And, the next concern that you mention, you talk about
10 having confidence in their ability to achieve some cost
11 mitigation of any capacity that's not being used by
12 existing customers. How is that -- how are those
13 concerns addressed?

14 A. (Whitten) The Company has indicated that it's currently
15 a part of their responsibility, and will continue to be
16 their responsibility, to market the excess capacity.
17 And, they got, as Witness DaFonte mentioned earlier,
18 three options, three main options, and one of them is
19 to pursue asset management agreement with third party
20 marketers, the other is to market directly to customers
21 that are not taking supply service from them, but can
22 be reached by their capacity. And, they can also put
23 it out for bid on the Electronic Bulletin Board, which
24 is an electronic marketplace for marketing your excess

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1 capacity.

2 The Company has indicated that they have
3 been successful in doing so and achieving a substantial
4 percentage of the maximum rate that they will be paying
5 for this capacity. And, the fact that it flows
6 directly through dollar-for-dollar to the customers is
7 a particular attractive feature of this, this
8 obligation on their part to continue to do this.

9 Q. And, when you say "the Company has indicated their past
10 experience with relation to cost mitigation", have you
11 seen a response to at least one data request that
12 quantified that value?

13 A. (Whitten) Yes. We've seen that they report this cost
14 mitigation achieved in their cost of gas filings, which
15 we asked for in discovery. And, we also saw that the
16 OCA requested an analysis of assumed cost mitigation
17 based on what they thought that they could achieve.
18 And, that OCA discovery reflected an assumption that
19 they could get, I'm sure Witness DaFonte will correct
20 me if I'm wrong about this, but the assumption that
21 they could get close to or 100 percent of the maximum
22 negotiated rate for this capacity during the winter
23 period, and then considerably less during the summer
24 period, but, on average, they would achieve a very high

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 percentage of cost recovery for this capacity.

2 Q. And, turning to the next concern, Item (e), on Line 11,
3 Bates Page 54, you mention your concern about the
4 peaking -- propane peaking capacity, and retaining that
5 after NED was in service to customers. Could you speak
6 to how the Settlement Agreement responds to that
7 concern please.

8 A. (Whitten) Yes. What the Settlement Agreement
9 specifically requires them to analyze the need for
10 retaining these peaking facilities going forward, to
11 show that they are still needed and cost-effective.
12 The reason that we wanted to -- that I wanted to see
13 that addressed from the very beginning of my review is
14 that, if you're -- the Company is getting the benefit
15 of a second citygate delivery point off of the pipeline
16 project that is going to be flowing gas at a very high
17 pressure, then -- higher than what they currently have
18 now, then that should provide them benefits downstream
19 that will allow them to receive gas at a higher
20 pressure, and therefore push more gas out to the
21 further reaches of their distribution system to allow
22 them to sign up new customers. So, if you have that
23 benefit as part of what you've negotiated, then you
24 shouldn't need as much system reinforcement or design

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 peaking -- design day peaking supplemental capacity,
2 because you've now got the benefit of higher pressure
3 being delivered to a different side of your system.
4 And, that all should have been reflected in a lower
5 need for peaking services, but they retained the
6 peaking services in their initial filing. And, as part
7 of the Settlement Agreement, they have agreed to look
8 at the continued need for those resources.

9 Q. Thank you. Before we continue with the last concern,
10 you had mentioned the "trend growth rate" that was
11 applied after five years in the Company's initial
12 projections. Would you -- how would you characterize
13 the 1.4 trend growth rate? Is it conservative? Is
14 it -- how would you characterize it?

15 A. (Whitten) It's actually, for the C&I customer group
16 alone on which it was based, it's actually lower than
17 what they had been experiencing recently. So, in that
18 sense, it's not -- it's not excessive. It was
19 unsubstantiated, and that was what we were looking for,
20 was some additional substantiation.

21 Q. And, turning to the last issue that -- your last
22 concern that you talk about, starting at Line 18, on
23 Bates 54, could you please address how that has been
24 responded. It's a concern about a lack of information

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 related to the Company's growth projections in its
2 initial filing.

3 A. (Whitten) Yes. I think that that's been addressed
4 directly by Rebuttal Testimony of Witness Clark. In
5 particular, where he details the efforts that are being
6 made to pursue the new customers in their existing
7 territory, and the additional towns or communities that
8 they think they can serve over time. I think that -- I
9 think that's something that was lacking in the initial
10 filing, and has been supplemented with the rebuttal
11 testimony.

12 Q. And, would you agree that, in addition to that
13 information, the Company provided information related
14 to the additional reverse migration of capacity-exempt
15 customers since its filing data?

16 A. (Whitten) Yes. They have actually mentioned that in
17 the interim, since the initial filing, through to
18 today, they have seen additional capacity-exempt
19 customers reverse migrate on their own.

20 Q. Okay. Thank you. One moment please. Do you agree
21 with the -- with Mr. DaFonte's testimony earlier about
22 the provision -- the "growth target" provision in the
23 Settlement Agreement that the Company need only meet
24 one of the two targets?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (Whitten) Yes, I do.

2 Q. And, if the Commission were to approve the Settlement
3 Agreement, what questions will remain?

4 A. (Whitten) I think that we need to make sure that the
5 Company actually can secure supply that will provide --
6 that will meet the expected low cost of gas supply at
7 Dracut. They have indicated that they can do that.
8 But we'll need to see that they do that. We'll need to
9 see that they meet those growth targets. And, we'd
10 like to see that the propane/air -- the propane peaking
11 plants are evaluated and are determined to be needed or
12 not.

13 Q. Do you agree that, if the Company is successful in
14 negotiating a Supply Path Precedent Agreement with TGP,
15 that it will only serve to benefit the customers of
16 Liberty Utilities?

17 A. (Whitten) I agree that that's what's going to give them
18 the ability to do. They have to actually go out and
19 put supply behind that, to make sure that that is the
20 least-cost path for supply in their portfolio. But it
21 certainly puts them in a good position to do that.

22 Q. Earlier, Mr. DaFonte talked about the provision in the
23 Settlement Agreement that relates to the reduction of
24 the volume of capacity from 115,000 Dekatherms a day to

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 100,000 Dekatherms a day. And, do you agree or would
2 you -- I believe he said words to the effect of "may
3 reduce". And, is it Staff's position that that's a
4 requirement, if those thresholds are not met, that the
5 Company shall reduce its volume?

6 A. (Whitten) It's my understanding that they're required
7 to reduce the volume from -- if they do not meet those
8 targets, from 115,000 to 100,000 a day, and that
9 100,000 a day would be the only amount that they could
10 flow through the cost of gas filing. If the Company
11 elects to take on the initial -- the incremental -- any
12 part of the incremental 15,000 a day at its own
13 shareholder expense, that's up to the Company, but it
14 would not be a burden for the customers to assume.

15 Q. And, speaking of "sharehold expense" -- "shareholder
16 expense", do you agree that any penalties or financial
17 consequences of failing to achieve the targets related
18 to growth are -- will be paid by the shareholders?

19 A. (Whitten) Yes. That's a key selling point of the
20 Settlement Agreement, from my perspective.

21 Q. One clarification for the record. We've mentioned the
22 "propane plants", and we have mentioned the
23 "propane/air plant in Keene", which this is not about.
24 Do you agree that the "propane plants" that we're

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 talking about with regard to the assessment that must
2 be done for the next IRP are the peaking plants?

3 A. (Whitten) Yes, I do.

4 Q. And, not propane -- any propane plant that is necessary
5 for pressure balancing?

6 A. (Whitten) Yes, I do. And, that's specified in my
7 conclusions in my testimony.

8 Q. And, Ms. Whitten, are you aware of the events in recent
9 time in the regional gas market?

10 A. (Whitten) Yes.

11 Q. And, are you aware of the issue with regards to -- or,
12 the issues with regards to gas-fired electric
13 generation?

14 A. (Whitten) I understand that there are dockets in both
15 Massachusetts and New Hampshire that are looking into
16 the impact on gas and electric prices from capacity,
17 yes.

18 Q. And, why is that?

19 A. (Whitten) Why am I aware of it?

20 Q. Why is it that there's a concern or there are issues
21 related to electric generation?

22 A. (Whitten) In general, the concern is that, with the
23 removing from service of existing generation plants in
24 New England that are fired by, you know, burning coal

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 or oil, the only way to replace that generating
2 capacity is to fire using natural gas, which increases
3 the demand for natural gas, in an already constrained
4 market on a design peak day or during the design winter
5 peak day period, which contributes to the volatility in
6 prices in general.

7 So, if there's an opportunity to
8 consider incremental pipeline capacity to serve the
9 region, it would serve -- it could serve all customers,
10 potentially, including those customers that purchase
11 natural gas to fuel their generating facilities. And,
12 then, those customers pass through that cost, which may
13 be lower than what they're currently paying in the
14 price of electricity to electricity customers. So,
15 there's a general concern with whether or not that can
16 be achieved and how much benefit can be achieved.

17 Q. And, would you agree there's an issue with regards to
18 the amount of capacity that flows into New England at
19 this present time?

20 A. (Whitten) There's a concern about how limited it? Yes.

21 Q. And, that -- those concerns about electric generation
22 are not a part of this docket, is that correct?

23 A. (Whitten) They are not. I look at this docket as a
24 review of just the capacity to serve the natural gas

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 utility, EnergyNorth.

2 Q. Do you agree with Mr. DaFonte that the amended
3 Precedent Agreement, with the retirement of the propane
4 plants, meets a five to ten planning -- five- to
5 ten-year planning horizon?

6 A. (Whitten) I believe I said in testimony that they have
7 sufficient amount of time to review the need for these
8 propane plants, peaking plants, prior to the NED
9 capacity coming on line, which is projected to be the
10 Winter of 2018/2019. So, that's roughly within a
11 five-year timeframe, yes.

12 Q. Thank you.

13 MS. PATTERSON: If I could just have one
14 moment please?

15 (Atty. Patterson conferring with Mr.
16 Frink.)

17 BY MS. PATTERSON:

18 Q. There is a provision in the Precedent Agreement that
19 gives the Company the right-of-first-refusal to extend
20 the term of the contract. Is it your position that the
21 Company would need to seek approval from the Commission
22 in order to do that?

23 A. (Whitten) Yes, it is my position. And, we verified
24 that and confirmed that in discovery.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. How are the costs of the propane peaking plants
2 recovered?

3 A. (Whitten) Some of the operating costs are recovered
4 through the cost of gas filings, and then some of the
5 costs are recovered through rates.

6 Q. So, if the propane -- if the Company's analysis in its
7 next IRP were to determine that the propane peaking
8 plants should be retired, because that's the most
9 cost-effective option for it, would that retirement
10 blunt the impact of the NED costs by lowering the cost
11 of gas with regards to that, those facilities?

12 A. (Whitten) It would offset the cost of the firm demand
13 charges associated with NED, yes, because those are
14 collected through the cost of gas filing as well.

15 Q. What is your position about the life -- accounting life
16 expectancy of the propane peaking plants?

17 A. (Whitten) Well, I believe that they're already on the
18 order of 40 plus years old. So, they're probably past
19 their useful accounting life. And, so, any -- even
20 without NED, the Company would probably be evaluating
21 whether or not they could continue using them.

22 Q. And, if the Company were to make system reinforcements
23 to those plants between now and the time they are
24 retired, is it at risk for recovery of those costs of

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 system upgrades, when it comes before the Commission in
2 a cost of gas proceeding?

3 A. (Whitten) Yes. I believe that would be the subject of
4 a prudence review.

5 Q. In your experience as an expert in natural gas utility
6 matters, as well as working for a gas LDC, have you
7 ever come across the resolution of a precedent
8 agreement that requires the shareholders of the LDC to
9 assume some risks with regards to the capacity they're
10 procuring?

11 A. (Whitten) No, I have not. And, in fact, I reviewed
12 incremental pipeline capacity additions in three
13 jurisdictions fairly recently, and none of them
14 required that the utilities take on this kind of risk
15 to shareholders.

16 Q. And, based on the information that you've reviewed in
17 this case, as well as your experience, is it your
18 opinion that the Settlement Agreement and the Precedent
19 Agreement, as modified by the Settlement Agreement, are
20 in the public interest and the best interests of the
21 Company's customers?

22 A. (Whitten) Yes, I do.

23 Q. And, do you agree that the Company would be prudent in
24 entering that contract for additional capacity at this

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 time?

2 A. (Whitten) Yes, I do, under the circumstances described
3 in the amended Precedent Agreement and the Settlement
4 Agreement.

5 MS. PATTERSON: Thank you. One moment
6 please.

7 (Atty. Patterson conferring with Mr.
8 Frink.)

9 MS. PATTERSON: No other questions.
10 Thank you.

11 CHAIRMAN HONIGBERG: All right. Would
12 now be an appropriate time, Ms. Knowlton, to circle back
13 to the confidential materials?

14 MS. KNOWLTON: Yes. I think we can do
15 that pretty quickly.

16 CHAIRMAN HONIGBERG: Are we talking
17 about five to ten minutes you think?

18 MS. KNOWLTON: Yes, no more than that.

19 CHAIRMAN HONIGBERG: All right. Let's
20 go off the record for a second.

21 (Brief off-the-record discussion
22 ensued.)

23 CHAIRMAN HONIGBERG: Okay. So, let's go
24 back on the record. We're about to enter into some

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 testimony regarding confidential information. So, the
2 public will be leaving. We're going to wrap that up
3 fairly quickly. I've asked the Parties to confirm that
4 it's okay for a couple of State employees, Director Bailey
5 from the PUC, Mr. Jortner from the OCA, who are not part
6 of this docket at this time, to remain in the room, and
7 everybody is okay with that.

8 *(Public portion of the record suspended*
9 *and to be resumed following the*
10 *Confidential Session and the lunch*
11 *recess.)*

12 *(Pages 105 through 109 of the hearing*
13 *transcript is contained under separate*
14 *cover designated as "**Confidential &***
15 ***Proprietary**" and is the reason that*
16 *Pages 105 through 109 contained herein*
17 *have been redacted and the pages are*
18 *intentionally left blank.)*

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 ***(Following the lunch recess, the Public***
2 ***Portion of the record resumed at***
3 ***1:05 p.m.)***

4 CHAIRMAN HONIGBERG: Off the record.
5 (Brief off-the-record discussion
6 confirming that either pronunciation of
7 "precedent" is correct.)

8 CHAIRMAN HONIGBERG: All right. We're
9 ready? I think we're ready for Ms. Chamberlin, are you
10 picking up the questioning?

11 MS. CHAMBERLIN: Yes. Thank you. I'd
12 like to begin by marking for identification six responses
13 to data requests. And, Mr. DaFonte is the sponsoring
14 witness for each of these. So, my plan was to introduce
15 them as a group. I mean, they each have their own exhibit
16 number, but I thought I would do them all at the beginning
17 to get them out of the way.

18 CHAIRMAN HONIGBERG: They seem to have
19 been marked, --

20 MS. CHAMBERLIN: Yes.

21 CHAIRMAN HONIGBERG: -- because I have a
22 bunch here. So, --

23 MS. CHAMBERLIN: They have been marked,
24 and they are in front of you. And, I have --

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. KNOWLTON: We haven't seen them yet.

2 MS. CHAMBERLIN: All the parties --

3 MS. KNOWLTON: So, once we know the
4 numbers, I would like a chance to look at them.

5 MS. CHAMBERLIN: Sure. I have copies
6 for everyone. I know people had them, but now they have
7 them like altogether.

8 (Atty. Chamberlin distributing
9 documents.)

10 MS. CHAMBERLIN: And, 4-15 is "Exhibit
11 23". "Exhibit 24" is Staff Tech-23(b).

12 (Atty. Patterson distributing documents
13 for Atty. Chamberlin as a courtesy.)

14 MS. CHAMBERLIN: And, then, Staff 2-1
15 has some confidential material in it. That's
16 "Exhibit 25". And, "26" is 3-16.

17 MS. KNOWLTON: Right. And, that's OCA
18 3-16?

19 MS. CHAMBERLIN: Yes. And, next is "27"
20 is OCA 2-5 and "28" is OCA 3-25. And, OCA 2-5 is
21 confidential, has confidential information.

22 CHAIRMAN HONIGBERG: Ms. Chamberlin,
23 just so the record is clear about what contains
24 confidential information, it appears that what's been

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 marked as "Exhibit 25" and what's been marked as "Exhibit
2 27" --

3 MS. CHAMBERLIN: Yes.

4 CHAIRMAN HONIGBERG: -- have
5 confidential information.

6 MS. CHAMBERLIN: Yes.

7 (The documents, as described, were
8 herewith marked as **Exhibit 23** through
9 **Exhibit 28**, respectively, for
10 identification.)

11 CHAIRMAN HONIGBERG: There is some
12 shading in -- there's shading in Exhibit 26, but it
13 doesn't look like that's confidential. That looks like
14 it's shaded in the document, is that right?

15 MS. CHAMBERLIN: That's my
16 understanding. I would ask the Company to confirm that.

17 CHAIRMAN HONIGBERG: Off the record.
18 (Brief off-the-record discussion
19 ensued.)

20 CHAIRMAN HONIGBERG: On the record.
21 Yes. We've confirmed that 26 does not contain
22 confidential information.

23 MS. KNOWLTON: And, the witnesses don't
24 have -- do you guys have 27 and 28?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 CHAIRMAN HONIGBERG: Off the record.
2 (Brief off-the-record discussion
3 ensued.)

4 CHAIRMAN HONIGBERG: All right.
5 Ms. Chamberlin, you may proceed.

6 MS. CHAMBERLIN: Thank you. These
7 questions are for Mr. DaFonte.

8 **CROSS-EXAMINATION**

9 BY MS. CHAMBERLIN:

10 Q. EnergyNorth has about 85,000 natural gas customers,
11 correct?

12 A. (DaFonte) I would like to think it's closer to 90,000,
13 but --

14 Q. Well, if you look at your rebuttal testimony, on Page
15 15, I believe it's 85,000?

16 A. (DaFonte) Yes. That was -- that's an older number, but
17 it's probably up around 87, 88,000 right now.

18 Q. And, the Company currently has available resource
19 portfolio to serve these customers, correct?

20 A. (DaFonte) Yes, it does.

21 Q. And, the elements of that portfolio include long-haul
22 and short-haul transportation contracts?

23 A. (DaFonte) Correct.

24 Q. Underground storage?

[WITNESS PANEL: DaFonte~Clark~Whitten]

- 1 A. (DaFonte) Yes.
- 2 Q. Gas supply contracts?
- 3 A. (DaFonte) Yes.
- 4 Q. Various supplemental resources?
- 5 A. (DaFonte) Yes.
- 6 Q. Market area supply purchases?
- 7 A. (DaFonte) Yes.
- 8 Q. And, demand-side management resources?
- 9 A. (DaFonte) Correct.
- 10 Q. And, currently, EnergyNorth is meeting the supply needs
- 11 of existing customers?
- 12 A. (DaFonte) That's correct.
- 13 Q. You are familiar with EnergyNorth's November 2013
- 14 Integrated Resource Plan filing, correct?
- 15 A. (DaFonte) Yes, I am.
- 16 Q. And, that was in Docket DG 13-313?
- 17 A. (DaFonte) Yes. That's correct.
- 18 Q. The IRP, and I'm referring to "Integrated Resource
- 19 Plan" as "IRP", the IRP forecast period was 2013/14 to
- 20 2017/18, correct?
- 21 A. (DaFonte) That's correct. But it was also run out 24
- 22 years to determine the cost-effectiveness of energy
- 23 efficiency implementation.
- 24 Q. The resource forecast was the five-year period

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 mentioned, 2013 to 2014 and to 2017 to 2018?

2 A. (DaFonte) Yes. That was the five-year resource
3 forecast that was used to determine what portfolio
4 changes would occur only in those five years. But, as
5 I said earlier, the Company modeled 24 years' worth of
6 demand, so that it could compare energy efficiency as a
7 supply-side resource to other alternatives.

8 Q. So, the Company added its energy efficiency projections
9 to its five-year IRP forecast?

10 A. (DaFonte) It did, and it extended it out 24 years to
11 see the impact of those energy efficiency measures.

12 Q. Just for clarity, I'm referring to your testimony in DG
13 13-313. It's Exhibit 1.

14 (Atty. Chamberlin showing document to
15 Witness DaFonte.)

16 BY MS. CHAMBERLIN:

17 Q. And, I just ask you to read this paragraph for me.

18 CHAIRMAN HONIGBERG: Ms. Chamberlin, has
19 counsel seen what you're showing the witness?

20 MS. CHAMBERLIN: Well, it's their
21 Petition and it's their filing. I'm happy to --

22 CHAIRMAN HONIGBERG: Are we talking --
23 I'm sorry. Are we talking about exhibit from this docket
24 or are you talking about the IRP docket?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. CHAMBERLIN: I'm talking about the
2 IRP docket. And, it's this witness's testimony, and I'm
3 asking to have him read it into the record.

4 CHAIRMAN HONIGBERG: Has counsel seen
5 what you are showing the witness?

6 MS. CHAMBERLIN: Not today, unless she
7 looked at it.

8 CHAIRMAN HONIGBERG: Then, counsel
9 should see what you are showing the witness.

10 MS. CHAMBERLIN: Okay.

11 (Atty. Chamberlin showing document to
12 Atty. Knowlton.)

13 MS. CHAMBERLIN: And, it's Exhibit 1.

14 MS. KNOWLTON: And, actually, let me
15 just state for the record. Ms. Chamberlin, I'm not sure
16 whether I heard you refer to it as "Mr. DaFonte's
17 testimony"? It's actually the Plan, is my understanding,
18 the Integrated Resource Plan that the Company filed.

19 MS. CHAMBERLIN: Yes.

20 MS. KNOWLTON: There's no testimony that
21 was filed in that docket.

22 MS. CHAMBERLIN: That's correct.

23 WITNESS DaFONTE: And, I would also
24 clarify that --

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. CHAMBERLIN: Excuse me. I would
2 just ask that you would read the testimony.

3 WITNESS DaFONTE: I will read it. But
4 this is not my testimony. This was information that was
5 put together by National Grid, on behalf of the Company at
6 that time. So, it is not my --

7 MS. CHAMBERLIN: It's not your personal
8 testimony?

9 WITNESS DaFONTE: It's not my personal
10 testimony. It's not my data. It's information that was
11 pulled together by National Grid at the time, because they
12 were doing the demand forecasting for EnergyNorth.

13 CHAIRMAN HONIGBERG: I'm dying to know
14 what it says.

15 **BY THE WITNESS:**

16 A. (DaFonte) Now I will read it: "Together,
17 commercial/industrial demand (sales plus
18 transportation) is forecast to increase by an average
19 of 291,121 Dekatherms per year or 3.9 percent per year
20 over the forecast period 2013/14 through 2017/18. The
21 forecast results for the commercial/industrial class
22 are presented in Chart III-B-1."

23 BY MS. CHAMBERLIN:

24 Q. Thank you. Now, in this IRP, the demand forecast is

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 based on both traditional and nontraditional market
2 analysis, correct?

3 A. (DaFonte) I believe it was.

4 Q. And, in a traditional IRP analysis, the Company uses
5 historic monthly customer billing data, correct?

6 A. (DaFonte) Correct.

7 Q. And, historic energy price data?

8 A. (DaFonte) I'm not sure if it's historic energy price
9 data. It might be Moody's econometric data.

10 Q. And, what is the Moody's econometric data based upon?

11 A. (DaFonte) It's a forecast provided by Moody's of
12 various factors that may drive demand or may reduce
13 demand over time, including, you know, housing starts,
14 a, you know, sort of overall economic forecast of the
15 region or the county, and that is used to derive some
16 of the growth.

17 Q. Can I just direct you to the IRP and have you read that
18 sentence? That's it, yes.

19 A. (DaFonte) "By using historical economic, demographic
20 and energy price data listed in the table below as the
21 independent variables, the Company estimated
22 statistically valid econometric equations for each
23 class." And, you want me to -- this is a chart from
24 Moody's, I believe, for the historical.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. It's historical data that's listed in the IRP?

2 A. (DaFonte) From Moody's, yes.

3 Q. Right. Now, the Company also uses commercial natural
4 gas price data? Well, let me rephrase that. In
5 addition, the Company tests actual calendar heating
6 degree day data, correct?

7 A. (DaFonte) Yes.

8 Q. And, to do that, it uses residential natural gas price
9 data?

10 A. (DaFonte) Subject to check, yes.

11 Q. And, commercial and industrial natural gas price data?

12 A. (DaFonte) Again, subject to check, yes.

13 Q. And, the oil price data from Department of Energy?

14 A. (DaFonte) Yes.

15 Q. And, the gas/oil price ratio is also an element of the
16 analysis?

17 A. (DaFonte) Correct.

18 Q. And, each year the Company employs the same process of
19 preparing a five-year forward projection for its IRP?

20 A. (DaFonte) The Company actually does it every other
21 year.

22 Q. Okay. And, when the Company refers to "nontraditional
23 market analysis", that's for customers that do not have
24 available econometric data?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) I'm not sure if that's what the
2 "nontraditional" refers to. It may also refer to
3 "nontraditional markets", like CNG, for example, you
4 know, not your typical thermal load. I don't know, in
5 the context that you're referencing, what
6 "nontraditional" means.

7 Q. Well, what would you say a "nontraditional source" --
8 "market analysis" would include?

9 A. (DaFonte) Well, my interpretation of "nontraditional"
10 would be something other than traditional heating load,
11 whether it be residential, commercial/industrial, it
12 would be nontraditional, such as CNG facilities or a
13 gas-fired generator, something along those lines, as
14 sort of "nontraditional".

15 Q. So, something that was not a residential or commercial
16 and industrial customer?

17 A. (DaFonte) Yes.

18 Q. Now, in 2013, and if you need to take a look at this,
19 I'm happy to provide it, EnergyNorth arrived at an
20 average annual load addition of 322,000 Dekatherms a
21 year. Does that sound familiar?

22 A. (DaFonte) I would have to look at it to affirmatively
23 say that it is.

24 Q. Looking at it -- starting here with the comparison of

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 2010 and 2013 demand forecasts, could you just state
2 that estimate that I -- the 322,000 Dekatherms?

3 A. (DaFonte) Yes. It shows that the average annual load
4 additions in the current forecast of 322,000 Dekatherms
5 is 34,000 Dekatherms per year lower than the 356,000
6 Dekatherm value from the previous forecast.

7 Q. Okay. Thank you. And, the lower forecast was due to a
8 lower projection for residential customer additions at
9 that time?

10 A. (DaFonte) Again, I would have to look at the details on
11 it. I believe that Mr. Clark has already testified
12 today that National Grid's actual customer additions
13 were on the order of 600 customers or so. So, I assume
14 that is what you're referencing?

15 Q. Well, I'm looking at estimate for higher projected
16 average commercial and industrial SENDOUT, combined
17 with a lower projected average residential SENDOUT.

18 A. (DaFonte) Right.

19 MS. KNOWLTON: I'd ask that, actually,
20 that the question be clarified. When you say you're
21 "looking at", if counsel could identify -- or, I object to
22 the form of the question, to the extent that it doesn't
23 identify what she's looking at.

24 MS. CHAMBERLIN: Sure. I'm continuing

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 to look at the IRP, on Page 30. I'm happy to bring it
2 back for up for your review.

3 MS. KNOWLTON: And, I'd ask that the
4 entire IRP be brought up for the witness for his review,
5 not just the one page.

6 MS. CHAMBERLIN: Sure. Here it is.

7 (Atty. Chamberlin showing document to
8 Witness DaFonte.)

9 BY MS. CHAMBERLIN:

10 Q. And, I was looking at this here [*indicating*].

11 A. (DaFonte) Yes. This is essentially what Ms. Whitten
12 had mentioned earlier, which was that, in the IRP, the
13 residential growth was lower. And, in fact, it was
14 either flat to negative. Whereas the
15 commercial/industrial segment was higher.

16 Q. Thank you. Now, in the 2013 IRP, the Company tested
17 the adequacy of its IRP resource portfolio against a
18 Low Case, a Base Case, and a High Case, is that
19 correct?

20 A. (DaFonte) That's correct.

21 Q. And, the conclusion in the 2013 IRP is that there was
22 no need for incremental capacity to meet the Low Case
23 design year, correct?

24 A. (DaFonte) Within the five-year period, that's correct.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Correct. And, the same is true for the Base Case,
2 there is no need for incremental capacity to meet the
3 Base Case in this IRP?

4 A. (DaFonte) Yes, within the five-year period.

5 Q. Correct. And, one of the ways the Company avoids the
6 need for new capacity is by using its storage capacity,
7 is that correct?

8 A. (DaFonte) The storage capacity is a part of the
9 Company's portfolio, which it would rely on if it was
10 economically, you know, viable to dispatch. But it is
11 part of -- one of the many resources that are part of
12 the portfolio.

13 Q. Well, it's one of the ways the Company has the ability
14 to meet winter season loads, while avoiding the expense
15 of adding 365 days of transportation capacity. Is that
16 a fair statement?

17 A. (DaFonte) It is, like I said, an existing resource
18 that satisfies a portion of the Company's load curve.

19 Q. In the 2013 IRP, the Company projected a need for
20 incremental long-term capacity for a high demand case.
21 Is that your reconciliation?

22 A. (DaFonte) Again, I'd have to look at it. You've
23 mentioned -- now you're saying "long-term capacity", I
24 don't know what that means. Is that five years,

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 because the IRP is a five-year forecast?

2 Q. It's the same --

3 A. (DaFonte) Or is it long term --

4 Q. It's the same time period --

5 A. (DaFonte) I'm sorry.

6 Q. Excuse me. Go ahead.

7 A. (DaFonte) I was saying, I need to really understand the
8 context of from what you're reading.

9 Q. Sure.

10 A. (DaFonte) When you say "long term", typically, "long
11 term" is much more than five years. And, so, is it a
12 requirement within the five-year period that we need or
13 is it longer term?

14 Q. I'll show you the Company's 2013 IRP.

15 MS. CHAMBERLIN: Do you want me to bring
16 the whole thing up?

17 MS. KNOWLTON: Sure.

18 (Atty. Chamberlin showing document to
19 Witness DaFonte.)

20 MS. KNOWLTON: And, just let me know
21 what page you're referring to.

22 MS. CHAMBERLIN: Page 66. Okay.

23 BY MS. CHAMBERLIN:

24 Q. And, I'd ask you to look at, this is Page 66, the high

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 demand case. Would you read that sentence please.

2 A. (DaFonte) "The Company's Resource Plan shows that it
3 can meet high-demand design-year load requirements
4 throughput the forecast period, with the addition of
5 incremental long-term capacity resources and citygate
6 delivered supplies during the peak period. These
7 additional purchases are set forth in Appendix B.6:
8 High Case Design Year: Monthly Resources and
9 Requirements and are summarized as follows:"

10 Q. You don't have to read the chart. Thank you.

11 A. (DaFonte) And, I do just want to clarify that that is
12 just for the five-year period. It's not considered as
13 "long term".

14 Q. Correct. It's in the five-year IRP?

15 A. (DaFonte) Correct.

16 Q. Correct. In its IRP filing, the Company refers to the
17 "TGP-NEX project". Are you familiar with that acronym?

18 A. (DaFonte) Yes. I believe that stood for the "Northeast
19 Expansion project", which was the precursor to the
20 Northeast Energy Direct project.

21 Q. The major difference between the TGP-NEX and the N-E-D,
22 NED project, is that the first went through
23 Massachusetts and the second went through southern New
24 Hampshire, is that correct?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes. I believe the route had changed during
2 the -- when it was discussed in the IRP, I believe the
3 route may not even have been set yet. It was just --
4 it was, at that point, just a conceptual option for new
5 capacity.

6 Q. To analyze its data, its forecasting data, the Company
7 uses modeling software called "SENDOUT", correct?

8 A. (DaFonte) Correct.

9 Q. And, SENDOUT is used to determine the adequacy of the
10 existing portfolio and to identify any shortfalls
11 during the forecast period, correct?

12 A. (DaFonte) Correct.

13 Q. The SENDOUT model can be used in two different ways, is
14 that true?

15 A. (DaFonte) I think it can be used in a lot of different
16 ways.

17 Q. So, it can be used to determine the best use of an
18 existing portfolio to meet a specified demand, correct?

19 A. (DaFonte) Correct.

20 Q. And, it can also be used to determine the best
21 portfolio of resources to meet a given demand, so, an
22 unknown set of resources to meet a known demand. Is
23 that true?

24 A. (DaFonte) Well, it has to be a known resource, because

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 the model requires you to put in cost information for
2 that resource. It has to include the maximum daily
3 quantity for the resource, how many days of use of that
4 resource, any kind of restrictions on the use of that
5 resource, whether it's modeled as a pipeline, peaking
6 or underground storage resource. There are quite a few
7 assumptions and inputs that have to go into the model
8 to determine whether that resource is cost-effective or
9 not.

10 Q. So, SENDOUT can analyze the size of a contract and the
11 combination of contracts to find the combination that
12 results in the lowest total cost?

13 A. (DaFonte) Yes. It can be used for that, for
14 optimization.

15 Q. And, that type of optimization is referred to as
16 "resource mix optimization"?

17 A. (DaFonte) Yes. That's correct.

18 Q. Okay. And, another type of optimization is the
19 "standard optimization", correct?

20 A. (DaFonte) Yes. You can call it the "standard", yes.

21 Q. Okay. And, that analyzes resources based on variable
22 costs, assuming that demand charges are fixed?

23 A. (DaFonte) That's correct.

24 Q. Now, in the 2013 IRP, the Company uses the resource mix

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 optimization method?

2 A. (DaFonte) I believe it did so for the determination of
3 the TGP-NEX contract.

4 Q. Correct. And, it used a SENDOUT model run of 90,000
5 Dekatherms a day of that new pipeline capacity,
6 correct?

7 A. (DaFonte) Yes. That's correct.

8 Q. And, the purpose of the 90,000 Dekatherms a day run is
9 to evaluate the cost/benefits of the TGP-NEX project
10 over the long-term planning horizon, correct?

11 A. (DaFonte) Correct.

12 Q. And, in that case, the long-term planning horizon is 25
13 years?

14 A. (DaFonte) That's correct.

15 Q. And, in the 90,000 Dekatherm a day SENDOUT run, there
16 were several assumptions made about different inputs.
17 I'm going to list a couple. One assumption is that the
18 pipeline capacity will replace 50,000 Dekatherms of
19 existing capacity from Dracut via the Concord Lateral,
20 is that correct?

21 A. (DaFonte) I believe so.

22 Q. And, another assumption is that 33,000 Dekatherms a day
23 would replace propane facilities at Manchester and
24 Nashua, correct?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes. That was an assumption as well.

2 MS. KNOWLTON: Can counsel identify the
3 page of IRP she's referring to when you're referring to
4 the assumptions?

5 MS. CHAMBERLIN: Sure. It's IRP, at
6 Page 64.

7 BY MS. CHAMBERLIN:

8 Q. And, the third assumption is that 7,000 Dekatherms a
9 day would provide for long-term growth?

10 A. (DaFonte) That's correct.

11 Q. So, with these assumptions, EnergyNorth projected a
12 need for 90,000 Dekatherms of new pipeline capacity,
13 correct?

14 A. (DaFonte) Correct.

15 Q. Now, if one were to assume no propane facility
16 retirement, that would add back 33,000 Dekatherms a day
17 of capacity, correct, if you make that assumption?

18 A. (DaFonte) Yes. That would add it back into the
19 portfolio.

20 Q. So, with simple arithmetic, the projection of 90,000
21 Dekatherms a day becomes 57,000 Dekatherms of capacity
22 needed?

23 A. (DaFonte) Yes, in the context of the IRP.

24 Q. Yes.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes.

2 Q. Now, in the context of the Precedent Agreement,
3 EnergyNorth is projecting a need for 115,000 Dekatherms
4 of new pipeline capacity, correct?

5 A. (DaFonte) Yes. That's correct.

6 Q. And, the 115,000 Dekatherms a day does not include
7 retirement of the propane storage facility as you make
8 the proposal today, correct?

9 A. (DaFonte) It does not.

10 Q. For the Precedent Agreement analysis, the Company again
11 used the SENDOUT model computer runs, correct?

12 A. (DaFonte) Yes.

13 Q. Okay. And, looking at OCA 3-25, which I will give you.

14 (Atty. Chamberlin handing document to
15 Witness DaFonte.)

16 CHAIRMAN HONIGBERG: Ms. Chamberlin, is
17 that one of the exhibits that was marked?

18 MS. CHAMBERLIN: Yes. And, it was
19 marked as "Exhibit 28".

20 CHAIRMAN HONIGBERG: Okay.

21 BY MS. CHAMBERLIN:

22 Q. Now, if we take OCA 3-25, which is Exhibit 28, and we
23 compare it to your attachment to your -- I believe it's
24 your direct testimony, it's FCD-3.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 CHAIRMAN HONIGBERG: FCD-3 appears to be
2 over 60 pages long.

3 MS. CHAMBERLIN: Correct.

4 CHAIRMAN HONIGBERG: Okay. Are you
5 directing us somewhere?

6 MS. CHAMBERLIN: Yes. I was waiting to
7 see that everybody got there.

8 BY MS. CHAMBERLIN:

9 Q. So, these are a computer SENDOUT run. And, I'm looking
10 at -- any page will do. Turn to the first page. And,
11 included in the SENDOUT run --

12 MS. PATTERSON: Bates Page please?

13 MS. CHAMBERLIN: You can do Bates Page
14 109.

15 MS. PATTERSON: Thank you.

16 BY MS. CHAMBERLIN:

17 Q. You have a cost estimate for supply, correct?

18 A. (DaFonte) If you can point me to that?

19 Q. Well, if you look at the top of the Cost and Flow
20 Summary, to the left column -- the first column, it
21 says "Supply Costs".

22 A. (DaFonte) You're on 108 now, not 109?

23 Q. I think it's the same for all of them, but --

24 A. (DaFonte) Mine says "108".

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 CHAIRMAN HONIGBERG: Yes, 109 does not
2 have what you are asking about.

3 MS. CHAMBERLIN: Oh. Okay. All right.
4 All right.

5 CHAIRMAN HONIGBERG: 108 does.

6 MS. CHAMBERLIN: 108, yes. Thank you.

7 BY MS. CHAMBERLIN:

8 Q. So, on the left-hand column, it's a projection for -- a
9 cost estimate for supply, correct?

10 A. (DaFonte) Correct.

11 Q. And, then, the next column is a cost estimate for
12 storage costs, correct? Do you follow me, Mr. DaFonte?

13 A. (DaFonte) Yes. I'm looking at the -- you're looking
14 not at the "Average Costs", you're looking at the "Net
15 Supply Cost" and "Net Storage Cost"?

16 Q. Well, at the moment, I'm just looking at the titles.
17 I'm just trying to identify what is on each of these
18 pages.

19 A. (DaFonte) Okay. So, I see "storage costs", yes.

20 Q. Correct. And, then, the next column is the
21 "Transportation Cost"?

22 A. (DaFonte) Correct.

23 Q. And, in the SENDOUT runs, this data is called a "Cost
24 and Flow Summary", correct?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) That's correct.

2 Q. Now, in FCD-3, the EnergyNorth SENDOUT run for the
3 Precedent Agreement, the transportation cost is a fixed
4 number, correct?

5 A. (DaFonte) Correct.

6 Q. And, the transportation cost number is an input
7 provided by the Company into the SENDOUT run, correct?

8 A. (DaFonte) It's a combination of all of the fixed
9 pipeline -- pipeline transportation contracts.

10 Q. So, the NED Pipeline capacity number is included in the
11 transportation cost number?

12 A. (DaFonte) They would be included in there.

13 Q. Correct. Now, each SENDOUT run covers one year,
14 correct?

15 A. (DaFonte) Correct.

16 Q. And, in Data Request OCA 3-25, the OCA asked the
17 Company to do additional SENDOUT runs, correct?

18 A. (DaFonte) Correct.

19 Q. And, the OCA requested the Company run a SENDOUT model
20 run for 65,000 Dekatherms of NED capacity, plus 50,000
21 Dekatherms for market purchases at Dracut. Is that
22 correct?

23 A. (DaFonte) That's correct.

24 Q. And, that's described in (d) on the request page of the

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 OCA 3-25, correct?

2 A. (DaFonte) Correct.

3 Q. And, then, the OCA also requests the SENDOUT data for
4 the Precedent Agreement, and that's also described
5 under Paragraph (d), correct?

6 A. (DaFonte) Correct.

7 Q. And, the Precedent Agreement scenario is 115,000
8 Dekatherms of NED Pipeline capacity?

9 A. (DaFonte) Yes.

10 Q. If you turn to Page 61 of OCA 3-25, and Page 61 shows
11 the total Cost and Flow Summary for November 2018
12 through October 2038, correct?

13 A. (DaFonte) That's correct.

14 Q. And, that's identified in the upper left-hand corner of
15 the page. So, looking at the first column, the "net
16 supply cost", can you identify the net supply cost
17 please?

18 A. (DaFonte) Would be "2,397,615".

19 Q. And, that would be 2,397,615,000, correct?

20 A. (DaFonte) That's correct.

21 Q. And, Exhibit FCD-3 shows the Precedent Agreement
22 SENDOUT runs. And, if we turn to Page 61 of FCD-3.

23 A. (DaFonte) Okay. I'm there.

24 CHAIRMAN HONIGBERG: Is that Bates 168?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. CHAMBERLIN: I haven't gotten there
2 yet.

3 WITNESS DaFONTE: Yes. It is 168.

4 BY MS. CHAMBERLIN:

5 Q. The net supply cost for the same time period is
6 "2,230,346,000", is that correct?

7 A. (DaFonte) That's correct.

8 Q. Now, comparing those two scenarios, under the Precedent
9 Agreement, the net supply costs decrease by about \$167
10 million?

11 A. (DaFonte) Subject to check.

12 Q. Subject to check. So, comparing the supply costs, the
13 Precedent Agreement is less expensive under these,
14 comparing these two SENDOUT runs?

15 A. (DaFonte) Yes.

16 Q. Now, in the same two scenarios, we can look at the
17 "Transportation Costs". So, directing your attention
18 to the "Transportation Costs" of FCD-3, Page 61, can
19 you state the Precedent Agreement net transportation
20 costs please?

21 A. (DaFonte) In FCD-3, the net transportation cost is
22 "1,000,583,352".

23 Q. Thank you. And, looking at --

24 CHAIRMAN HONIGBERG: Can I stop you?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. CHAMBERLIN: Sure.

2 CHAIRMAN HONIGBERG: It was -- you said
3 "583,000". If the first one is "billion", then the next
4 one is "million", right? It's 1,583,000,000.

5 WITNESS DaFONTE: I'm sorry. Yes,
6 "\$1,583,352,000".

7 CHAIRMAN HONIGBERG: Right. Go ahead,
8 Ms. Chamberlin.

9 MS. CHAMBERLIN: That's correct.

10 BY MS. CHAMBERLIN:

11 Q. So, turning to OCA 3-25 for the 65,000 Dekatherms of
12 NED Pipeline capacity run, the net transportation costs
13 are 1,111,915,000, is that correct?

14 A. (DaFonte) Yes. But that's reflective of capacity
15 release revenues.

16 Q. So, comparing those two transportation cost numbers,
17 the Precedent Agreement net transportation cost
18 increase is about \$471 million, correct, subject to
19 check?

20 A. (DaFonte) Well, you're comparing apples to oranges.
21 The net transportation costs in FCD-3 do not reflect
22 any capacity release revenues to offset the fixed cost.
23 In OCA 3-25, it does reflect capacity release revenues
24 as an offset to total fixed, to the total fixed cost.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. So, if you include a capacity release offset, what's
2 the estimate?

3 A. (DaFonte) I don't have that right --

4 Q. Well, I'm looking at the "Transportation Costs", and
5 the "Capital" -- right above "Net Transportation Cost"
6 is a statement of "Capacity Release Revenue". I
7 believe that's -- okay. Just using the numbers as is,
8 without the calculation of the capacity release
9 revenue, the difference between them is 471 million,
10 which needs to be offset by the capacity release
11 revenue?

12 A. (DaFonte) Yes, absolutely.

13 Q. Okay.

14 A. (DaFonte) That's something that I've already spoken
15 about. That is a critical element of the day-to-day
16 management of the portfolio. That all fixed costs are,
17 you know, are mitigated, to the extent possible,
18 through various optimization efforts, including asset
19 management agreements, off-system sales, and capacity
20 release via the Electronic Bulletin Boards on the
21 pipelines.

22 Q. Now, turning to Bates 061-062 of your rebuttal
23 testimony, you have a chart labeled "Table Staff
24 Tech-23(b)".

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Okay. I'm there.

2 Q. And, the column labeled "Design Day IRP" shows the
3 Company's 2013 projections for its design day, correct?

4 A. (DaFonte) For the IRP, yes.

5 Q. And, the IRP projections assume the propane facility
6 retirement of about 33,000 Dekatherms, correct?

7 A. (DaFonte) In Table Staff Tech-23(b), the "Design Day
8 IRP" column just shows the demand forecast as it was
9 determined in the 2013 IRP.

10 Q. Okay. Now, moving to the "Revised Total Updated Design
11 Day", in the last column, it's "227,834" Dekatherms a
12 day? Oh, on the last year?

13 A. (DaFonte) On Bates Page 062, --

14 Q. Right.

15 A. (DaFonte) -- the last year, which is "2037/38", the
16 "Revised Total Updated Design Day" is "227,834"
17 Dekatherms.

18 Q. And, the "Design Day IRP" column for the same year,
19 "2037/38", the projection is for "211,683" Dekatherms a
20 day, correct?

21 A. (DaFonte) That's correct.

22 Q. So, the difference between them is roughly 16,000
23 Dekatherms a day?

24 A. (DaFonte) Yes.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Now, in EnergyNorth's projections for the Precedent
2 Agreement, EnergyNorth makes assumptions about prices
3 for the Dracut pricing point, correct?

4 A. (DaFonte) Yes, it does.

5 Q. And, the purpose of this assumption is to calculate the
6 difference between the Dracut pricing point and the
7 prices at Henry Hub, correct?

8 A. (DaFonte) Can you repeat that please?

9 Q. Sure. The reason for making assumptions about the
10 Dracut pricing is to calculate the difference between
11 the Dracut pricing point and the prices at Henry Hub?

12 A. (DaFonte) Yes. To calculate the basis differential,
13 correct. Yes.

14 Q. Now, I'm turning to OCA 3-16, which was marked for
15 identification as "Exhibit 26". Do you have a copy?

16 A. I believe I do. It's 3-16?

17 Q. Yes.

18 (Atty. Chamberlin handing a document to
19 Witness DaFonte.)

20 BY MS. CHAMBERLIN:

21 Q. Are you ready?

22 A. (DaFonte) Yes.

23 Q. Okay. EnergyNorth used the actual daily pricing at
24 Dracut for the past three winters for its Dracut data,

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 correct?

2 A. (DaFonte) Correct.

3 Q. And, the Company compared it to the Henry Hub pricing
4 for the same days?

5 A. (DaFonte) Yes.

6 Q. Now -- excuse me. The Company used the highest 10 day
7 average basis for the past three winters, is that
8 correct?

9 A. (DaFonte) Well, the Company did various calculations,
10 one of which was the highest 10 day average. It also
11 calculated the highest 20 day average; the highest 30
12 day average; the second highest 30 day; the third
13 highest 30 day; and the fourth highest 30 day.

14 Q. Well, yes, the Company did many different calculations.
15 But, for its input into the SENDOUT model, it was the
16 highest 10 day average basis for the last three years,
17 is that correct?

18 A. (DaFonte) Which SENDOUT model are you referring to?

19 Q. Well, I am looking at attachment to OCA 3-16. And, the
20 question is regarding Section (a), the SENDOUT runs
21 from Data Request OCA 2-5. And, the question is
22 "Please state what assumption did the Company make with
23 respect to prices at the Dracut pricing point." And, I
24 am looking to confirm that the answer, which is right

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 in front of you, is that the highest 10 day average
2 basis for the last three winters is the three year
3 average that you used running that SENDOUT?

4 A. (DaFonte) Yes, I'm confused, because you're referencing
5 OCA 2-5. And, I believe OCA 2-5 has, I believe, five
6 SENDOUT runs associated with it.

7 Q. I agree it's confusing. So, I will direct you to your
8 response, (a), of OCA 3-16. And, if you could just
9 read Paragraph (a).

10 A. (DaFonte) "The Dracut basis assumptions were provided
11 previously" --

12 CHAIRMAN HONIGBERG: Slow down. Slow
13 down. Mr. Patnaude's hands are only so quick.

14 WITNESS DaFONTE: Sorry about that.

15 **BY THE WITNESS:**

16 A. (DaFonte) "The Dracut basis assumptions were provided
17 previously in the Company's response to OCA Request OCA
18 2-5. The data used to derive the basis numbers for
19 Dracut was calculated using actual daily pricing at
20 Dracut for the past three winter seasons as compared to
21 Henry Hub pricing for the same days. Actual daily
22 prices were used as there is no available forecast for
23 future daily pricing. See Attachment OCA 3-16.xlsx for
24 the detailed pricing and calculation of the basis

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 values."

2 BY MS. CHAMBERLIN:

3 Q. So, when I look at that attachment, there are several
4 lines of the average basis calculation. And, I'm
5 looking for confirmation that the Company used the
6 highest 10 day average basis average, that's the first
7 line, the three-year average is "\$28.24"?

8 A. (DaFonte) Yes. But, again, I just want to reiterate
9 that there are five -- or, I believe five different
10 model runs associated with OCA 2-5, and they use
11 different variants of the data that I've provided here
12 in response to OCA 3-16. For example, November through
13 March pricing was based on the highest 30 day average
14 basis. The --

15 Q. Excuse me, Mr. DaFonte, are you referring to the OCA
16 SENDOUT run?

17 A. (DaFonte) I'm referring to OCA 2-5, which is what
18 you're referring to in OCA 3-16.

19 Q. So, in making assumptions with respect to prices at the
20 Dracut pricing point, you used a lot of different
21 prices for different time periods throughout the
22 SENDOUT run?

23 A. (DaFonte) Well, I use different prices for different
24 months. Because, during the colder months, prices are

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 generally higher, and, during the shoulder months,
2 they're generally a little bit lower. So, in November
3 and March, you're not likely to see as high a price at
4 Dracut as you would in December and February, and you
5 probably would see the highest prices in January.

6 Those were the assumptions that were made. And, that's
7 why the Company provided all of the data that it did
8 here in response to the OCA's data request.

9 Q. So that the highest price assumption that the Company
10 used would be the highest 10 day average basis,
11 correct?

12 A. (DaFonte) Yes. It used that for the month of January.

13 Q. Okay. And, then, looking down at the next row, the
14 highest 20 day average would be used for shoulder
15 months?

16 A. (DaFonte) It would be used for December and February.

17 Q. And, then, the highest 30 day average, when would that
18 be used?

19 A. (DaFonte) That was used for November and March.

20 Q. And, the highest 30 day -- so, wait have we covered all
21 the months yet? No. So, moving down to the second
22 highest 30 day average, when was that used?

23 A. (DaFonte) I don't believe we used that in the OCA 2-5
24 model runs.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. So, if we use the first three rows, the highest 10 day,
2 highest 20 day and highest 30 day, those are the ones
3 that you used for the OCA run?

4 A. (DaFonte) Yes. For 2-5, correct.

5 Q. Now, the second highest 30 day average basis, that was
6 not used for OCA 2-5?

7 A. (DaFonte) I don't believe so.

8 CHAIRMAN HONIGBERG: Ms. Chamberlin, can
9 you give me a preview as to where you're going?

10 MS. CHAMBERLIN: Well, the Company had
11 used the highest peak prices for the past three years to
12 run their projections for the next 24 years. So, it's
13 taking the highest point and extending it out. So, it
14 wasn't clear exactly what numbers had been used, because
15 the answer here didn't identify which of these. There's a
16 bunch of numbers, but it didn't identify which ones were
17 part of the assumptions in the computer run.

18 CHAIRMAN HONIGBERG: So, have you got
19 the discovery you need to understand what he did with his
20 runs? That he had the highest price in January, and they
21 got lower as they got further away from January. Have we
22 got that?

23 MS. CHAMBERLIN: Yes.

24 CHAIRMAN HONIGBERG: Okay.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. CHAMBERLIN: I do have that.

2 CHAIRMAN HONIGBERG: So, what's the
3 point you want to make about that? That the model's
4 overstated something?

5 MS. CHAMBERLIN: The model overstates
6 the prices, the basis -- the difference of the prices
7 between Dracut and Henry Hub.

8 CHAIRMAN HONIGBERG: Okay.

9 MS. CHAMBERLIN: Okay. So, we can move
10 on?

11 CHAIRMAN HONIGBERG: Well, you might
12 need to ask him some more questions to make sure that
13 you've got all the evidence from him that he agrees with
14 your assertion there. I understand that's your assertion.
15 I understand, I think, the basis for the assertion. I
16 have a sneaking suspicion he's going to disagree with the
17 conclusion. So, you might want to ask him a few more
18 questions.

19 MS. CHAMBERLIN: I will do that.

20 CHAIRMAN HONIGBERG: And, I'm not sure
21 you should ask him if he agrees with your conclusion,
22 because I think we already know the answer to that
23 question.

24 (Laughter.)

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 MS. CHAMBERLIN: I understand.

2 CHAIRMAN HONIGBERG: But you might want
3 to take off some smaller bites there.

4 MS. CHAMBERLIN: Okay.

5 BY MS. CHAMBERLIN:

6 Q. Over the entire year, a basis differential, it varies
7 on different days, correct?

8 A. (DaFonte) That's correct.

9 Q. And, over the entire year, the basis between market
10 prices will vary across different months. That was
11 partially the point you were trying to make there,
12 correct?

13 A. (DaFonte) That is correct.

14 Q. So, for many days of the year, Dracut's basis over
15 Henry Hub prices is below \$4.00, is that correct?

16 A. (DaFonte) Yes.

17 Q. And, I refer you to the rest of the attachment on 3-16,
18 which shows the price comparisons. And, some days, the
19 Dracut basis over Henry Hub is actually a negative
20 number, is that correct?

21 A. (DaFonte) Yes. There's a few days in there. But, of
22 course, those are the days when nobody needs the gas.

23 Q. Correct. There's a wide variety of need according to
24 the season?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Correct. But what we're trying to model is
2 the cost to the Company's customers when the gas is
3 needed. And, during the coldest periods is when the
4 Company needs the most gas, and, therefore, that's when
5 there's more demand, not just from the Company, but by
6 all other market participants. Thus, the run-up in gas
7 prices at a illiquid point, such at Dracut.

8 Q. So, in the Company's Precedent Agreement runs, you also
9 used a variety of inputs according to the month for the
10 basis?

11 A. (DaFonte) In the Company's Precedent Agreement run, it
12 does not have to buy gas at Dracut. That was the whole
13 point of going back to Wright, and, ultimately, to
14 Marcellus, so that it can avoid these price spikes, and
15 it can avoid having to try to forecast what the peak
16 prices might be on a 10 day, 20 day or 30 day average.
17 There's less --

18 Q. But to compare --

19 A. (DaFonte) There's less volatility in the Marcellus.
20 And, so, the Company has provided a better opportunity
21 to forecast where prices are going to be.

22 Q. So, to make the least-cost choice, between the
23 Company's proposal and purchasing on the market, that's
24 why you do this type of comparison, so you'll know how

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 much each of them will cost?

2 MS. KNOWLTON: Objection to the
3 question, to the extent that it refers to the Company's
4 purchase through the Precedent Agreement not being at
5 market.

6 CHAIRMAN HONIGBERG: I'm not sure I
7 understood the question that way. Ms. Chamberlin, why
8 don't you repeat the question, because I am not sure I
9 understood it the way Ms. Knowlton did.

10 BY MS. CHAMBERLIN:

11 Q. The question is, the purpose of running the
12 differentials, compared to the Company's proposed
13 115,000 Dekatherms of pipeline capacity contract, is to
14 compare the two projected prices, so you can determine
15 what is least cost?

16 A. (DaFonte) Yes. It is to compare the two resources as
17 part of the total portfolio cost.

18 Q. Right. And, the Company did not use natural gas
19 forward prices in its projections, correct?

20 A. (DaFonte) It didn't use any for Dracut, because they
21 don't exist.

22 Q. And, the daily pricing for Dracut does not exist.
23 There are available forecasts for future monthly
24 prices, correct?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) For Dracut? I haven't seen any for Dracut.

2 Q. Are you familiar with SNL forward natural gas price
3 database?

4 A. (DaFonte) I am familiar with it.

5 Q. And, SNL provides forward natural gas price projections
6 for Dracut?

7 A. (DaFonte) They may. I don't subscribe to it.

8 Q. Well, let me show you. And, I hope you have good
9 glasses.

10 (Atty. Chamberlin handing document to
11 Witness DaFonte.)

12 BY MS. CHAMBERLIN:

13 Q. You can look at the corner there *[indicating]*. It says
14 "Natural Gas Forwards & Futures", is that correct?

15 A. (DaFonte) Yes.

16 MS. PATTERSON: May I have a copy?

17 MS. CHAMBERLIN: Yes.

18 MS. PATTERSON: Thank you.

19 CHAIRMAN HONIGBERG: Mr. Kanoff, do you
20 want a copy?

21 MR. KANOFF: Yes. Thank you.

22 (Atty. Chamberlin distributing
23 documents.)

24 CHAIRMAN HONIGBERG: Ms. Chamberlin, do

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 you want this marked?

2 MS. CHAMBERLIN: Yes. I would mark it
3 for identification as the next exhibit.

4 CHAIRMAN HONIGBERG: So, why don't you
5 bring one up here and it can get marked. This is "29".

6 (The document, as described, was
7 herewith marked as **Exhibit 29** for
8 identification.)

9 BY MS. CHAMBERLIN:

10 Q. So, SNL provides forward natural gas price projections
11 for Henry Hub?

12 A. (DaFonte) Yes, these are monthly prices?

13 Q. Yes. These are monthly prices.

14 A. (DaFonte) The data I provided is not monthly, it's
15 daily.

16 Q. Exactly. I'm just saying that they provide monthly
17 prices.

18 A. (DaFonte) Okay. But that doesn't really help me in
19 determining what the daily price --

20 CHAIRMAN HONIGBERG: Mr. DaFonte, I
21 think all she wants to know is this is monthly, right?

22 MS. CHAMBERLIN: That's correct.

23 WITNESS DaFONTE: Yes. This is monthly,
24 yes.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 BY MS. CHAMBERLIN:

2 Q. And, if you look at the dates, the forward natural gas
3 price projections, the dates are the first column, are
4 from "August 2015" to "July 2022", correct?

5 A. (DaFonte) Yes. That's correct.

6 Q. Now, to calculate the basis, it's simply a subtraction
7 from the Dracut price and the Henry Hub price, correct?

8 A. (DaFonte) Correct.

9 MS. CHAMBERLIN: Excuse me a minute.

10 (Atty. Chamberlin conferring with Mr.
11 Chattopadhyay.)

12 BY MS. CHAMBERLIN:

13 Q. Now, looking down the column for -- strike that. On
14 Bates 048 of your rebuttal testimony, there's a chart
15 of natural gas prices. And, the chart covers New
16 England gas prices for the last three winters, correct?

17 A. (DaFonte) It's actually four winters.

18 Q. It runs from November 2011 to May 2015?

19 A. (DaFonte) Right.

20 Q. And, in January 2012, there's a modest spike in winter
21 prices to about \$10. Do you agree?

22 A. (DaFonte) Yes.

23 Q. Between January 2013 to March 2013, there's a bigger
24 spike to about \$30, correct?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes. It looks about \$30.

2 Q. And, then, moving to the right, between January 2014 to
3 March 2014, there's a very big spike to about \$80,
4 correct?

5 A. (DaFonte) Yes. That's correct.

6 Q. And, then, in January 2015 to March 2015, there's a
7 smaller spike to about \$20?

8 A. (DaFonte) Yes. Somewhere in that vicinity, \$25, \$30.

9 Q. Now, the very large peak in January 2014 to March 2014
10 did not exist at any other time certainly reflected in
11 this chart, correct?

12 A. (DaFonte) I'm sorry, could you repeat that again?

13 Q. The very large peak, from January 2014 to March 2014,
14 did not exist at any earlier time, correct?

15 A. (DaFonte) Not to that magnitude.

16 Q. And, the very large peak was not repeated in Winter
17 2015, correct?

18 A. (DaFonte) Correct.

19 Q. And, there were several factors that the lowering of
20 the peak from 2014 to 2015 took place. One of those
21 would be that available LNG resources helped reduce the
22 price spike. Do you agree?

23 A. (DaFonte) I agree that more LNG was brought into New
24 England in the Winter of 2014/2015, on the heels of the

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 high prices of 2013/14.

2 Q. And, there were greater gas injections into storage
3 before the Winter of 2014 -- 2015, which helped reduce
4 that winter's price spikes, correct?

5 A. (DaFonte) Subject to check. That I believe storage is
6 typically pretty well full, certainly, for EnergyNorth,
7 it's full going into the winter period, and I believe
8 for most, if not all, LDCs in the Northeast.

9 Q. So, subject to check, there was sufficient gas
10 injections into storage before the winter, which helped
11 keep prices moderated?

12 A. (DaFonte) Yes. But I'm saying that that's not out of
13 the ordinary. That utilities always have their storage
14 full or very close to full in preparation for the
15 winter period.

16 Q. And, continued investment in energy efficiency helped
17 reduce price spikes?

18 A. (DaFonte) I really can't say that that helped reduce
19 price spikes. It certainly helps to offset demand.
20 But I really can't correlate it to the impact on price
21 spikes.

22 Q. Would you say that reduction in demand helps moderate
23 price spikes? Reduction in demand on the peak would
24 help moderate a peak price spike?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes. It's a factor. But it's a balance of
2 supply and demand, and restrictions on the pipelines,
3 restrictions on LNG. So, what I'm saying is I really
4 can't quantify what it does. Clearly, the Company is
5 very proactive with energy efficiency, and has
6 reflected that in its forecasts. So, you know, it does
7 bring down the demand. That is the first order of
8 business for the Company is to reduce demand through
9 energy efficiency.

10 Q. And, the Company isn't saying that investments in
11 energy efficiency increase the prices at peak periods,
12 correct?

13 A. (DaFonte) No, it is not saying that.

14 Q. Okay. Would you agree that the ISO-New England Winter
15 Reliability Program played a role in reducing the 2015
16 Winter price spike?

17 A. (DaFonte) It may have played a role. I would imagine
18 that a lot of -- there were a lot of factors. And, the
19 fact that oil prices dropped had some impact. And, the
20 fact that LNG was brought in to take advantage of the
21 forward basis that came out of the 2013/14 Winter
22 Period was also a factor. And, certainly, just the,
23 you know, the different nature of the winter as well
24 plays a factor.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 So, what I'm saying is I really can't
2 isolate one or the other. I think it's a combination
3 of a lot of different variables for that particular
4 winter.

5 Q. Exactly. There are a lot of variables that play into
6 price spikes during the winter, correct?

7 A. (DaFonte) Exactly. And, that's why we're trying to
8 avoid all of those variables, by going back to a supply
9 source that has little to no volatility, and has
10 plentiful proven reserves.

11 Q. Now, you introduced, in the beginning of your
12 testimony, a corrected Page 47?

13 A. (DaFonte) Yes, that's correct.

14 Q. And that -- let me find my copy of it.

15 CHAIRMAN HONIGBERG: Ms. Chamberlin,
16 we're going to need to break fairly soon. How close are
17 you to the end of this or are you at a breaking point or
18 anything?

19 MS. CHAMBERLIN: We could break while I
20 look for that exhibit. You know, I have some more
21 questions. I also have some questions for the other
22 panelists. So, this is a good time to break.

23 CHAIRMAN HONIGBERG: Okay. Why don't we
24 take a break. We're going to break for 15 minutes, and

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 come back just before quarter to three.

2 (Recess taken at 2:27 p.m. and the
3 hearing resumed at 2:52 p.m.)

4 CHAIRMAN HONIGBERG: Ms. Chamberlin.

5 MS. CHAMBERLIN: Thank you.

6 BY MS. CHAMBERLIN:

7 Q. Turning to your revised page -- Bates Page 047. You
8 show a chart looking at the cost-effectiveness of the
9 NED project, Table 8, correct?

10 A. (DaFonte) Yes.

11 Q. And, the prices that you use are from the winter peak
12 periods of the 2013/14 and 2014/15 correct?

13 A. (DaFonte) Correct.

14 Q. And, without discussing the actual numbers, if the peak
15 prices of Winter 2014 are not repeated, the
16 cost/benefit ratio of the NED project changes, correct?

17 A. (DaFonte) "Not repeated" meaning you're not going to
18 get the same breakeven price or --

19 Q. Well, if that --

20 A. (DaFonte) -- the lower prices.

21 Q. If that price never occurs again in the next 20 years,
22 the actual breakeven price, the ratio will change.
23 This ratio is based on those prices contained within
24 the table?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes. They're based on actual, those are
2 actual prices not forecast, just to be clear.

3 Q. Correct.

4 A. (DaFonte) Uh-huh.

5 Q. They're actual prices from the years given in the
6 table?

7 A. (DaFonte) Correct.

8 Q. And, if those years are outliers, if they don't happen
9 in the future, the actual cost/benefit ratio of the
10 project will change?

11 A. (DaFonte) Sure, if your assumption is that doesn't
12 happen in the future. But that's not our assumption.

13 Q. And, if you compare generally the two numbers, the
14 breakeven price is cut in half, when Winter 2014 is
15 compared to Winter 2015, correct? Approximately?

16 A. (DaFonte) Yes. Correct.

17 Q. Now, to get the original numbers in your rebuttal
18 testimony, before the correction, you called Tennessee
19 Gas Pipeline and asked them for a price estimate, is
20 that how that number was derived?

21 A. (DaFonte) No. These are all actual commodity purchases
22 and actual demand charges of either the NED project or
23 existing Tennessee capacity that the Company uses. So,
24 there are no estimates in here.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. The Tennessee Gas Pipeline price, is that a tariff
2 page? I'm just wondering about the source of that
3 data?

4 A. (DaFonte) It's the tariff rate that we pay to Tennessee
5 for the capacity from Dracut to our citygate on the
6 Concord Lateral.

7 Q. And, the change in the price was due to a change in the
8 projection of how far the capacity expansion needed to
9 go? Is that a correct summary?

10 A. (DaFonte) No. The change in the price was just a
11 function of not including the Tennessee demand charges
12 of the existing capacity at Dracut in the overall cost
13 for the past two -- for the '13/14 and '14/15 winters
14 for the column that's labeled "Dracut Purchases". So,
15 there was a missing dollar amount. And, therefore,
16 when you do the comparison to the Tennessee demand
17 charges, it was a little bit less than what should have
18 been in there, in terms of total costs. Thus, the
19 breakeven point was lower than it should have been.

20 Q. For customer growth projections, you discuss iNATGAS
21 sales in your rebuttal testimony, correct?

22 A. (DaFonte) Myself or Mr. Clark?

23 Q. Well, just in general, if you turn to Page 28, you have
24 some general statements about it. Are you there?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) I'm here. Sorry.

2 Q. And, EnergyNorth does not have information to support a
3 robust sales forecast for the iNATGAS customer,
4 correct?

5 A. (DaFonte) We have estimates from iNATGAS themselves.

6 Q. Because they're a new customer, you don't have a
7 history for them?

8 A. (DaFonte) Correct. We do not have historical.

9 Q. And, iNATGAS is obligated to remain on the EN system
10 for one year, correct?

11 A. (DaFonte) They're obligated to remain a sales customer
12 for one year. They would still be attached to
13 EnergyNorth's distribution system.

14 Q. And, in its forecast, the Company uses the design
15 capacity of the iNATGAS facility, correct?

16 A. (DaFonte) Yes. That design is based on iNATGAS
17 eventually getting up to their maximum prior to any
18 ramp-up, which they're also capable of doing. But it
19 does not -- the forecast does not reflect that
20 additional ramp-up, where they would be able to load
21 essentially double the number of trucks that the
22 current forecast suggests.

23 Q. And, that amount is 8,800 Dekatherms a day?

24 A. (DaFonte) That's correct.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. And, you also discuss briefly the possibility of adding
2 Keene customers to natural gas in the future?

3 A. (DaFonte) Yes. That is -- that's certainly a goal for
4 the Company, whether it's, you know, natural gas in
5 pipeline form or through some other means.

6 Q. And, if it's in pipeline form, additional
7 infrastructure investment would be required, correct?

8 A. (DaFonte) That's correct.

9 Q. And, you don't have a cost estimate for that investment
10 today, correct?

11 A. (DaFonte) We do not. But, certainly, as I testified to
12 earlier, as part of the Settlement Agreement, we are
13 required to provide a cost/benefit analysis to serve
14 Keene via pipeline in the next IRP filing.

15 Q. And, the Keene Division currently has 1,250 customers
16 about?

17 A. (DaFonte) Approximately, yes.

18 Q. Okay. And, you provide some testimony on the return of
19 capacity-exempt customers, correct?

20 A. (DaFonte) Yes.

21 Q. And, it's fair to state that it's difficult to project
22 with certainty what returning capacity-exempt load will
23 be over the forecast period, correct?

24 A. (DaFonte) Correct. And, that's why we didn't project

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 it.

2 Q. So, some of the factors that influence a decision would
3 be the market price of varying fuels, correct?

4 A. (DaFonte) Sure. It would be fuels. It would be just a
5 business plan change of some sort by the customer, or
6 something else.

7 Q. And, another factor would be the terms of a customer's
8 contract with its suppliers?

9 A. (DaFonte) Yes, absolutely. Yes.

10 Q. And, even variations in weather can affect a customer's
11 choice about returning?

12 A. (DaFonte) Yes, I would say so.

13 Q. So, in December of 2014, with the IRP, the Company
14 projected a relatively flat customer load over the 20
15 years, a returning customer load over the 20-year
16 period, is that correct?

17 A. (DaFonte) I think you said "December 2014 in the IRP".

18 Q. Those are inconsistent, aren't they? I think I made a
19 mistake. The estimate was less than a thousand
20 dekatherms per day on the design day, correct?

21 A. (DaFonte) In the Company's initial filing in this
22 docket, yes. It was about a thousand dekatherms per
23 day was the forecast.

24 Q. Right.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) But that was based on actuals.

2 Q. And, then, between February 2014 and January 2015, the
3 actual capacity for returned -- the actual capacity for
4 returned capacity-exempt customers increased to about
5 3,000 Dekatherms?

6 A. (DaFonte) Yes. That's approximately the right number.

7 Q. And, that coin -- the 2014/2015 time period coincides
8 with the highest natural gas price spike on the chart
9 that was part of your testimony?

10 A. (DaFonte) That was 2013/14.

11 Q. Correct. And, this is the data used for the design day
12 estimate for returned capacity-exempt load, correct?

13 A. (DaFonte) I'm not sure I follow the question. Could
14 you repeat it.

15 Q. Well, the actual number for returned capacity-exempt
16 customers was about 3,000 Dekatherms, and that was
17 between February 2014 and January 2015. And, that's
18 the number the Company is using in its forecast?

19 A. (DaFonte) Yes. That's correct. And, that number has
20 also gone up to 3,629 Dekatherms, I believe, as of
21 June 1st.

22 Q. This Precedent Agreement is entered into with a group
23 of companies that's called the "LDC Consortium",
24 correct?

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) Yes. It's a group of New England local
2 distribution companies that essentially have the same
3 needs as EnergyNorth does. And, the group got together
4 to leverage their volumes in aggregate and negotiate
5 the most favorable terms and conditions, including a
6 negotiated price, on the capacity in the NED project.

7 Q. Are you familiar with the planning horizons for the
8 LDCs located in Massachusetts?

9 A. (DaFonte) I'm somewhat familiar.

10 Q. Boston Gas uses a 10-year planning horizon in its NED
11 petition. Is that your recollection?

12 A. (DaFonte) I don't --

13 MS. KNOWLTON: Objection. The witness
14 has not indicated that he is familiar with the NED
15 petitions of other companies.

16 CHAIRMAN HONIGBERG: Sustained. I think
17 he was about to say the same thing.

18 MS. CHAMBERLIN: I asked him if he was
19 familiar with their planning horizons, and he answered
20 "yes".

21 CHAIRMAN HONIGBERG: No, I think you
22 then asked him if he recalled what Boston Gas had said,
23 and I think he was about to say "no", because he didn't
24 know, when Ms. Knowlton interjected. Perhaps I'm wrong.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 But the objection was sustained. So, why don't you ask
2 him if he knows what Boston Gas put in its petition.

3 BY MS. CHAMBERLIN:

4 Q. Would you agree or do you know what Boston Gas uses for
5 its planning horizon in its NED petition?

6 A. I don't, I don't know that. I haven't reviewed their
7 petition.

8 Q. All right. I will -- now, if the Commission approves
9 the Precedent Agreement, existing customers -- existing
10 EnergyNorth customers will pay the costs of the
11 Precedent Agreement until new customers are added, is
12 that correct?

13 A. (DaFonte) Yes. It's basically what has happened ever
14 since capacity was -- or, any time capacity is added to
15 the portfolio.

16 Q. So, if EnergyNorth does not add new customers, the
17 existing customers will continue to pay the costs of
18 the Precedent Agreement?

19 A. (DaFonte) Yes. That would be the case. But that's not
20 what's in the Settlement Agreement. There is,
21 obviously, an incentive within the Settlement Agreement
22 to add customers. And, even without that incentive, it
23 is in the Company's best interest to add, you know,
24 revenue-producing customers.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. The Company does not have the ability to cancel the
2 contract for capacity in five years, if it turns out
3 that the new customers aren't there as projected?

4 A. (DaFonte) No. The Company would not have the
5 unilateral right to terminate the contract. But, as I
6 stated earlier, the contract provides the Company with
7 the flexibility to make other adjustments to the
8 portfolio. Such as reducing the -- or, retiring the
9 propane facilities or even reducing the contracts on
10 other capacity as it comes up for renewal, if that
11 should be the case.

12 Q. I just have a few more questions. Mr. Clark, you
13 provided some testimony about the customer -- new
14 customer projections, correct?

15 A. (Clark) Yes.

16 Q. And, in 2013, the Company added about a thousand new
17 customers?

18 A. (Clark) We added approximately 1,100 new customers in
19 2013.

20 Q. And, in 2014, you added about 1,200 new customers?

21 A. (Clark) Correct.

22 Q. To support this Precedent Agreement, you're projecting
23 the addition of 2,000 new customers each year, correct?

24 A. (Clark) I don't believe the "2,000" was used to support

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 this Precedent Agreement.

2 Q. Under the terms of the Settlement Agreement, the
3 Company has projected it will add 2,000 new customers a
4 year, correct?

5 A. (DaFonte) The Settlement Agreement is an incentive for
6 the Company to add as many customers as possible to
7 minimize any reserve capacity. The 2,000 customer
8 additions were not reflected in any forecast provided
9 by the Company. So, if the Company does reach the
10 2,000, it will actually get to a higher design day much
11 sooner than what is forecast in the filing, where I
12 believe our estimate was somewhere in the 600 to 800
13 customer adds per year.

14 Q. So, if the Company essentially doubles its new
15 customers, moves from about a thousand to about 2,000,
16 the amount of excess capacity in the NED Precedent
17 Agreement gets reduced sooner?

18 A. (DaFonte) Yes.

19 A. (Clark) Correct.

20 A. (DaFonte) Exactly.

21 Q. And, Mr. Clark, would you agree with Mr. DaFonte that
22 existing customers will bear the costs of the Precedent
23 Agreement until new customers are added?

24 A. (Clark) Yes.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 CHAIRMAN HONIGBERG: Won't existing
2 customers bear the costs even after new customers are
3 added?

4 WITNESS CLARK: Yes.

5 WITNESS DaFONTE: Yes. They will bear a
6 smaller portion of the cost.

7 CHAIRMAN HONIGBERG: Right.

8 WITNESS DaFONTE: But they will bear the
9 cost.

10 CHAIRMAN HONIGBERG: Okay.

11 BY MS. CHAMBERLIN:

12 Q. Existing customers are not in need of new capacity
13 right now. The Company is serving its existing load,
14 correct? I think to Mr. Clark, but you're --

15 A. (DaFonte) Yes. No, I'll answer it. You know, as part
16 of prudent planning is that you can't plan from a -- on
17 a day-to-day basis. You have to look out long term,
18 with the expectation that you're adding customers.
19 And, so, when you're looking at contracting for a new
20 resource, you have to consider what your expected
21 growth is going to be so that you can serve those
22 customers in a reliable fashion. And, so, really
23 that's, you know, that's the process. That, when you
24 add capacity, customers that are served today, even

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 though they don't need the capacity, it's really future
2 customers that it's meant to serve. And, as those
3 customers come on line, those customers reduce the
4 overall cost, the overall unit cost of that fixed
5 capacity charge. That's how the utility has grown over
6 time, is by adding customers and ensuring the ability
7 to serve those customers by contracting for capacity on
8 a long-term, in most cases, basis, especially where it
9 deals with new capacity or a capacity expansion on the
10 pipeline.

11 Q. Mr. Clark, your testimony had some additional
12 information about iNATGAS. Your understanding is that
13 iNATGAS is negotiating with companies to add to its
14 customer base?

15 A. (Clark) That's correct. They will be the only open
16 access firm CNG facility in New England.

17 Q. And, one of the purposes of that type of facility is to
18 provide peaking supplies, is that a fair --

19 A. (Clark) No. That facility will provide CNG capacity to
20 other CNG providers that have their own private access
21 station, as well as end-use customers or any marketer
22 that wants to enter the CNG business.

23 Q. So, there's a variety of customers interested --

24 A. (Clark) Correct.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. -- in that type of facility?

2 A. (Clark) Uh-huh.

3 Q. And, today, you don't know the results of their
4 negotiations, is that true?

5 A. (Clark) Just that they're ongoing.

6 Q. And, I have a couple questions for Ms. Whitten. The
7 Company's projected growth for design day demand is
8 primarily from the C&I sector, is that true?

9 A. (Whitten) In their original filing, yes.

10 Q. And, the Company does not propose allocating costs of
11 the Precedent Agreement differently between the
12 customer classes, is that correct?

13 A. (Whitten) Differently from what?

14 Q. Well, different -- is there a different allocation of
15 PA costs for residential customers?

16 A. (Whitten) My understanding is it would be allocated the
17 same way existing pipeline capacity is allocated in the
18 cost of gas filing, which is based on the customers --
19 the respective customer classes' design peak day
20 requirement.

21 Q. So, under the PA projections, the Company did not do a
22 range of demand forecast scenarios, is that correct?

23 A. (Whitten) They did a trend forecast. Yes, because it
24 was a design peak day.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Well, your testimony, on Page 17, which I assume you
2 have in front of you?

3 A. (Whitten) Yes.

4 Q. Let me know when you're there.

5 A. (Whitten) I'm there.

6 Q. And, the question is, "Did the Company evaluate the PA
7 under a range of demand forecast scenarios?" And, the
8 answer on Line 3, would you just read the first
9 sentence.

10 A. (Whitten) Sure. "No. The Company only updated its key
11 variables in its Base Case IRP forecast (filed in
12 2013), for application to the
13 November 2014/October 2015 to
14 November 2018/October 2019 period, and extended the
15 forecast value for the last year by an annual growth
16 factor" --

17 Q. That's --

18 A. (Whitten) -- "for an additional 21 years."

19 Q. That's fine.

20 A. (Whitten) I think that's what I just said earlier, but
21 please correct me, if I'm mistaken.

22 Q. Well, it's your testimony. So, you would know.

23 A. (Whitten) No. I'm saying, I think that's what I
24 answered the first when you asked me. So, I'm just

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 saying that I think I'm saying the same thing two
2 different ways.

3 Q. Okay. On Page 37, you discuss the "out-of-model
4 capacity-exempt customers return". And, you state that
5 the "Capacity Exempt reverse migration accounts for
6 between 30 percent and 50 percent of the difference
7 between the Total Updated Design Day demand and the
8 original IRP forecast." Did I read that correctly?

9 A. (Whitten) Yes.

10 Q. And, that is still your testimony today?

11 A. (Whitten) Yes.

12 MS. CHAMBERLIN: I have nothing further.

13 CHAIRMAN HONIGBERG: Mr. Kanoff.

14 MR. KANOFF: Good afternoon.

15 WITNESS DaFONTE: Good afternoon.

16 MR. KANOFF: I want to mark a few

17 exhibits for identification.

18 CHAIRMAN HONIGBERG: Go ahead.

19 (Atty. Kanoff distributing documents.)

20 (Whereupon documents, to be described,

21 were herewith marked as **Exhibit 30,**

22 **Exhibit 31,** and **Exhibit 32,**

23 respectively, for identification.)

24 CHAIRMAN HONIGBERG: We're off the

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 record right now.

2 (Brief off-the-record discussion
3 ensued.)

4 CHAIRMAN HONIGBERG: Mr. Kanoff, you may
5 proceed.

6 MR. KANOFF: Thank you. To the panel,
7 good afternoon.

8 WITNESS WHITTEN: Good afternoon.

9 WITNESS CLARK: Good afternoon.

10 WITNESS DaFONTE: Good afternoon.

11 BY MR. KANOFF:

12 Q. I want to start with the first question on supply
13 planning principles. I think it could go to any of the
14 witnesses. Should a supply plan be based on an
15 evaluation of the reasonable alternatives?

16 A. (DaFonte) Yes. The Company's process --

17 Q. This is just a general question. It's not the
18 Company's process necessarily.

19 A. (DaFonte) The Company believes that a comparison of all
20 available alternatives is appropriate and prudent
21 long-term planning.

22 Q. And, should that include a range of alternatives
23 reasonably available to the Company?

24 A. (DaFonte) It should include a range of alternatives

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 that are viable alternatives and available to the
2 Company.

3 Q. So, you would not disagree with "reasonably available"?

4 A. (DaFonte) Well, if it's an interruptible supply, I
5 guess that would be "reasonably available", but it
6 wouldn't be viable for long-term planning purposes.

7 Q. But it could be a reasonable alternative for short-term
8 purposes, for peaking purposes, for other purposes?

9 A. (DaFonte) An interruptible supply, no.

10 Q. So, should a supply plan be robust over a range of
11 potential market demand and price scenarios?

12 A. (DaFonte) Yes, I would agree.

13 Q. And, as a general principle of portfolio management,
14 diversification reduces risk?

15 A. (DaFonte) I would agree with that as well.

16 Q. Now, the NED project, the Market Path project, as you
17 have presented it, both in your testimony and in --
18 this is for Mr. DaFonte -- and in the Settlement, would
19 you agree that it eliminates relatively low cost,
20 short-haul Tennessee capacity service from Dracut at
21 50,000 Dekatherms a day?

22 A. (DaFonte) Yes. It replaces the 50,000 Dekatherms per
23 day that the Company currently has contracted for.

24 Q. And, would you also agree that it provides enough

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 additional pipeline capacity from Wright to meet
2 projected design day requirements through at least
3 2034/35 at 65,000 Dekatherms a day?

4 A. (DaFonte) That depends on the Company's decisions with
5 regard to retirement of its propane plants, and as well
6 as the additional growth assumptions that have
7 transpired since the original filing.

8 Q. At the time you filed it, and in your rebuttal,
9 wouldn't you agree that it provides enough pipeline
10 capacity from Wright to meet projected design day
11 requirements through at least 2034/35, just as a true
12 statement?

13 A. (DaFonte) Again, it would, if the Company retained its
14 propane plants. But, throughout its testimony, it has
15 said that it will evaluate the reasonableness of
16 retaining those propane plants. And, in fact, it has
17 said that and demonstrated that those propane plants
18 are not long-term, viable supply alternatives within
19 the portfolio.

20 Q. And, in your original filing, didn't you assume that
21 you're going to retain the propane facilities? Wasn't
22 that part of your forecast?

23 A. (DaFonte) The Company assumed, as part of the total
24 portfolio available, that the propane plants would be

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 in the portfolio. But also discussed its analysis of
2 those, of the long-term viability of the plants, and
3 whether those, in fact, would be retired and when.

4 MR. KANOFF: I want to approach the
5 witness with some marked exhibits.

6 CHAIRMAN HONIGBERG: Uh-huh.

7 MS. PATTERSON: Could I have a copy
8 please?

9 MR. KANOFF: Sure.

10 (Atty. Kanoff distributing documents.)

11 MS. PATTERSON: Mr. Chairman, at this
12 point, I would just like to note that the rules do require
13 the participants in a case to bring copies of items that
14 are not included in the Commission's docketbook. And, we
15 did discuss this amongst counsel. At this point, we
16 haven't been provided with every copy of every exhibit
17 that's been -- or, every item that's been used as an
18 exhibit on cross-examination.

19 And, I guess, if people could prepare to
20 do that tomorrow, I would appreciate it.

21 CHAIRMAN HONIGBERG: I don't -- well, I
22 mean -- off the record.

23 (Brief off-the-record discussion
24 ensued.)

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 CHAIRMAN HONIGBERG: All right. We're
2 on the record.

3 MS. PATTERSON: Excuse me. May I ask a
4 question before we proceed?

5 CHAIRMAN HONIGBERG: Are you on
6 the record? Do you want -- you're on the record?

7 MS. PATTERSON: It's just about the
8 numbering.

9 CHAIRMAN HONIGBERG: Let's go off the
10 record, if it's about numbering.

11 (Brief off-the-record discussion
12 ensued.)

13 CHAIRMAN HONIGBERG: Okay. We're back
14 on.

15 BY MR. KANOFF:

16 Q. Mr. DaFonte, I just gave you three exhibits that were
17 marked for identification. If you could look at
18 Exhibit 32, which is a record -- sorry, which is a Data
19 Request OCA 1-12. Do you have that in front of you?

20 A. (DaFonte) I do.

21 Q. And, in that record request -- sorry, that data request
22 response, in the second line, there's a sentence that
23 begins "the Company".

24 A. (DaFonte) Yes.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. You see that? Can you read that?

2 A. (DaFonte) "The Company believes the NED project to be a
3 unique opportunity that may not be available again, and
4 that the capacity commitment level is needed to
5 economically meet the growing needs of EnergyNorth's
6 customers and to facilitate economic expansion of
7 EnergyNorth's service territory."

8 Q. Is that the response to OCA 1-12?

9 A. (DaFonte) Yes.

10 Q. Thank you. Do you agree, Mr. DaFonte, that the size of
11 the NED commitment is a significant undertaking for
12 EnergyNorth and EnergyNorth's customers?

13 A. (DaFonte) Yes. It's an opportunity to ensure long-term
14 supply reliability and security at a least-cost price.

15 Q. And, Liberty assumed 115 Dekatherms a day in its
16 decision -- its determination to contract with
17 Tennessee under the Precedent Agreement, is that
18 correct?

19 A. (DaFonte) Yes, 115,000 a day. Correct.

20 Q. And, you decided, in doing that, you actually made one
21 scenario, is that right?

22 A. (DaFonte) Could you repeat the question?

23 Q. You made one scenario in making that decision?

24 A. (DaFonte) We made a determination as to need, and made

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 a -- with that determination, found 115,000 to be a
2 volume that would be sufficient to ensure continued
3 reliability of service to customers, with the
4 understanding that the Company would make additional
5 decisions with respect to its propane facilities during
6 the period that this contract is in effect.

7 Q. You did not evaluate scenarios of less than 115,000
8 Dekatherms a day, did you?

9 A. (DaFonte) When you say "evaluate", are you specifically
10 talking about a model or just a consideration by the
11 Company?

12 Q. Please refer to OCA 1-11. Read the first sentence of
13 that response.

14 A. (DaFonte) "The Company did not evaluate scenarios with
15 capacity other than 115,000 Dekatherms per day
16 requested in the Company's filing."

17 Q. Thank you.

18 A. (DaFonte) But I believe that references another
19 response, which is "Staff 2-14". I just wasn't sure if
20 Staff 2-14 was a SENDOUT question or was it some other
21 type of scenario? That was the confusion I had.

22 Q. My question was, "did the Company evaluate scenarios of
23 less than 115,000?" And, thank you for your response
24 to that question as you just read.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Did the Company ever ask Tennessee Gas
2 Pipeline whether you could have gotten another shipper,
3 other terms at a lower contract capacity?

4 A. (DaFonte) The Company undertook negotiations with its
5 fellow LDCs to achieve the greatest benefit for its
6 customers at the lowest possible price.

7 Q. So, the question is, did you ever ask Tennessee Gas
8 Pipeline, either individually or through the collective
9 collaboration of the other LDCs, whether you could have
10 gotten terms at a lower contract quantity? That's the
11 question.

12 MS. KNOWLTON: Objection. The
13 Commission, in an order on a Motion to Compel Response to
14 Discovery Requests about the negotiation process, issued a
15 ruling in Order Number 25,789, that the Commission
16 wouldn't compel discovery of information to shed light on
17 the thinking of parties in their negotiation
18 phase/pre-execution phase of the contract.

19 So, to the extent that counsel for PLAN
20 is inquiring about that pre-negotiate -- that negotiation
21 phase of the contract, I would object to the question.

22 CHAIRMAN HONIGBERG: Mr. Kanoff.

23 MR. KANOFF: It's a relatively simple
24 question. I'm not asking that at all. What I'm asking is

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 whether Liberty, either on its own or in some other way,
2 ever asked Tennessee Gas Pipeline whether it could have
3 gotten a deal at a lower contract quantity?

4 CHAIRMAN HONIGBERG: How is that not a
5 question about what happened in negotiations or what they
6 considered in negotiations? Isn't that exactly what it
7 is?

8 I mean, I guess I'm -- I'm getting set
9 to sustain the objection. But I'm trying to see what
10 distinction you're making.

11 MR. KANOFF: I think the distinction is
12 the objection had to do, and the prohibition, the concern
13 of the Commission had to do with the LDC Consortium, and
14 getting behind the curtain as to whether that group --

15 (Court reporter interruption.)

16 MR. KANOFF: -- the LDC Consortium, and
17 how that group functioned in negotiations undertaken by
18 that group. When I asked the Company the question
19 initially, I asked it directly, I asked to Liberty. The
20 witness brought in the Consortium, so, I went to that.

21 But now I'm happy to go back to just ask
22 the Company whether it, on its own, ever inquired as to
23 Tennessee Gas Pipeline whether it could have gotten a
24 Precedent Agreement at a lower contract quantity?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 CHAIRMAN HONIGBERG: I am certain that
2 the precedents that we cited -- I'm sorry to use that
3 word -- that the decisions that we cited supporting the
4 grant -- the ruling that we made are broad enough to
5 include an individual company's negotiations, not just the
6 Consortium's. So, I think we're going to sustain the
7 objection.

8 MR. KANOFF: Understood.

9 BY MR. KANOFF:

10 Q. Now, we talked about this earlier, I didn't, but you
11 had conversations with OCA. And, as part of your
12 discussion of the proposed Settlement, that,
13 fundamentally here, the Precedent Agreement is seeking
14 approval for transportation capacity on the Market Path
15 Pipeline segment, is that correct?

16 A. (DaFonte) Yes. This particular PA is just for the
17 Market Path segment.

18 Q. And, the Market Path segment goes from Wright, New
19 York, to Dracut, Mass., through Massachusetts, into New
20 Hampshire, and back again into Massachusetts,
21 terminating in Dracut?

22 A. (DaFonte) I believe that's the path. But, from a
23 utility perspective, we're contracting from Point A to
24 Point B. So, as far as where the pipe goes, that's not

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 really something that we can control. So, it's just
2 really Point A to Point B. That's all we're
3 contracting for.

4 Q. Right. But, in terms of how I just described it, was
5 there anything inaccurate about that?

6 A. (DaFonte) At this point in time, I believe that's the
7 path. But, you know, again, it has changed, from my
8 understanding, so --

9 Q. Assuming it doesn't change, that's the path?

10 A. (DaFonte) But I believe that's how it would work, if it
11 does not change.

12 Q. And, Liberty assumes that it will procure gas from
13 Marcellus and Utica, at Wright, to the Market Path
14 project, and that new pipelines will be approved and
15 built to transport the gas to Wright. Isn't that
16 correct?

17 A. (DaFonte) Well, as part of this particular filing, the
18 analysis was done simply from Wright purchase point to
19 the Company's citygates for delivery. Assumptions were
20 made as to what the basis pricing would be at Wright,
21 and the contract itself, the PA, provides that a
22 project, a supply project, must be built to Wright, in
23 order for the Market Path commitment to take effect.

24 Q. So, you do assume that additional pipelines will get

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 built and approved that will take gas from
2 Marcellus/Utica to Wright?

3 A. (DaFonte) That was the assumption for the --

4 Q. That assumption --

5 A. (DaFonte) -- for the analysis, yes.

6 Q. Yes. So, that's the assumption?

7 A. (DaFonte) It's the assumption, but it's also a
8 requirement in the PA, that a infrastructure to
9 transport gas from the Marcellus/Utica shale to Wright
10 has to be built.

11 Q. So, if infrastructure from Marcellus to Wright is not
12 built, can Tennessee -- is Tennessee Gas Pipeline
13 entitled/allowed to terminate the PA?

14 A. (DaFonte) Well, actually, the Company is allowed to
15 terminate the PA.

16 Q. How about Tennessee Gas Pipeline? They could terminate
17 it as well, isn't that right?

18 A. (DaFonte) Yes, they could terminate it.

19 Q. Is it your understanding that, if the pipeline from
20 Marcellus to Wright is not built and constructed, that
21 this Precedent Agreement will, in fact, be terminated?

22 A. (DaFonte) Well, obviously, if there is no
23 infrastructure, then we would certainly look to
24 terminate this agreement.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. So, the --

2 A. (DaFonte) But, as I've stated earlier, we have been in
3 negotiations with Tennessee to ensure that there is
4 volume at Wright through their Supply Path project.

5 Q. But the question is, hypothetically, no volume at
6 Wright, if those negotiations are not successful,
7 and/or a pipeline does not get constructed from
8 Marcellus to Wright, is it your understanding that the
9 Precedent Agreement will be terminated? That's the
10 question.

11 A. (DaFonte) We would likely terminate that, if no supply
12 comes in at Wright.

13 Q. Now, currently, there's a number of pipelines under
14 consideration, are there not, going from Marcellus to
15 Wright?

16 A. (DaFonte) Repeat that again. I'm sorry.

17 Q. Yes. There are a number of pipelines currently under
18 consideration for approval that will take gas from
19 Marcellus to Wright?

20 A. (DaFonte) Yes. I'm aware of the Constitution Pipeline.
21 And, I believe there's also a Dominion project, as well
22 as the Tennessee Supply Path project that I spoke of
23 earlier.

24 Q. And, with respect to Constitution, or have you had any

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1 discussions with them about the possibility of
2 procuring gas from Marcellus to Wright?

3 A. (DaFonte) Yes. We've had negotiations with Williams,
4 who's one of the responders of the Constitution
5 project, about an expansion of the Constitution
6 Pipeline to Wright. We've also had some discussions
7 with suppliers as well.

8 Q. And, at this point, you have not entered into any
9 agreement for firm supply at Wright, have you, from
10 Constitution?

11 A. (DaFonte) No, we have not.

12 Q. Are those negotiations still underway?

13 A. (DaFonte) The only negotiations that are currently
14 active are negotiations with Tennessee for the Supply
15 Path project, which accesses Marcellus/Utica shale
16 directly.

17 Q. So, no more -- no ongoing discussions with
18 Constitution, but active discussions with respect to
19 Supply Path, is that right?

20 A. (DaFonte) Correct.

21 Q. And, just for the record, is it your understanding that
22 Constitution, appreciating your answer, that is that
23 fully subscribed right now, do you know?

24 A. (DaFonte) My understanding is that it's fully

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 subscribed by the two producers that hold all the
2 capacity on the project.

3 Q. With respect to your discussions with Tennessee
4 regarding the Supply Path project, are you negotiating
5 with them for the same quantity as you have requested
6 approval here under the Market Path segment, 115,000
7 Dekatherms a day?

8 A. (DaFonte) It's likely to be less than that.

9 Q. And, the difference between what you're negotiating and
10 what you're seeking approval for here is going to be
11 obtained from where?

12 A. (DaFonte) It would be purchased -- purchases at Wright.
13 It simply is to diversify the portfolio, through the
14 purchases in the Marcellus, as well as purchases
15 further downstream at Wright.

16 Q. And, what suppliers are going to be available to
17 provide that additional capacity that is not available
18 in the Supply Path segment at Wright, who's going to be
19 providing that gas?

20 A. (DaFonte) Suppliers at Wright would include the
21 South --

22 (Court reporter interruption.)

23 **CONTINUED BY THE WITNESS:**

24 A. (DaFonte) I'm sorry. Southwestern Energy and Cabot

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Energy, which are the subscribers to the Constitution
2 project. There's also, as I mentioned, the Dominion
3 project that is proposed to be built to interconnect
4 with Iroquois Pipeline, which is -- which interconnects
5 with Wright. And, of course, there may be suppliers or
6 producers that will contract with Tennessee on the
7 Supply Path portion of their project as well.

8 BY MR. KANOFF:

9 Q. So, you're going to -- essentially, is the plan then
10 that, for some part of the 115,000 Dekatherm a day
11 quantity under discussion here, you're going to get
12 some of that from the Supply Path, and you're going to
13 seek other suppliers for the remainder?

14 A. (DaFonte) Correct.

15 Q. And, some of those other suppliers are essentially the
16 Constellation -- sorry, Constitution producers,
17 Southwestern and Cabot that you just mentioned?

18 A. (DaFonte) Yes. It could be those. Or, as I said, it
19 could be shippers on the Supply Path itself.

20 Q. But you're not having any discussions with any of those
21 other entities in the moment. You're just having
22 discussions with Tennessee?

23 A. (DaFonte) Correct.

24 Q. How much are you looking for from Tennessee with

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 respect to the Supply Path segment? What quantity?

2 A. (DaFonte) We haven't determined the exact amount. But
3 it's going to be probably somewhere between 70,000 and,
4 you know, probably 80,000, somewhere in that
5 neighborhood. But, more than likely, about 70,000.

6 Q. When is that -- there was some discussion earlier about
7 the need to wrap up those discussions and your desire
8 to submit a filing, I believe you mentioned here, for a
9 Precedent Agreement on the Supply Path side. And,
10 given your response that you're still having
11 discussions, can you perhaps give us a little bit more
12 detail about the timing of that?

13 A. (DaFonte) You know, I would say, within the next month
14 or so, we should have a final PA executed and ready to
15 be filed.

16 Q. And, are you, and "you" I mean "is Liberty",
17 negotiating that individually with Tennessee Gas
18 Pipeline or is it part of the LDC Consortium?

19 A. (DaFonte) It is, once again, part of the LDC Consortium
20 negotiations.

21 Q. And, is part of those discussions -- or strike that.
22 Are you aware as to whether any of those other
23 utilities in the LDC Consortium are also going to need
24 approval of precedent agreements before their

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 regulators?

2 MS. KNOWLTON: Objection to the
3 relevance of the question.

4 CHAIRMAN HONIGBERG: Mr. Kanoff.

5 MR. KANOFF: I'm just trying to
6 establish what the regulatory requirements are, which is
7 relevant to the timelines that may be in play here with
8 respect to this pipeline request, Market Path versus --

9 CHAIRMAN HONIGBERG: Overruled. Mr.
10 DaFonte, you can answer.

11 **BY THE WITNESS:**

12 A. (DaFonte) Well, they're -- the other utilities are
13 subject to some of the, you know, similar state
14 regulatory requirements. So, I suspect that they would
15 be filing for approval of their portion of the Supply
16 Path capacity.

17 BY MR. KANOFF:

18 Q. And, is it your understanding as well that their
19 precedent agreements -- strike that. One of the things
20 that still is somewhat confusing, why are you not
21 requesting the full amount of your NED quantity in the
22 Supply Path contract? Why is there -- why is less
23 contracted for or under discussion to be contracted
24 for? Why not go for 115,000, as opposed to 70 or 60 or

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 some other number?

2 A. (DaFonte) Well, it's, basically, a diversity decision
3 in that regard, just like we try to diversify our
4 supply points, always looking for liquid points for
5 sure. But there is some, you know, there's still some
6 uncertainty as to what the, you know, future prices
7 will be at various locations. What we do know is that
8 there is substantial production in Marcellus. We, at
9 the very least, want to gain access to that supply, and
10 then, as the market develops at Wright, we would
11 diversify by purchasing -- making some of our purchases
12 at Wright.

13 Q. Has the Company done any analysis with respect to the
14 benefits of one supply source at Wright versus another
15 supply source at Wright? When you talk about
16 diversification, uncertainties of future prices, is
17 there any analysis that you've done with respect to any
18 of those elements, diversity, prices, that will inform
19 your decision in the Supply Path portion?

20 MS. KNOWLTON: Objection. I understand
21 the relevance to some extent of inquiry about Supply Path.
22 But the Company has indicated that it will be filing a
23 docket here at the Commission to seek approval of that
24 Supply Path agreement. And, at that time, parties to that

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1 proceeding can undertake questioning about the analysis
2 that the Company pursued or undertook when it considered
3 that agreement. I feel like we've sort of crossed that
4 line of the relevance to this proceeding.

5 CHAIRMAN HONIGBERG: Mr. Kanoff.

6 MR. KANOFF: In response to my question,
7 he noted that they were undertaking considerations of
8 diversity and price. And, I just asked a follow-up
9 question to that. The relevance here is that, in some
10 way, the gas that is going to be obtained over Supply Path
11 and/or other sources is going to connect into NED. And,
12 as part of your judgment in making a decision on this
13 Precedent Agreement, it would be helpful to appreciate the
14 pricing risks and the supply risk associated with what's
15 going to connect to NED. And, that's the other part of
16 this.

17 CHAIRMAN HONIGBERG: Yes, I think that's
18 where you're going. And, I think that's okay. Although,
19 I'm not sure how much further you can or should take that.

20 MR. KANOFF: Not much.

21 CHAIRMAN HONIGBERG: So, you can answer
22 the question, if you remember it. It might be helpful for
23 you to restate the question.

24 MR. KANOFF: Could I just have it read

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 back?

2 CHAIRMAN HONIGBERG: I'm not sure -- off
3 the record.

4 (Brief off-the-record discussion
5 ensued.)

6 BY MR. KANOFF:

7 Q. Has the Company done any analysis with respect to
8 supply choices available on the Supply Path segment,
9 with respect to price or diversity, diversification?

10 A. (DaFonte) We have done analysis, and we'll be
11 presenting that when we make our filing here in the
12 next month or so. But what's before the Commission
13 here is a -- it's a stand-alone Precedent Agreement,
14 which analysis was performed based on purchases at
15 Wright.

16 Q. So, what we've heard so far is that the Precedent
17 Agreement under consideration here is linked to the
18 Supply Path segment, also under -- under future
19 consideration. And, the question that presents itself
20 from that is, why should the Commission not consider
21 the two proposals together?

22 A. (DaFonte) The Commission has before it a capacity
23 contract that the Company believes has demonstrated is
24 required to meet the Company's customers' firm

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 requirements on a long-term basis, absent any contract
2 upstream for additional capacity. So, this effectively
3 is a -- it's a stand-alone contract. It does, as I
4 mentioned earlier, provide us with flexibility to
5 access other supply sources. But those will be
6 presented at a future date, and the merits of that
7 decision will be -- will be explored at that time. But
8 this is the contract that's before the Commission right
9 now. And, you know, we have a Settlement in place that
10 supports the decision for the 115,000, with incentives
11 and requirements that --

12 CHAIRMAN HONIGBERG: Mr. DaFonte, stop.

13 You've answered the question.

14 BY MR. KANOFF:

15 Q. One of the assumptions in your testimony is the market
16 at Wright, as a general observation. Will the Supply
17 Path project utilize the Wright facilities and create a
18 market at Wright? Or, will it just -- I'll leave it at
19 that. Go ahead.

20 A. (DaFonte) Well, certainly, the Supply Path is designed
21 to bring Marcellus supplies to Wright; as is the
22 Constitution project, as is the Dominion project. So,
23 together, they're all looking to converge on a single
24 point to provide supply into the region. The Company,

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1 as mentioned, is exploring and has done analysis on the
2 best options for its customers with regard to the
3 Supply Path at this time.

4 Q. Is it correct to assume that, as a hypothetical, if
5 Supply Path is built, that gas could flow directly from
6 Marcellus, into NED, to Dracut, without any activity in
7 Wright?

8 A. (DaFonte) Well, Wright is essentially a pooling point.
9 So, it accepts supplies -- it would accept supplies
10 from multiple pipelines, conceivably. And, then,
11 anyone holding capacity on the NED Market Path project
12 would procure supplies at Wright.

13 Q. Well, couldn't shippers, as a hypothetical, if a Supply
14 Path was being built was real, couldn't shippers just
15 buy gas at Marcellus, and they would be -- not have to
16 deal with the market at Wright, couldn't they do that?

17 A. (DaFonte) Sure. They could do that.

18 Q. So, it's an option?

19 A. (DaFonte) Right. It's an option, yes.

20 Q. Does EnergyNorth have any termination rights under the
21 Precedent Agreement as proposed?

22 A. (DaFonte) The Company can terminate the Agreement if it
23 does not receive regulatory approval for the contract,
24 as proposed in the Precedent Agreement, which is

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 115,000, or, in the alternative, 100,000.

2 Q. Is there any opportunity for the Company to terminate
3 on the basis of schedule delays?

4 A. (DaFonte) Yes. There's a provision in the Agreement
5 related to construction schedule. So, that if it is --
6 if construction has not begun by a date certain, then
7 the Company would have the ability to terminate the
8 Agreement as well.

9 Q. And, under the -- is it also true, under the Precedent
10 Agreement, that there's some provisions in there
11 specifically about the schedule for the project, that
12 it could take as long as _____, is that correct?

13 A. (DaFonte) I'm sorry. I'm just looking to see if that
14 information is confidential.

15 Q. Yes, that's a good -- check out Bates 065.

16 A. (DaFonte) And that is confidential.

17 CHAIRMAN HONIGBERG: I'm going to stop
18 you just for a second, Mr. Kanoff. I said "we could stay
19 until 5:00". I actually want to make sure that that's
20 true. So, we're going to take a four or five minute break
21 for Commissioner Scott and me to go upstairs and make sure
22 that we're good till 5:00. We'll be right back.

23 (Recess taken at 4:08 p.m. and the
24 hearing resumed at 4:18 p.m.)

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1 CHAIRMAN HONIGBERG: All right. Mr.
2 Kanoff.

3 BY MR. KANOFF:

4 Q. In your analysis in the SENDOUT model -- in your
5 analysis in the SENDOUT model, you assumed a price for
6 gas from Wright, is that right?

7 A. (DaFonte) That's correct.

8 Q. And, at the present time, there's no market index that
9 provides that price there, is there?

10 A. (DaFonte) No, there isn't.

11 Q. And, so, we have to assume a value for that gas, in
12 lieu of a market data point, is that fair?

13 A. (DaFonte) Yes. Correct.

14 Q. And, you assumed a rate associated with Wright as shown
15 in PLAN 1-3, which is an exhibit to Mr. Rosenkranz's
16 testimony, JAR-14? It's JAR-5, PLAN 1-3.

17 MS. PATTERSON: Could I have the Bates
18 Page please?

19 CHAIRMAN HONIGBERG: Mr. Kanoff, you
20 made a reference to the "Rosenkranz testimony", an exhibit
21 thereto. Can you make sure we have all got there? The
22 Bates Page from the Rosenkranz testimony that you're
23 referring to is what? Or, was it -- again, is it --

24 MR. KANOFF: It's Exhibit JAR-5 of the

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Rosenkranz testimony. We can provide, if you give me a
2 moment, we can provide the page numbers as well.

3 CHAIRMAN HONIGBERG: How about 44?
4 How's that work? Good? All right. Go ahead.

5 MR. KANOFF: Okay.

6 WITNESS DaFONTE: I'm sorry. I don't
7 think I have it.

8 MS. KNOWLTON: If I may approach the
9 witness?

10 CHAIRMAN HONIGBERG: Go ahead,
11 Ms. Knowlton.

12 (Atty. Knowlton handing document to
13 Witness DaFonte.)

14 WITNESS DaFONTE: Okay. I'm there.

15 BY MR. KANOFF:

16 Q. So, the question was, the assumed rate associated with
17 Wright is as shown in PLAN 1-3, which is JAR-5, is that
18 right?

19 A. (DaFonte) That's correct.

20 Q. And, the pricing assumptions for Wright were provided
21 by the Consortium of ten utilities that were discussed
22 earlier, is that correct?

23 A. (DaFonte) Yes, that's correct.

24 Q. And, they were based upon approximations as determined

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 by that group, is that right?

2 A. (DaFonte) Yes.

3 Q. And, is it also correct that the values won't be known
4 until there's a market at Wright?

5 A. (DaFonte) Well, no values will be known until, you
6 know, the gas actually begins to flow. But there is
7 some reasonable approximations. There's indices for
8 gas flowing into Iroquois, which would be at
9 Waddington. So, it's an index that's into Iroquois.
10 So, there is some data there. But, because we're
11 talking about an impact of new projects being built to
12 bring gas from Marcellus directly to Wright, you really
13 don't have a robust forecast available for those
14 purchases.

15 Q. Right. And, so, to say -- to sum up then, Waddington
16 can be a proxy for Wright, but the number that was used
17 in your analysis was provided by the Consortium of ten
18 utilities, based upon approximations as determined by
19 that Consortium. Did I get it right?

20 A. (DaFonte) That's correct.

21 Q. Okay. And, it is also true that there's no supporting
22 materials provided, like if I refer you to PLAN 2-13,
23 which is JAR-6?

24 A. (DaFonte) Okay.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Is that correct? There's no supporting materials?

2 A. (DaFonte) Well, the Company did provide Attachment
3 PLAN-1-3.xlsx, which was the support for the
4 calculation of the basis.

5 Q. But there's no -- I guess the question is, and
6 apologies if it's confusing, the question is, there's
7 no supporting materials provided that detail the
8 approximations made by the Consortium, is that correct?

9 A. (DaFonte) Well, I believe that in that attachment that
10 there is data supporting how the Consortium arrived at
11 the basis calculation.

12 CHAIRMAN HONIGBERG: Mr. Kanoff, I'm
13 almost certain that you and the witness are literally not
14 on the same page. So, why don't you try again. See if
15 you can get him to the right data request and response.

16 MR. KANOFF: I will do that.

17 CHAIRMAN HONIGBERG: Which data request
18 are you trying to pull back there?

19 MR. KANOFF: We actually were just
20 pulling PLAN 2-13.

21 CHAIRMAN HONIGBERG: 2-13, if I'm not
22 mistaken, is one of the JAR exhibits on Bates Page 047 in
23 Mr. Rosenkranz's testimony, is that right?

24 MR. GATES: I believe that is correct,

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1 your Honor.

2 CHAIRMAN HONIGBERG: All right. Who
3 gave me a promotion?

4 MR. GATES: Force of habit.

5 CHAIRMAN HONIGBERG: So, I think that's
6 the page you want him to get to. I think, Ms. Knowlton,
7 you gave him -- you gave the witness a book that has those
8 exhibits in it, did you not?

9 MS. KNOWLTON: Yes, I did.

10 CHAIRMAN HONIGBERG: All right. So, I
11 think, if go to Bates Page 047 from Mr. Rosenkranz's
12 testimony, I think you'll be looking at the data request
13 that Mr. Kanoff wants to ask you about.

14 BY MR. KANOFF:

15 Q. So, what I'm just trying to understand is whether you
16 received, in looking at 2-13, whether you received any
17 supporting materials about the pricing assumptions
18 developed by the Consortium?

19 A. (DaFonte) Yes. And, those were provided in Attachment
20 PLAN 1-3, which is referenced in your data request.

21 Q. And, 1-3 references "2-13", does it not?

22 A. (DaFonte) No, because Set 2 wouldn't have been asked
23 yet. So, there's an attachment in the Company's
24 response to PLAN 1-3. In that attachment, there is

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1 documentation supporting the analysis by the LDC
2 Consortium. In PLAN 2-13, PLAN references "Attachment
3 PLAN 1-3". So, I've already provided it.

4 Q. So, I think where we are, and I'm just going to move
5 on, but I think the takeaway is, to the extent there is
6 supporting material, it's an attachment to 1-3?

7 A. (DaFonte) Correct. Yes.

8 Q. Okay. Did the Company independently create any assumed
9 gas price used in the SENDOUT model for Wright?

10 A. (DaFonte) Now, with regard to SENDOUT, the Company used
11 the basis assumptions contained in Attachment PLAN 1-3
12 as inputs so that it could run the SENDOUT model.

13 Q. Now, even with NED, is it correct that a majority of
14 the Liberty market will depend upon the Concord
15 Lateral?

16 A. (DaFonte) Yes. NED will provide a new interconnect at
17 the western end of the Company's distribution system,
18 in and around West Nashua. That is anticipated to be
19 able to provide approximately 65,000 Dekatherms of
20 design day capacity. Based on the total requirements
21 of the Company of, you know, approximately 150,000, all
22 the way up to the 217 or so thousand that is in the
23 forecast, that difference early on will be flowing up
24 the Concord Lateral. So, it's really about 65,000 to

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1 begin with will serve Nashua, and then Concord would be
2 served the remainder of it, until there's a, you know,
3 another, you know, either an expansion of the Company's
4 distribution system or a potential expansion of the
5 Concord Lateral, if required.

6 Q. So, if I'm hearing that right, the Concord Lateral
7 serves about 60-65 percent of the Company's
8 requirements, after NED or even with NED?

9 A. (DaFonte) Well, I guess it depends on the actual year
10 that you're looking at. We -- because it depends on
11 the design day. And, so, if you want to pick a year,
12 we can do the calculations. But just know that,
13 initially, about 65,000 would be coming through that
14 new interconnect on the west end of the Company's
15 distribution system. So, the difference between that
16 and the design day that the Company has forecast would
17 be served through the Concord Lateral. That's probably
18 the easiest way to explain it.

19 Q. And, there's no physical connection from NED to
20 Manchester or Concord, is there?

21 A. (DaFonte) Not -- it's not being proposed in this PA.

22 Q. And, is it something that's going to be proposed at
23 some point?

24 A. (DaFonte) Well, you know, again, the flexibility

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1 afforded by NED will allow the Company to, you know,
2 add customers over time, and look at the most
3 cost-effective way to bring additional capacity, if
4 needed, to Manchester and other parts of its
5 distribution system. Now, ideally, the way the Company
6 would approach that is to add new customers, and serve
7 those customers through an enhancement or upgrade of
8 its distribution backbone system through Nashua, and
9 then ultimately up to Manchester.

10 Q. Now, if you needed to expand the Concord Lateral, as a
11 hypothetical, would that be a matter of cost, not
12 feasibility? Am I hearing that right?

13 A. (DaFonte) Yes, it would be a matter of cost. And, I
14 would also throw in reliability and flexibility as
15 well. Ideally, the Company would love to continue to
16 develop, essentially, a parallel backbone system on the
17 west end of its system, so that it then has feeds from
18 both the Concord Lateral and this other interconnect or
19 potentially interconnects with the NED project. That
20 ideally is the way you would want to set up your
21 distribution system, for redundancy and reliability
22 purposes.

23 Q. So, is there -- is the Company considering then
24 expanding the Concord Lateral, even with NED? I'm just

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1 trying to understand what you just said.

2 A. (DaFonte) No, the Company is not considering that.

3 What I'm saying is that, in long term, when we have to
4 make decisions with regard to our propane plants and
5 with regard to growth on our system, the Company will
6 explore all alternatives. That is increasing the
7 amount of supply that comes in from the new
8 interconnect with NED, expanding its distribution
9 system or enhancing its distribution system, so that
10 more of that gas can flow up to Manchester and other
11 parts of the system, or, if need be, we will look at
12 the Concord Lateral in the future. But that's not
13 forecast to happen in the next, you know, 10-15 years.

14 Q. So, just to be clear, if the Concord Lateral is
15 supplying gas to 60 percent, and I'm using that number
16 because it's referenced in PLAN 4-17, which I can make
17 an exhibit for identification, and the rest of it's
18 coming from NED, and NED is not connected to the
19 Concord Lateral, and the 60 percent expands, how are
20 you going to serve that 60 percent, if you don't expand
21 the Concord Lateral?

22 A. (DaFonte) Well, as I said, there's additional volumes
23 that can come up through NED at the West Nashua
24 interconnect. So, it's a question of how those volumes

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1 get into the distribution system or whether they can
2 displace volumes, not just at the Nashua gate station,
3 but further north.

4 Q. Has that been analyzed by the Company in any specific
5 way?

6 A. (DaFonte) Not at this time.

7 Q. So, it's something that you think you could do, but it
8 hasn't been evaluated specifically?

9 A. (DaFonte) It's not - it's not needed at this point in
10 time. But the Company, as it does with all of its
11 system enhancements, will continue to do its
12 engineering studies and evaluate the best-cost
13 alternative to continuing to serve its customers,
14 whether it's through an expansion of the new facilities
15 or existing facilities.

16 Q. Now, you had mentioned this earlier, the cost to expand
17 the Concord Lateral was an important part of your
18 decision to invest in NED, isn't that right?

19 A. (DaFonte) Yes. The comparison of the cost of the
20 expansion of the Concord Lateral, to the cost to
21 contract for capacity on NED, led us to decide that the
22 NED volumes were the most cost-effective, and, in
23 addition, provided additional flexibility and
24 reliability for the Company and its customers.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. Now, is it accurate that you first inquired to
2 Tennessee, with respect to the cost of expanding the
3 Concord Lateral, on October 8th, you made an oral
4 request to them? It's in Staff Tech-46(a). Is that
5 right?

6 A. (DaFonte) Yes. That's correct.

7 (Atty. Kanoff distributing documents.)

8 CHAIRMAN HONIGBERG: This is
9 "Exhibit 33" that's being marked right now.

10 (The document, as described, was
11 herewith marked as **Exhibit 33** for
12 identification.)

13 BY MR. KANOFF:

14 Q. So, you have the exhibit in front of you now, it's been
15 marked for identification "Exhibit 33". And, the
16 question was, you first inquired to Tennessee about the
17 cost of expanding the Concord Lateral on October 8th is
18 an oral request, is that right?

19 CHAIRMAN HONIGBERG: He already answered
20 that question "Yes".

21 MR. KANOFF: Thank you.

22 BY MR. KANOFF:

23 Q. And, you followed that up with another request to
24 Tennessee in December, that's Staff 46(a) confidential,

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1 is that correct?

2 A. (DaFonte) That's correct.

3 Q. And, then, about a week later, you got a response back,
4 is that correct?

5 A. (DaFonte) That's correct.

6 Q. And, then, in June, you received the third estimate, is
7 that right?

8 A. (DaFonte) Correct.

9 Q. And, so, you have three different numbers for the
10 Concord Lateral. As part of -- and the first one was
11 October 8th, correct?

12 A. (DaFonte) Correct.

13 Q. Now, as part of your consideration of NED and Liberty's
14 decision to proceed with the investment, you mentioned
15 that you at some point were involved in the LDC group,
16 is that right?

17 A. (DaFonte) Yes. That's correct.

18 Q. Was that before or after you participated in the Open
19 Season?

20 A. (DaFonte) Well, we began discussions with Tennessee
21 back in 2013, as I mentioned earlier in a response. We
22 had, at that time, modeled 90,000 Dekatherms of what
23 was then called the "Northeast Expansion project" from
24 Tennessee, and we modeled that in our IRP, that 2013

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 IRP. So, we began at that time having discussions with
2 Tennessee. And, then, subsequently, as other utilities
3 became interested in the project, we developed the LDC
4 Consortium.

5 Q. And, the timeframe for the LDC Consortium, was that
6 before or after the Open Season?

7 A. (DaFonte) I believe that was after the Open Season.

8 Q. And, you participated -- Liberty participated in the
9 Open Season, would that be in March of 2014?

10 A. (DaFonte) I believe, subject to check, that was right.

11 Q. And, at that time, did you sign up for 115 Dekatherms a
12 day?

13 A. (DaFonte) I believe what we signed up for was 100,000,
14 plus 15,000 additional, to deal with returning
15 capacity-exempt customers. Yes.

16 Q. So, --

17 A. (DaFonte) So, 115,000 is what we ultimately signed up
18 for.

19 Q. And, in order to do that, did you get internal company
20 approvals? Was the Board of Directors involved?

21 A. (DaFonte) Not at that time, not for a non-binding Open
22 Season, no.

23 Q. And, when did they get involved?

24 A. (DaFonte) The only time that they were involved was

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 when the contract or the Precedent Agreement needed to
2 be executed.

3 Q. So, they were involved sometime before October 24th, is
4 that right?

5 A. (DaFonte) October 24th of what year?

6 Q. 2014. And, I use that -- I don't mean to get ahead of
7 you. The Precedent Agreement was effective on
8 October 24th, take that subject to check?

9 A. (Witness DaFonte nodding in the affirmative).

10 Q. So, just extrapolate from what you said, the Board
11 considers this before that, in that timeframe?

12 A. (DaFonte) Yes.

13 Q. Would have been in September?

14 A. (DaFonte) Would have been around that time period.

15 Q. So, by September, it's pretty far along, internally,
16 for 115,000?

17 A. (DaFonte) Right. My analysis by that time was pretty
18 far along, and the 115 had, as I said, had been
19 submitted as part of the Open Season from Tennessee.

20 Q. And, then, you filed the case December 31st here. So,
21 the progression was, you got internal company approval,
22 Open Season 2014, at about 115,000 Dekatherms a day,
23 then internal company approval sometime after that,
24 September/October we'll call it for this discussion.

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 You executed the PA October 2014. And, you filed the
2 case December 31st, 2014. Do I have it right?

3 A. (DaFonte) That's correct.

4 Q. Okay. So, if we think about that timeline, you really
5 didn't know about the price associated with expanding
6 the Concord Lateral when you first signed up for this
7 and got Board approvals, did you?

8 A. (DaFonte) The Concord Lateral, the initial ballpark
9 estimate for expansion of the Concord Lateral was
10 actually discussed back in 2013. As part of the
11 attachment to Staff Tech-46(a), there's an e-mail from
12 April 22nd, 2013 asking for a rate for a volume or an
13 expansion on the Concord Lateral at that time of 35,000
14 Dekatherms. So, that was sort of the initial
15 understanding of where the expansion costs may end up.
16 But, given that we were looking at a greater volume, we
17 went back to Tennessee and asked them to recalculate
18 what that expansion cost would be. And, that was in --
19 you know, that was subsequently requested.

20 Q. But, in terms of -- so, your testimony is, in terms of
21 making a specific judgment for Open Season, making a
22 specific judgment that went to the Board, making a
23 specific investment on the NED case as proposed here,
24 that at the time you did all that in 2014, you were

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 relying on a 2013 estimate that you did not update? Is
2 that what you're saying?

3 A. (DaFonte) No. I'm saying that the ballpark, we
4 essentially relied on the 2013 estimate as, you know,
5 an indication of what the cost may be. Given that
6 cost, and given the alternatives, the NED project was
7 clearly the superior option. In order to present the
8 most updated information, with regard to that Concord
9 Lateral expansion, the Company then went back to
10 Tennessee with more specific requirements, the 50,000,
11 for example, and the request on October 2nd that was
12 provided to us, and then, subsequently, the additional
13 volume.

14 Q. Well, didn't you say, in your correspondence with
15 Tennessee, as part of your involving in the filing in
16 this case, that you needed the information specifically
17 for the expansion of the Concord Lateral, wasn't that
18 part of one of your e-mails?

19 A. (DaFonte) We needed the cost estimate, correct.

20 Q. For this case. And, so, you weren't going to rely and
21 didn't rely on the 2013 estimate, did you, for here,
22 for this judgment?

23 A. (DaFonte) Not for the submission of the final analysis,
24 we needed the most up-to-date numbers.

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 Q. And, so, why didn't you get it earlier?

2 A. (DaFonte) Well, at the time, the Tennessee/NED project,
3 even without the Concord Lateral expansion, was more
4 cost-effective than the alternatives.

5 Q. I guess the question is, in order to make a judgment on
6 the alternatives, you needed to have a firm price
7 associated with the Concord Lateral. And, the question
8 is, why didn't you get that estimate before October of
9 2014?

10 A. (DaFonte) Well, in order to make the decision, we had
11 run analysis with the ballpark estimates from what we
12 originally had in 2013, okay? Just to give us an idea
13 of what our, you know, what the comparison was to the
14 other projects, even though, on their face, based on
15 their higher -- on their demand charges, they were
16 going to be more -- they were going to be more costly
17 than Tennessee. That was the determination of, you
18 know, our intent to go with the NED project. Getting
19 the updated expansion cost was a matter of ensuring
20 that our assumptions were correct, and showing -- and
21 being able to show what that exact differential was,
22 based on the most updated numbers.

23 Q. Was the number that you actually got from Tennessee in
24 2014 higher or lower than what you had seen in 2013?

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[WITNESS PANEL: DaFonte~Clark~Whitten]

1 A. (DaFonte) I believe it was -- it was higher.

2 Q. And, the --

3 A. (DaFonte) But -- go ahead.

4 Q. And, the estimate for -- that you requested in 2013 was
5 for a much lower volume than you had requested
6 Tennessee evaluate on the Concord Lateral, isn't that
7 right?

8 A. (DaFonte) Correct.

9 Q. And, so, in 2014, you were asking them to evaluate an
10 additional 65,000 Dekatherms a day on the Concord
11 Lateral, and, in the 2013 estimate, you asked for their
12 evaluation of 35,000, is that right?

13 A. (DaFonte) Yes. That's correct. That was the volume.
14 But, again, you know, but, with any expansion, it's a
15 function of the cost and the billing determinants. So,
16 I'm assuming that, with Tennessee's numbers, based on
17 the 35,000, there were fixed costs associated with the
18 construction, and the billing determinants were only
19 35,000. When we subsequently asked for the 50,000,
20 they came back with a rate. And, when we subsequently
21 asked for the 65,000, that rate didn't change, because
22 the incremental construction and incremental upgrade
23 that they would have to put in was offset by the
24 additional billing determinants. So, going from 50,000

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1 to 65,000, it essentially left the rate where it was at
2 the end of -- well, December I think is when that last
3 estimate came in.

4 Q. And, you're aware in the case that different witnesses
5 have indicated in testimony that different levels of
6 capacity on the Concord Lateral will result in
7 different cost estimates? Say it another way, lower
8 capacity on the Concord Lateral will reduce the cost of
9 the upgrade?

10 A. (DaFonte) I'm not sure if I follow what you're saying,
11 that the "lower" -- you're saying "lower capacity" --

12 Q. If you lower the amount on the Concord Lateral, it may
13 decrease the amount, I think you just said this,
14 decrease the amount of upgrade costs?

15 A. (DaFonte) Right. It could, it would decrease the
16 amount of upgrade costs. But there's also fewer
17 billing determinants. So, the rate that the pipeline
18 needs to recover their, you know, their investment
19 would have to be higher. So, it's a function -- you
20 have to look at both sides of it. It's not just a
21 lower investment, you know, lower construction cost,
22 it's also what it -- what's the contract volume.
23 Because, in order for the pipeline to recover its
24 investment, it needs contracts, long-term contracts, at

[WITNESS PANEL: DaFonte~Clark~Whitten]

1 fixed demand charges, to pay for the cost, the
2 investment cost, and the associated return on that
3 investment. So, the costs can be lower. But, if the
4 volume is lower, then the rate's going to either be
5 higher or about the same. So, it's two -- two factors
6 that have to be looked at.

7 MR. KANOFF: I think this is a good --
8 your Honor, I think this is a good stopping point.

9 CHAIRMAN HONIGBERG: I think I agree
10 with you. So, we will break now. We will reconvene at
11 two o'clock tomorrow afternoon, I hope. So, we will see
12 you tomorrow.

13 **(Whereupon the hearing was adjourned at**
14 **5:00 p.m., and the hearing to reconvene**
15 **on July 22, 2015, scheduled to commence**
16 **at 2:00 p.m.)**