Liberty Utilities

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 15-155

Valley Green Natural Gas, LLC
Petition for Franchise Approval

DIRECT TESTIMONY

OF

WILLIAM J. CLARK
STEVEN E. MULLEN

January 15, 2016

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I. <u>Introduction and Qualifications</u>

Q. Please state your name and business address and positions.

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

A. My name is Steven E. Mullen. My business address is 15 Buttrick Road, Londonderry, NH 03053. My title is Manager, Rates and Regulatory.

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

A. We are employed by Liberty Utilities Service Corp. ("Liberty Utilities") which provides services to Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth" or "the Company") and Liberty Utilities (Granite State Electric) Corp.

Q. On whose behalf are you testifying today?

A. We are testifying on behalf of EnergyNorth.

Q. Please describe your educational background and your business and professional experience.

A. Mr. Clark:

I graduated from St. Anselm College in Goffstown, New Hampshire with a Bachelor of Science degree in Financial Economics in 1991. In 1992, I began my career at Boston Gas Company. During this time, I was a member of the Steel Workers of America, Local 12007 and held various positions in gas distribution and customer service, as well as being a union official. In 1998, I was employed by National Grid to start an unregulated energy service subsidiary, where I worked as a Sales Account Manager until 2010. In 2010, when National Grid sold this business, I was employed by National Grid as a Commercial Gas Sales Representative, working in EnergyNorth's service territory. In 2012, I joined Liberty Utilities and progressed into my current position as the Business Development Manager. In this role, I am responsible for organic growth opportunities and commercial development for both EnergyNorth and Granite State Electric.

A. Mr. Mullen:

I graduated from Plymouth State College with a Bachelor of Science degree in Accounting in 1989. I attended the NARUC Annual Regulatory Studies Program at Michigan State University in 1997. In 1999, I attended the Eastern Utility Rate School sponsored by Florida State University. I am a Certified Public Accountant and have obtained numerous continuing education credits in accounting, auditing, tax, finance and utility related courses. From 1989 through 1996, I was employed as an accountant with Chester C. Raymond, Public Accountant in Manchester, NH. My duties involved preparation of financial statements and tax returns, as well as participation in year-end engagements. From 1996 through 2014, I was employed by the New Hampshire Public Utilities Commission ("Commission") in various roles. Through 2008, I held positions first as a PUC Examiner, then as a Utility Analyst III and Utility Analyst IV. In those roles, I had a variety of responsibilities that included field audits of regulated utilities' books and records in the electric, telecommunications, water, sewer and gas industries, rate of return analysis, review of a wide variety of utility filings and presenting of testimony before the Commission. In 2008, I was promoted to Assistant Director of the Electric Division. Working with the Electric Division Director, I was responsible for the day-to-day management of the Electric Division, including decisions on matters of policy. In addition, I evaluated and made recommendations concerning rate, financing, accounting and other general industry filings. In my roles at the Commission, I represented Commission Staff in meetings with utility officials, outside attorneys, accountants and consultants relative to the Commission's policies, procedures, Uniform System of Accounts, rate cases, financing and other industry and regulatory matters. In 2014, I was hired by Liberty Utilities as the Manager, Rates and Regulatory. I am responsible for rates and regulatory affairs for EnergyNorth and Granite State Electric.

Q. Have you both previously testified before this Commission?

A. Yes. We have both testified in prior proceedings before the Commission.

Q. What is the purpose of your testimony today?

A. Our testimony provides comments on Valley Green Natural Gas, LLC's ("Valley Green") petition for franchise approval to provide natural gas service to customers in the Town of Hanover and the City of Lebanon. Our review of the filing and the discovery responses provided by Valley Green leads us to the conclusion that Valley Green has not made the requisite showing that it possesses the necessary financial, technical and managerial abilities to operate a regulated natural gas franchise and provide safe and reliable service to customers at just and reasonable rates.

II. Description of Valley Green's Proposed Operations

Q. Please briefly describe Valley Green's proposed operations as set forth in its petition.

A. Valley Green proposes to establish an LNG fuel storage facility in Lebanon, New Hampshire. From this facility, Valley Green proposes to provide three different kinds of service to customers: i) retail (regulated) natural gas service to customers in the communities of Hanover and Lebanon, New Hampshire through a piped distribution system; ii) unregulated LNG supply service to customers with remote vaporization equipment that is yet to be connected to the distribution pipeline and would receive fuel deliveries by truck; and iii) service to tolling customers who would purchase their own gas supply from Valley Green's intended sole supplier, Gulf Oil Limited Partnership ("Gulf") and pay Valley Green for storage and delivery services.

Q. How would the proposed utility be operated and by whom?

A. Rather than possessing the necessary financial, technical and managerial qualifications itself, Valley Green proposes to essentially act as a general contractor and subcontract the day-to-day operations of the utility to New Energy Capital Partners, LLC ("NECP") (financial management), Gulf (technical operations and management – fuel supply facility) and TRI-MONT Engineering Co. ("TRI-MONT") (technical operations and management – pipeline distribution system).

Q. Is the use of contractors unusual in the utility business?

A. In this case, the use of contractors is very unusual. While many utilities use contractors in the ordinary course of business, to either supplement its workforce or perform specialized tasks, Valley Green proposes to acquire essentially all of the necessary financial, technical and managerial abilities to operate a utility by hiring contractors to perform those tasks. It is quite unusual for an entity that has not previously been involved in owning and/or operating a regulated utility to attempt to demonstrate to the Commission that it will possess those skill sets by obtaining them from third parties. Simply put, Valley Green is requesting that the Commission award it franchise rights to serve retail customers while the company itself lacks the required abilities and expertise to operate as a utility. Instead, Valley Green plans to rely on outside entities, with whom it does not have binding contracts currently in place for the Commission to review. The lack of any binding contracts with those outside entities also makes a demonstration of possession of the necessary financial, technical and managerial abilities frail, at best.

Q. Is Valley Green currently a public utility?

A. No, it is not.

Q. Has Valley Green or its President been involved with regulated utility ownership or operation in the past?

A. No.

Q. Does Valley Green have any employees?

A. Whether Valley Green has any employees is unclear, but at this time we believe the answer is "no." In its response to Tech Session 2 (supplemental response to Staff 1-5),[1] Valley Green provided an organizational chart to represent its "anticipated" structure including potential employees of Valley Green, as well as intended contractors. Valley Green's structure appears to envision five senior and manager level employee positions: Chief Operating Officer; General Manager; Chief Financial Officer ("CFO"); Manager/Director; and an Office Manager. Only the Manager/Director has a name associated with it[2] while the others all indicate "TBD" meaning "to be determined." Mr. Campion testified that Valley Green anticipates naming a CFO (as opposed to stating that it will be seeking qualified applicants) subsequent to receiving franchise approval, which gives the impression that Valley Green has someone in mind for the position, but no other details have been provided.

[1] See Attachment WJC/SEM-1.
[2] In this instance, it is unclear whether the association of a name with a position on an organizational chart signifies a person who is actually employed by Valley Green or not.

Q. Has Valley Green submitted the qualifications of the person identified as the Manager/Director?

A. No.

Q. Has Valley Green provided any job descriptions or lists of necessary qualifications for any of the proposed employee positions?

A. No.

Q. Did Valley Green put forth a proposed timeline for the hiring of the employees?

A. No. According to its response to Tech Session 2, "[i]t is *expected* that Valley Green Natural Gas will contract with qualified contractors to provide all operations and maintenance functions until such time as those capabilities can be provided efficiently and effectively with in house staff" (emphasis added). As demonstrated by that statement, there is no definitive timetable. Also, given the expected ongoing and long-term contractual relationships Valley Green has stated it plans to enter into for operating and managing the utility, it certainly calls into question any incentive for Valley Green to hire employees in the near-term. For instance, Gulf will operate the storage facility, the regasification facility, and will provide long term gas supply. Gulf will also be responsible for safety and inspection functions for these facilities. TRI-MONT will operate and maintain the distribution system and be responsible for safety and inspection of that system. Gulf and TRI-MONT will also be responsible for engineering related reporting functions. NECP will be providing a variety of financial management services.

Q. How does Valley Green envision that these proposed employee positions will interact with the proposed contractors?

A. The roles/duties between anticipated Valley Green personnel and the contractors are unclear at best, indefinite and, it appears, certainly subject to change. The response to Tech Session 2 provides somewhat of a general description of the potential interaction between Valley Green employees and TRI-MONT employees, but the response uses many qualifiers such as "[t]he Primary Pipeline Distribution System O&M contractor is *expected* to be TRI-MONT;" "[i]t is TRI-MONT's *intension* (sic) to establish Operations & Maintenance Human Resources local to the facilities that will act in a Supervisory role and report to Valley Green Natural Gas Management/Ownership Staff;" and "[w]e *anticipate* the following Roles and Responsibilities protocol" (emphasis added). As for the potential interactions between eventual Valley Green employees and NECP, NECP's ongoing role (which is discussed later in our testimony), appears to encompass many activities and responsibilities that would typically reside with a CFO. We have seen no delineation of roles and responsibilities between Valley Green's potential employees and Gulf.

Q. Are any of the entities involved with the Valley Green proposal public utilities?

A. No.

Q. Does either Valley Green or any of its chosen contractors have any experience with owning and/or operating a regulated natural gas utility?

A. No.

Q. Has Valley Green finalized the details of its supply, operating, management and financial services agreements?

A. No.

Q. Is it problematic that Valley Green will not have in-house personnel who are familiar with the requirements of operating and maintaining a fuel supply facility and a pipeline distribution system?

A. Potentially, yes. Valley Green proposes relying on contractors to provide services that are essential to operating a regulated public utility. To the extent any issues arise with those services, it appears that the Commission and its Staff will be dealing primarily with the individual contractors, and not Valley Green personnel. Such arrangements call into question exactly which party would work directly with local officials and first responders, which party would actually be regulated by the Commission and who would be held responsible in the event problems arise. It is assumed that such details may be included in the particular contracts, but such contracts have yet to be finalized and submitted for review. In the event that an emergency were to arise with the supply facility or the pipeline distribution system, it appears that the primary point of contact would be the contractors who are not public utilities subject to the jurisdiction of the

Commission. To the extent the Commission and its Staff would be dealing with contractors rather than utility personnel, we are unsure as to whether this could create a problem with any potential enforcement actions. Further, Valley Green's heavy reliance on contractors for its day-to-day operations highlights the lack of its own technical and managerial expertise. This is in stark contrast to the expertise and personnel available through a traditional public utility structure.

Q. Did Valley Green solicit competitive proposals for LNG supply through the issuance of a Request for Proposals ("RFP")?

A. Apparently not. Valley Green has stated that it intends to enter into a long-term sole source supply agreement with Gulf. We have seen no evidence that Valley Green solicited competitive supply proposals through a formal process whereby potential suppliers were provided with a standardized set of parameters on which to base a bid. In fact, Valley Green has stated that although it did not issue an RFP, it used an informal process of contacting suppliers.[3] The reliance on an informal process again highlights Valley Green's lack of managerial, technical and financial experience. In the regulated utility world, it is imperative that a utility be able to demonstrate that it obtained the lowest cost, most reliable supply for its customers. The use of an RFP is a vital tool in being able to demonstrate that potential bidders were operating on a level playing field.

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[3] See Attachments WJC/SEM-2 and WJC/SEM-3 Valley Green's responses to Staff 1-3 and NG Advantage 1-3, respectively.

The informal process described by Valley Green falls far short of a level playing field, as there is no way to verify: a) if potential suppliers that were contacted were even asked to provide a bid, and b) even if they were, there is no evidence that all of the potential suppliers were provided with the same parameters on which to craft their bid.

Q. In your view, is the lack of a competitive LNG supply solicitation consistent with the New Hampshire Energy Policy pursuant to RSA 378:37?

A. No. RSA 378:37 states:

> **378:37 New Hampshire Energy Policy.** – The general court declares that it shall be the energy policy of this state to meet the energy needs of the citizens and businesses of the state at the lowest reasonable cost while providing for the reliability and diversity of energy sources; to maximize the use of cost effective energy efficiency and other demand side resources; and to protect the safety and health of the citizens, the physical environment of the state, and the future supplies of resources, with consideration of the financial stability of the state's utilities.

When it comes to fuel supply, the use of a competitive bid process is a key element for a utility to demonstrate that it is meeting its customers' energy needs at the lowest reasonable cost.

Q. How did Valley Green address the issue of least cost planning?

A. The only place least cost supply appears to be addressed is in the prefiled testimony of Jonathan Carroll, Senior Director of Marketing and Business Development at Gulf. In describing Gulf's yet to be developed liquefaction facility in Pennsylvania, Mr. Carroll offered the general statement that Gulf "anticipates that it will produce and deliver very competitively-priced LNG supply." Beyond that, he provided another general statement that "[i]n the event a cheaper alternative becomes available, Gulf will work with Valley Green to provide competitively-priced natural gas to Valley Green customers." No further details were provided in support of that statement. Nor was there any mention of how Valley Green would even become aware of a "cheaper alternative", without the periodic issuance of an RFP.

Q. Have Gulf and Valley Green entered into a binding supply agreement?

A. No. To date and to our knowledge, Valley Green and Gulf have only entered into a Memorandum of Understanding ("MOU") that "is intended to outline potential terms in advance of potential, dedicated negotiations toward a possible definitive agreement." In other words, the MOU merely states their intention to enter into a binding supply agreement. While the MOU describes some potential terms of such an agreement, including a 15-year supply duration, the actual details regarding pricing, quantity, durations, etc. will not be known until a binding supply agreement is executed. The 15-year duration of a supply contract raises the question of whether such a long-term supply contract would be in the best interest of customers, particularly given the lack of a formal, competitive solicitation.

Q. Does the MOU cover any other topics besides LNG supply?

A. Yes. The MOU also sets forth Gulf's intent to provide all operation and maintenance (O&M) services for the LNG storage and vaporization facility[4] "for a term that would be co-extensive with its LNG supply obligations." Such O&M services "may include, but may not be limited to, (i) scheduled VGNG Facility maintenance; (ii) daily operations, including receipt of LNG supply; (iii) provision of on-site operational staff; and (iv) compilation and submission of all required reports to regulatory agencies, facility lenders and insurers." Further, the MOU describes the intent of the parties to enter into a long-term lease whereby Valley Green would sublease a portion of the property to Gulf, for Gulf to construct and operate a CNG/LNG vehicle refueling depot. In connection with that potential facility, Valley Green also intends to lease space in its LNG storage tanks—tanks that would be regulated assets—when there is space available beyond what is needed for Valley Green to supply the needs of its retail and tolling service customers. These leases will be discussed later in our testimony.

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[4] The MOU actually refers to the provision of O&M services for the "VGNG Facility" which is defined as "a natural gas storage and vaporization facility and regulated distribution pipeline network;" however, it is our understanding that O&M services for the distribution pipeline network are intended to be provided by another potential contractor, TRI-MONT (See testimony of Kenneth Stanley at 9, lines 12-15, and testimony of James Campion at 6, lines 8-9).

Q. Will Valley Green have any ownership interest in the vehicle refueling business?

A. Valley Green has no current plans to have an ownership interest in the facility, but has not ruled out the possibility.[5]

Q. Is Valley Green planning to provide supply using only LNG?

A. Based on its petition and supporting testimony, the answer is apparently "yes." However, there have been discovery responses submitted wherein Valley Green has "reserved its right" to use sources such as CNG, landfill gas and others, but there have been few, if any, details provided about these other sources in the non-confidential discovery responses that we have reviewed.

III. Affiliate Relationships/Regulated and Unregulated Operations

Q. Does Valley Green plan to enter into any affiliate agreements or have any affiliate relationships with regard to its planned operations in the Hanover and Lebanon area?

A. That is unclear. In its response to OCA 1-2 and supplemental responses to that question, Valley Green stated that it anticipates using affiliates, but that it had not determined "whether and what affiliates it will use...specific affiliates have not been identified and thus parties have not yet entered into agreements." That response was later fully replaced

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5 See Attachment WJC/SEM-4, Valley Green's response to OCA 1-3.

by a reference to Valley Green's response to Staff 1-2. But that response was heavily redacted so we have no idea what related information was included in the referenced response. However, in discussing its annual sales break-even point in its redacted response to Staff 3-2, Valley Green provided the following statements, "Valley Green's break-even point is not prolonged by having costs from outside the franchise. Valley Green will be providing service to only local interests in the Hanover and Lebanon area. Its revenue requirement will be based solely on the costs to provide service to customers in Hanover and Lebanon and *it will have the benefit of a strong unregulated affiliate*" (emphasis added). As the response is heavily redacted, it is difficult to ascertain the full context of the above statements or to identify which entity would be the "strong unregulated affiliate." Nevertheless, the statements call into question not only the existence and exact nature of any affiliate relationships, but also harken back to our earlier concern about potential cross-subsidization between regulated and unregulated operations.

Q. Are you aware of a new affiliated company that was recently established?

A. Yes. A recent search on the New Hampshire Secretary of State's website revealed that on December 15, 2015 a new entity was created named Valley Green Energy Services, LLC. That entity has James Campion listed as the registered agent and its listed primary business or purpose is fuel storage services and LNG distribution and sales.

Q. Has this entity been discussed at all in Valley Green's filing or in any of its discovery responses?

A. No, not to our knowledge. It is possible that it may have been mentioned in one of the redacted discovery responses, but it (or the potential existence of this entity) certainly was not mentioned in Valley Green's petition and supporting testimony. We do note that in its response to OCA 1-18[6] which asked if Valley Green anticipated creating a separate subsidiary in connection with any of the business activities discussed in testimony Valley Green stated "No, not at present." That response further demonstrates the lack of clarity with respect to affiliate issues. The intended lines of business for this new affiliate appear to be duplicative of activities that would normally be performed by the regulated utility. The nature and details of any agreement(s) between Valley Green and this new affiliate would certainly be important to understand all aspects of the planned ownership and operation of the utility.

Q. Are there other arrangements that would give rise to affiliate agreements and create the potential for cross-subsidization between regulated and unregulated activities?

A. Yes. Valley Green's proposed supply facility will reside on a six to twelve-acre parcel of land that is part of a 182-acre parcel of land owned by Choice Storage, LLC ("Choice Storage"), a company under the control of Mr. Campion. According to Mr. Campion,

[6] See Attachment WJC-SEM-5. To our knowledge, this response has not been updated.

Valley Green plans to enter into a long-term (at least 20-year) lease with Choice Storage. The terms of the lease have not been finalized, so the details have yet to be disclosed. Valley Green has stated in discovery responses that it expects the lease to be at market rates, but it has provided no further details. The common ownership of the companies creates a situation where the terms of the lease agreement would need to be highly scrutinized to ensure that the regulated operations are not unfairly treated from a financial or liability perspective.

Q. Does Valley Green plan to sublease part of its property?

A. Yes. As stated on pages 4 and 5 of Mr. Campion's testimony, Valley Green plans to sublease a portion of its site to Gulf, where Gulf will install, own and operate a LNG vehicle fueling facility to support its regional operations. Again, this is a situation that should get a high level of scrutiny as with now three different entities involved with the same property—Choice Storage, Valley Green and Gulf—it is very important that each party's respective liability and responsibility for things like real estate taxes, insurance, land maintenance, snow removal, environmental and third party liabilities, among other things, are clearly and fairly delineated in each of the agreements. The lease and the sublease would need to be approved by the Commission.

Q. In addition to the land lease and sublease arrangements, are you aware of any other details of either Valley Green's business plan or its arrangements with other

companies that could give rise to cross-subsidization between regulated and unregulated operations?

A. Yes, there are a few others that come to mind. Valley Green plans to operate both regulated service to retail customers and unregulated tolling service to delivery-only customers. As those two groups of customers would be served from the same facilities, the pricing of the commodity (as well as the allocation of storage costs and operation and maintenance of the supply facility) to regulated and unregulated customers could create a situation where one group is unfairly advantaged or disadvantaged. In addition, Gulf's intention to lease LNG storage capacity in Valley Green's tanks—which will be on the books of the regulated utility—for use in Gulf's proposed on-site vehicle refueling station[7] could create a situation where Valley Green's retail customers could be unfairly disadvantaged, due to the terms and conditions of the lease, or as the relative amounts of storage in use by regulated and unregulated operations fluctuate over time and throughout the winter and summer seasons. However, as with all of the other proposed agreements mentioned in Valley Green's filing, details have been hard to come by, as there are "intentions" to enter into such agreements, but to our knowledge, none of the agreements have been finalized and submitted for review, so it is impossible to reach any definitive conclusions.

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[7] The potential for Valley Green to have an ownership interest in the vehicle refueling business (see response to OCA 1-3, Attachment WJC/SEM-4) creates some additional subsidization concerns in this area.

IV. <u>Valley Green's Financial Plans</u>

Q. How does Valley Green plan to finance the proposed public utility?

A. Valley Green has established a relationship with New Energy Capital Partners (NECP) whereby NECP would be providing 100% equity capital. NECP has stated that it intends to hold its equity interest for the long-term. Brown testimony at 2, lines 11-12.

Q. How does a 100% equity capital structure compare to the typical capital structure of a regulated public utility?

A. A typical utility has a capital structure consisting of roughly equal components of debt and equity, although the debt and equity components could each vary between 40% and 60% of the total capital depending on each utility's particular circumstances.

Q. What are the implications of having a capital structure comprised of 100% equity?

A. As equity is typically more expensive than debt, the rate of return on rate base would be higher, thereby resulting in a higher revenue requirement. Although it is unlikely that a 100% equity capital structure would be used to establish rates, in the event Valley Green is granted a franchise, it is difficult to determine what Valley Green's targeted capital structure is, given that Valley Green has only stated that any potential revisions to its capital structure would be addressed in its first rate case. Mr. Campion testified that "[f]ollowing commercial operation, Valley Green plans to seek low-cost financing." Campion testimony at 9, lines 14-16. According to the testimony of Scott Brown from NECP, "[f]ollowing construction, NECP will solicit competitive debt providers to lower the long-term costs of capital for the project and ratepayers." Brown testimony at 2, lines 16-17. In the event debt is issued to repay some of the equity, it is likely that due to the higher return required by equity investors as compared to debt holders, the amount that would need to be borrowed to repay that equity would exceed the amount that would have been required if debt was originally issued. For example, $1,000 of equity requiring a 10% return would require the issuance of debt to raise $1,100 to repay the equity and the required return to the investor.

Q. Would NECP be providing any ongoing services beyond its initial equity investment?

A. Yes. As described in the testimony of Mr. Brown, during development, construction and operation of the facility, NECP will provide financial analysis, financial structure and development support. In addition, NECP will provide financial management and oversight services to Valley Green including "ongoing management and optimization of the financial structure, monitoring and management of debt covenants and lender relationships, financial oversight and the provision of additional financial support." Brown testimony at p. 2, line 8 through p. 3 at line 1.

Q. Are there questions regarding the interactions and relationship between NECP and Valley Green?

A. Yes. For one, we do not know how NECP will be compensated for the financial services it will provide as that was not addressed in the testimony nor in the discovery process.

Similarly, the nature of the relationship between NECP and Valley Green has only been described in very general terms with no supporting details provided that address things such as the frequency of contact, whether services be provided as-needed or on a regular basis, and whether there will a retainer fee or some other financial arrangement . Again, there is no binding agreement and all of the details appear to remain subject to negotiation. This lack of detail leads to questions about exactly what services customers will be paying for and how much they will pay for those services. Finally, NECP does not currently hold, nor has it previously held, an interest in a regulated utility[8] so that calls into question whether NECP has a full understanding of the different financial requirements of regulated versus unregulated entities.

V. Other Considerations

Q. Does Valley Green plan to target primarily commercial and industrial customers?

A. Yes, as demonstrated by its stated design criteria for the storage facility of 27,095 gallons of LNG per day. That amount comprises 18,287 gallons of LNG/day for Dartmouth College, 4,767 gallons of LNG/day for Dartmouth Hitchcock Medical Center and 4,041 gallons of LNG/day for commercial and industrial customers along Etna Road and Route 120 (Campion testimony at 2, lines 13-19). As shown, that design criteria does not take

[8] See Attachment WJC/SEM-6, Valley Green's response to Staff 1-6.

planned residential load into account, so one can assume that the expected residential supply requirements are minimal.

Q. Does Valley Green's filing include any discussion of energy efficiency programs that would be made available to customers and how those programs would be administered?

A. No. It is unclear if Valley Green plans to offer energy efficiency programs and, if it does, how such programs would be funded or administered and by whom.

Q. How does Valley Green propose to deal with emergency response?

A. Emergency response would be handled by contractors. In its response to City of Lebanon 1-1, Valley Green and TRI-MONT list a number of federal and state rules and regulation with which they intend to comply. The details of any such response, however, would be found in an Emergency Response Plan and other documents that have yet to be completed and submitted.

Q. How does Valley Green plan to deal with a potential wide-scale emergency?

A. We have seen no information describing how Valley Green would propose to deal with and respond to a wide-scale emergency. When such events occur, a utility must be able to mobilize and respond quickly and efficiently. Given Valley Green's lack of experience, and its reliance solely on contractors for gas utility operations, this is an area that is a cause for concern.

VI. <u>Conclusion</u>

Q. Do you have any final comments?

A. Yes. Given Valley Green's lack of employees, job descriptions, and requirements for future employees, particularly senior and management level employees, coupled with its lack of any binding agreements for the operation and management of the regulated gas utility, and its failure to adequately address the other issues raised in our testimony, it is not possible to conclude that Valley Green has demonstrated that it possesses the necessary financial, technical and managerial abilities to serve the Hanover and Lebanon communities as a public utility. As the agreements with contractors are only conceptual and are still subject to negotiation, it is impossible to determine with any certainty exactly how the utility will be operated and managed. As a result, the Commission should not grant franchise approval to Valley Green in this proceeding.

Q. Does this conclude your testimony?

A. Yes, it does.