Liberty Utilities

REDACTED

Exhibit 4

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 15-289

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Petition for Expansion of Franchise to the Town of Hanover and the City of Lebanon, New Hampshire

REBUTTAL TESTIMONY

OF

WILLIAM J. CLARK
STEVEN E. MULLEN

February 26, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

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?

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. Did you both previously file testimony in this proceeding?

A. Yes. We both submitted pre-filed direct testimony that accompanied the Company's July 24, 2015, petition for franchise approval to provide natural gas service to customers in the Town of Hanover and the City of Lebanon.

Q. What is the purpose of your testimony today?

A. Our testimony provides comments in response to the testimonies of Stephen P. Frink of Commission Staff ("Staff") and Dr. Pradip Chattopadhyay of the Office of Consumer Advocate ("OCA") filed on January 22, 2016. Staff and OCA both expressed various concerns with the Company's filing and did not recommend approval at this time. Our testimony addresses those concerns, as well as certain other arguments made by Staff regarding EnergyNorth's main extension policy and its evaluation of the financial viability of main expansion projects.

II. Summary of Staff and OCA Testimony

Q. Please briefly summarize the concerns expressed by Staff and the OCA.

A. Staff and the OCA had shared concerns regarding what they viewed as the speculative nature of the revenue and sales estimates. These concerns were due in part to recent decreases in the market prices for alternative fuels and a lack of customer commitments, particularly from large customers. They also had a concern that without such commitments there was a possibility that if sales do not reach expectations, EnergyNorth's other customers could end up subsidizing the customers in the communities of Hanover and Lebanon, and/or the Commission could find that certain of the assets are not used and useful and deny full recovery of those assets.

Q. Can the Company address those concerns?

A. Yes. First, with respect to customer commitments, on February 5, 2016, the Company executed a Letter of Intent ("LOI") with Kleen, Inc. ("Kleen"), a commercial laundry and dry cleaning facility, which was described in the prefiled testimony of Mr. Clark as a potential anchor customer.[1] A copy of that LOI is included as Rebuttal Attachment WJC/SEM-1. Pursuant to that LOI, EnergyNorth has "the exclusive right to negotiate with Kleen for the delivery, storage, vaporization, odorization, and distribution of natural gas services to Kleen." for a period of one year and then continuing on a monthly basis thereafter. Kleen currently uses [redacted] annual dekatherms (ADTH) at its commercial facility, which is located approximately 5.5 miles from EnergyNorth's proposed LNG/CNG facility.

Q. Will bringing service to the Kleen facility help encourage additional customers to take service?

A. Yes. EnergyNorth has had discussions regarding gas service with five other large potential commercial customers and numerous small commercial customers along that route. In addition, residential customers along the route have received direct mail solicitations. To date, there have been expressions of interest (i.e., "interested" or "very interested") from 60 potential commercial and 36 potential residential customers in that

[1] See Attachment WJC-4 to Mr. Clark's July 24, 2015, testimony for additional information about Kleen.

area. Having a signed LOI from a large anchor customer will certainly aid in future conversations with potential new gas customers because it makes the possibility of natural gas service more of a reality in the potential customers' minds.

Q. How does the Company plan to address the concerns of Staff and the OCA with respect to potential cross-subsidization of Hanover and Lebanon customers by other EnergyNorth customers if sufficient revenues do not materialize to cover the revenue requirement associated with installed distribution investments in Hanover and Lebanon?

A. The Company is willing to discuss a mechanism that will ensure that any revenue requirement not covered by revenues from existing or anticipated customers (i.e., those who have signed service agreements, but have not yet begun taking service) will not be recovered from other EnergyNorth customers. Such a mechanism will alleviate concerns over the potential impact to EnergyNorth's distribution customers outside of the Hanover/Lebanon service territory, as well as concerns regarding potential insufficient sales volumes due to the current low market prices for competing fuels. Such a mechanism will also provide an incentive for the Company to sign up as many customers as possible, to avoid the potential exclusion of certain costs from recovery through distribution rates.

Q. Do the same cross-subsidization concerns also exist on the supply side?

A. No. As stated in the Company's filing dated July 24, 2015, because this is an off-pipeline system, the costs of the supply facility, as well as the commodity costs, will be included in a Cost of Gas rate that will be specific to the Hanover/Lebanon system and charged only to customers in those communities.

III. Response to Staff Testimony Regarding EnergyNorth's Main Extension Policy

Q. Please provide some background regarding EnergyNorth's current main extension policy.

A. EnergyNorth's service and main extension policy, included as Rebuttal Attachment WJC/SEM-2, was approved by the Commission in DG 13-198[2] and resulted from a settlement agreement between EnergyNorth, Staff and the OCA. Among other things, the policy, which is also referred to as Section 7 of EnergyNorth's tariff, provides that in evaluating whether a customer contribution is required for service and main extensions, a comparison must be made between the estimated construction cost and six years of annual margin for commercial and industrial customers, and eight years of annual margin for residential customers. In addition, for all extensions, the policy provides that "[i]f the main extension will serve more than one location, the Company will calculate the sum of the Estimated Annual Margin from all metered services and the sum of the Estimated

[2] See Order No. 25,624 (January 14, 2014).

Cost of Construction for the main extension and all service extensions to determine whether any payment will be required from the customers to be served. The Company will also include in such calculations the Estimated Annual Margin and the Estimated Cost of Construction for service extensions for all existing premises which the Company reasonably anticipates will take service, *using the assumption that 60% of such premises will take service*." (Emphasis added.) In its order approving the settlement agreement in DG 13-198, the Commission found that the main extension policy appropriately balanced the interests of current customers, new customers and EnergyNorth's investors and was consistent with the public interest. In its summary of the positions of the parties in that proceeding, the Commission also noted that Staff supported the agreement, and that Staff "noted that the proposed language for Section 7 was likely to stimulate growth in the customer base of Liberty, was consistent with accepted accounting and financial standards and was beneficial for existing Liberty customers." Order No. 25,624 at 5.

Q. Did the Company analyze its potential investment in the distribution system in Hanover and Lebanon consistent with its tariff, including the use of the 60% assumption highlighted above?

A. Yes.

Q. What comments did Staff have in this proceeding with respect to EnergyNorth's main extension policy?

A. Staff began its discussion of this topic by stating that New Hampshire's two natural gas utilities, EnergyNorth and Northern Utilities ("Northern"), have terms and conditions in their tariffs that serve as investment criteria that must be satisfied to expand their respective gas distribution systems. Staff stated that although the main extension policies of the two utilities differ in that Northern's uses a discounted cash flow ("DCF") methodology and EnergyNorth's uses a multi-year revenue test, "[b]oth utilities have roughly the same investment criteria."[3] Further, Staff states that "[a]lthough the Liberty line extension policy does not cite a payback period, the implicit payback is similar to Northern's…"[4] Despite those similarities, Staff stated that EnergyNorth's main extension policy is not applicable to this filing and that our analysis should have included a discounted cash flow ("DCF') analysis because, according to Staff, that is the Commission's "preferred methodology" for evaluating the viability of major capital projects.

[3] Frink testimony at 3, line 16.
[4] Id. at 4, lines 11-12.

Q. Please comment on Staff's position with respect to the appropriate methodology to use to evaluate the financial viability of expansion projects.

A. Staff's testimony on this topic is perplexing in that it recommends that EnergyNorth ignore the provisions of its tariff for assessing certain expansion projects. Staff's testimony states that the terms and conditions in the tariffs of the gas utilities provide the investment criteria that must be met to expand the system, and that both utilities have roughly the same investment criteria, yet EnergyNorth's tariff is not appropriate to use in performing the analysis. We note that in DG 14-154, Northern sought approval to operate in the Town of Brentwood and performed its analysis using a DCF analysis, which most importantly, is in accordance with its tariff. Given the similarities mentioned above, it is not logical that EnergyNorth should be criticized in this proceeding for following its tariff, as it is required to do.

Q. Why does Staff think that EnergyNorth's tariff is inapplicable to this proceeding?

A. Staff's position is that a utility's tariff is not applicable outside of its existing franchise area. While that is a true statement for day-to-day operations, it ignores the fact that in making a request for franchise approval an applicant must state the terms and conditions under which service will be provided in the franchise area. The Company's filing stated that, with the exception of the Cost of Gas provision, all proposed terms and conditions of service would be in accordance with EnergyNorth's existing tariff, which would include the service and main extension policy.[5] Therefore, once the franchise is granted and construction of the distribution system commences, any customers taking service *will* be located in EnergyNorth's existing franchise. EnergyNorth cannot then decide to apply different criteria to those customers, because such application would violate the terms of its tariff.

Q. What did Staff provide in support of its position that a DCF analysis was required?

A. Staff cited Order No. 22,297 (Aug. 28, 1996) and Order No. 22,667 (July 22, 1997). The 1996 order stated that the DCF methodology was the "appropriate framework in which to evaluate the financial viability of large system expansion projects," and the 1997 order simply said that it was an "accepted" method. In addition, there is a distinction between both of those dockets and the instant proceeding, because each of the prior cases included a request for approval of special contracts with large customers and required contributions from customers toward the cost of construction. Pursuant to RSA 378:18 and Puc 1606 of the Commission's administrative rules, when requesting approval of a special contract, the utility must make a showing of the special circumstances justifying the departure from existing tariff rates. The demonstration of the special circumstances to support a special contract can require a much more in-depth analysis than would otherwise be required. The Company's filing in this proceeding did not include a request to approve any special contracts. Should the Company wish to enter into a special

[5] Mullen July 24, 2015 testimony at lines 8-10.

contract with potential anchor customers in Hanover or Lebanon, those contracts would be submitted to the Commission for review and approval.

Q. Despite Staff's position that the gas utilities have roughly the same criteria, does Staff have a preference of one policy over the other?

A. Yes. Based on its testimony, Staff prefers the use of the DCF methodology found in Northern's tariff. While that may be Staff's stated preference in this proceeding, it is also important to note that Staff supported the settlement agreement in DG 13-198 and the Commission approved the changes to the service and main extension policy in that proceeding.

Q. Did Staff have any further comments about the appropriateness of using EnergyNorth's revenue test methodology for evaluating its proposed expansion into Hanover and Lebanon?

A. Yes. Staff stated that the revenue test methodology in EnergyNorth's main extension policy is only appropriate for evaluating "smaller" main extension projects.

Q. Did Staff provide a definition of what constitutes a "smaller" main extension in its testimony?

A. No. In response to discovery in this proceeding, Staff stated that "the Commission has not established a specific cost at which an expansion constitutes a 'major expansion.'"[6]

---

[6] See Rebuttal Attachment WJC/SEM-3. Staff's response to LU 1-3.

In that same response, Staff then determined a $1 million cut-off point for smaller versus larger expansion projects by using EnergyNorth's 2014 budget of $5 million for capital growth projects and applying a 20% factor[7] to it. It appears that Staff's delineation between "smaller" and "large" expansion projects—and, therefore, the use of revenue test versus a DCF analysis— is somewhat arbitrary and can vary from year to year based on a utility's annual growth budget.

Q. Was any distinction between "smaller" and "large" expansion projects made in DG 13-198 when the current main extension policy was approved?

A. No.

Q. Did Staff also comment on the appropriateness of the revenue test included in EnergyNorth's tariff in light of changes in fuel prices?

A. Yes. Staff stated that given current market prices, particularly for propane and No. 2 fuel oil, the financial incentive to convert to natural gas is reduced as compared to fuel prices at the time the main extension policy was approved and, therefore, the revenue test may no longer be appropriate.

[7] Staff's response to LU 1-3 provided no support for the 20% factor or as to why the annual growth budget was the appropriate measuring stick.

Q. Have natural gas prices declined along with those of propane and No. 2 fuel oil?

A. Yes. In fact, over the current winter period EnergyNorth has decreased its Cost of Gas significantly due to changing market conditions, so the financial incentive to convert to natural gas certainly still exists for customers. In addition, there are many other reasons a customer may convert to natural gas in addition to price, as mentioned in Staff's testimony[8] and in response to a discovery request.[9] Those other factors include environmental benefits, reduced equipment maintenance costs, reduced trucking and on-site storage, reliability, and a multitude of uses for activities such as heating, cooking, manufacturing and others.

Q. Would adoption of Staff's position regarding main extensions make it difficult to deal with from a business perspective?

A. Yes. Appropriate planning for expansion of EnergyNorth's distribution system requires the establishment of specific guidelines with respect to whether customers should be charged an up-front Contribution in Aid of Construction. It would be extremely difficult, if not impossible, to plan for expansion if there were a subjective determination of whether to apply the policy (e.g., whether a project is small or large, or whether alternative fuel prices have decreased).

---

[8] Frink testimony at 13, lines 2-6.
[9] See Rebuttal Attachment WJC/SEM-4, Staff's response to LU 1-10.

Not only must a utility know what the rules are when planning its business, but potential customers must also be aware of the criteria that will be used when evaluating projects for future service. Customers are made aware of the criteria through the terms and conditions found in a utility's tariff and can utilize that information in making the determination on whether to take service from the utility.

We have no conceptual issue with the use of a DCF analysis. However, that analysis is not specified in EnergyNorth's tariff. EnergyNorth cannot deviate from the terms and conditions of its tariff without Commission approval (such as under a special contract).

For all of the above reasons, we disagree with Staff that the main extension policy in EnergyNorth's tariff should be abandoned in this particular case. That policy has been approved by the Commission and has already produced significant growth in customers. Unless and until there is sufficient reason to change it, and such change is approved by the Commission, EnergyNorth must continue to follow that policy.

Q. Does this conclude your testimony?

A. Yes, it does.

THIS PAGE INTENTIONALLY LEFT BLANK

Liberty Utilities
WATER GAS ELECTRIC

February 5th, 2016

Dennis Kim
Kleen Laundry
1 Foundry St
Lebanon, NH 03766

Dear Dennis,

This letter of intent ("**Letter of Intent**") sets forth the material terms and conditions under which Liberty Utilities (EnergyNorth Natural Gas) Corp d/b/a Liberty Utilities ("**Liberty**" or the "**Company**") will provide long term natural gas distribution services to Kleen, Inc ("**Kleen**"). Liberty and Kleen for the purposes of this Letter of Intent are, collectively, the "**Parties**."

Liberty is a regulated natural gas utility serving approximately 90,000 customers in New Hampshire, including Keene where the Company provides propane distribution services to 1,250 customers. Liberty is proposing a multistage project which would bring natural gas service to residential, commercial, and industrial customers in Hanover and Lebanon including Kleen which currently uses LNG as its primary fuel source. Liberty intends to design, develop, permit, construct, own, and operate a regulated natural gas distribution system with the primary supply of natural gas to the system in the form of LNG, CNG, or a combination of LNG and CNG which would serve Kleen (the "**Project**"). The Parties acknowledge that significant time and financial resources will be incurred by Liberty to develop the Project and by executing this Letter of Intent Kleen is expressing its commitment to use natural gas supplied from the Project as a fuel source.

This non-binding Letter of Intent is not binding on any Party and shall not create any obligation or commitment of any kind (except for Section 6 and 7(iv)), including to enter into definitive documentation or to give any rights or claims in the event that for any reason any party terminates negotiations with respect thereto. The material terms and conditions set forth in this non-binding Letter of Intent are intended to be the subject of further discussions and then incorporated into legally binding definitive agreements (the "**Definitive Agreements**"), which Definitive Agreements will contain additional terms and conditions yet to be agreed upon.

1. **Description of the Kleen Facilities.**

   (i) The Parties acknowledge that the intent of the Project is to locate all or substantially all of the fuel delivery equipment at a site owned by Liberty with the only equipment located on Kleen property being the natural gas service riser, regulator(s) and gas meter.

(ii) The Parties acknowledge that certain modifications to the Kleen meter manifold location may be necessary to allow Kleen to use natural gas from the Project as its primary source of fuel. The Parties shall work together to determine the supply and design requirements. The Parties agree that the transition point between Liberty owned equipment and Kleen owned equipment shall be the outlet flange of the gas meter.

2. Description of Liberty Facilities.

Liberty has completed preliminary scoping of the Project based on its understanding of the peak and average volumes of customer demand. Liberty will own suitable acreage of industrial zoned property that it intends to use for the primary delivery, storage, vaporization, and distribution equipment. Liberty anticipates that the Project will consist of the following primary equipment.

(i) **Distribution:** Liberty will construct, own and operate certain fuel delivery and supply equipment and utility distribution piping within the City of Lebanon and Town of Hanover which will vaporize, odorize and distribute sufficient quantities, in supply and pressure, of natural gas to the Kleen facility. Liberty will maintain all material and equipment required to deliver natural gas to the Kleen facility as part of the distribution services pricing contract.

(ii) **Storage Services:** Liberty will construct, own and operate certain fuel storage equipment to provide for twenty four (24) hours of peak day capacity to the Kleen facility as part of the distribution services pricing contract. If Kleen wishes to contract for more than 24 hours of peak day capacity, Liberty will offer such service at a mutually agreed upon incremental price.

(iii) Pricing of gas distribution service provided by Liberty to Kleen shall be based on Liberty's investment in the equipment necessary to serve Kleen as described above, and shall be sufficient to yield a reasonable return to Liberty, taking into account anticipated delivery sales and minimum quantities of gas delivery services.

3. Liberty – Kleen Special Contract

(i) Liberty has entered into contracts with large commercial customers and/or customers that will require substantial utility system modifications to establish gas supply services. These special contracts ("**Special Contracts**") are negotiated and executed between the utility and customer and approved by the New Hampshire Public Utilities Commission and are the definitive document providing the details of service and pricing.

(ii) The Special Contract will include mutually agreeable terms that are typical for agreements for the delivery and sale of gas services to customers of similar size and operating characteristics. These terms will include, but are not be limited to, the following:

(a) Kleen will purchase all gas delivery services from Liberty.

(b) The Parties will agree on minimum and maximum quantities of gas delivery services.

(c) The Parties will agree on contract length, renewal, and exit options.

(iii) The Parties recognize and agree that finalization of the Special Contract is dependent upon the Parties agreeing upon mutually acceptable terms (including, without limitation, agreement to acceptable payment terms and to comply with all applicable laws and regulations), and upon receipt of all necessary internal approvals, up to and including approvals of the management of both Parties. The Parties hereunder shall only be obligated to negotiate in good faith to attempt to agree upon the terms of a Special Contract, and nothing contained herein shall require any party to enter into any Special Contract or any other definitive agreement unless the terms thereof are satisfactory to such Party in its sole discretion.

(iv) The Parties agree and understand that any Special Contract is subject to the approval of the New Hampshire Public Utilities Commission.

5. **Fuel Commodity Purchase**

The Parties agree to negotiate in good faith the terms and conditions for the purchase and delivery of LNG and or CNG as needed to support the fuel requirements of Kleen.

6. **Exclusivity**

Until mutually agreed upon by the Parties, Liberty shall maintain the exclusive right to negotiate with Kleen for the delivery, storage, vaporization, ordorization, and distribution of natural gas services to Kleen. This exclusive right will be for a period of one year and will continue on a month to month basis thereafter unless terminated with thirty (30) days written notice.

7. **General Provisions.**

(i) **Representations Regarding this Letter of Intent**. By their execution of this non-binding Letter of Intent, the Parties represent and warrant that they are authorized to enter into this Letter of Intent, that it does not conflict with any contract, lease, instrument, or other obligation to which either is a party or by which either is bound, and that, to the extent specifically so described in the preamble hereto, it represents their valid and binding obligation, enforceable in accordance with its terms.

(ii) **Notices**. Any notices to be given hereunder by either Party to the other shall be in writing and shall be sent by fax with confirmation sent via regular mail, addressed to the other Party at the address set forth below, or at such other address as such Party may specify in writing as provided below:

To Kleen, Inc
One Foundry St.
Lebanon, NH 03766
Attention: Dennis Kim
Email: dennis.kim@kleen-inc.com

To Liberty
15 Buttrick Road
Londonderry, NH 03053
Attention: William Clark
Email: william.clark@LibertyUtilities.com

Notices shall be effective upon receipt.

(iii) **No Consequential Damages.** No Party shall be responsible to any other Party for any consequential damages of any kind arising hereunder and directly related to this Letter of Intent.

(iv) **Confidentiality**. The Parties agree that during the term of this Letter of Intent, a Party may obtain access to certain confidential and proprietary business and commercial information of another Party or of third parties, and agree to maintain the confidentiality of such information. Upon termination of this Letter of Intent, any confidential or proprietary information in the possession of either Party shall be returned to the other Party and/or destroyed with notification and proof of destruction to the appropriate Party.

(v) **Waiver**. The waiver by either Party of a breach of any term or provision of this Letter of Intent shall not operate or be construed as a waiver of any subsequent breach of the same provision or of the breach of any other term or provision of this Letter of Intent.

(vi) **Counterparts**. This Letter of Intent may be executed in two or more counterparts, each of which shall be deemed an original, and which together shall constitute one and the same agreement.

(vii) **Governing Law**. This Letter of Intent shall be governed by and construed in accordance with the laws of the New Hampshire.

If the foregoing is acceptable to you, please countersign this Letter of Intent where indicated below and return a copy to me.

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.

By: William J Clark
Name: William J Clark
Title: Business Development Manager

Kleen, Inc

By: Dennis Kim
Name: DENNIS KIM
Title: PRESIDENT

I. GENERAL TERMS AND CONDITIONS

7 - SERVICE AND MAIN EXTENSIONS

7(A) Definitions. The following are definitions of terms used in these provisions relative to main and service extensions and are applicable only in such provisions.

1) Service and Main Extensions. Extensions that require the construction of a new gas main and a service from that new main in order to provide requested gas service to a customer.

2) Service Extensions. Extensions from an Existing Gas Main to the point of delivery on the customer's premises.

3) Main Extension. An extension of the new gas main portion of a Service and Main Extension.

4) Existing Gas Main. A main that is installed in the street and through which gas is flowing.

5) Abnormal Costs. Abnormal Costs are service and/or main construction costs that are attributable to frost or ledge (including ditching or backfilling necessitated as a result of the presence of frost or ledge),and/or other conditions not typically encountered in service and/or main construction that are peculiar to the particular service and/or main construction concerned. Abnormal Costs are to be paid by the customer.

6) Extra Footage. The charge (contribution in aid of construction) for Extra Footage is $22.34 per foot. The charge will be updated annually by calculating the historical average cost per foot for Service Extensions, excluding overheads, for the most recent calendar year and the updated charge shall be effective April 1.

7) Estimated Annual Margin. The Estimated Annual Margin is equal to the estimated revenue to be derived from the monthly Customer Charge and delivery charge to be received from the customer for gas service utilizing the Service and Main Extension or Service Extension during the first twelve (12) months after completion of the extension. The Estimated Annual Margin does not include revenue received by the Company for the cost of gas and local distribution adjustment factor.

8) Estimated Cost of Construction. For the purpose of determining the cost of Service and Main Extensions, Estimated Cost of Construction of mains and/or services includes not only the cost of labor and materials for such construction, but also miscellaneous costs incidental thereto or associated therewith, but excluding overheads. Miscellaneous costs include, but are not limited to, meter(s), traffic control and city and town road permits and degradation fees. The customer may perform on-site trenching and backfilling in accordance with the Company's specifications, in which case the Estimated Cost of Construction will be reduced to reflect the costs avoided by the Company as a result of the customer's performance of the work.

7(B) Costs of Extensions. In areas where the Company is authorized to operate, subject to the Application for Service provisions of this tariff, service is available as follows:

1) Residential Service Extensions. Residential Service Extensions up to 100 feet in length will be installed at no charge to the customer, unless there are Abnormal Costs associated with such extensions, in which case the customer shall be charged for the Abnormal Costs. For residential Service Extensions in excess of 100 feet, the customer will be charged for the Extra Footage, plus any Abnormal Costs. This Section 7(B)(1) shall apply only to Service Extensions and shall not apply to Service and Main Extensions as described in Section 7(B)(3).

I. GENERAL TERMS AND CONDITIONS

7 - SERVICE AND MAIN EXTENSIONS (Cont'd)

2) Commercial and Industrial Service Extensions. Commercial and industrial Service Extensions will be installed at no charge to the customer provided that the Estimated Annual Margin is at least one-sixth of the Estimated Cost of Construction of the Service Extension, excluding any Abnormal Costs. If the Estimated Annual Margin is less than one-sixth of the Estimated Cost of Construction, the customer will be required to pay to the Company, in advance, any amount by which the Estimated Cost of Construction of the Service Extension exceeds six times the Estimated Annual Margin. Abnormal Costs are charged separately and are not included in the Estimated Cost of Construction for the purpose of this calculation. This Section 7(B)(2) shall apply only to Service Extensions and shall not apply to Service and Main Extensions as described in Section 7(B)(3).

3) Service and Main Extensions.

   a. Residential. Residential Service and Main Extensions will be installed at no charge to the customer provided that the Estimated Annual Margin is at least one-eighth of the Estimated Cost of Construction of the Service and Main Extensions. If the Estimated Annual Margin is less than one-eighth of the Estimated Cost of Construction, the customer will be required to pay to the Company the difference between the Estimated Cost of Construction and eight times the Estimated Annual Margin, plus any Abnormal Costs.

   If the Main Extension will serve more than one location, the Company will calculate the sum of the Estimated Annual Margin from all metered services and the sum of the Estimated Cost of Construction for the Main Extension and all Service Extensions to determine whether any payment will be required from the customers to be served. The Company will also include the Estimated Annual Margin and the Estimated Cost of Construction for Service Extensions for all existing premises for which the Company reasonably anticipates will take service, using the assumption that 60% of such premises will take service. If any payment is required, it will be allocated equally among all current metered services that exist as of the date that the Main Extension becomes an Existing Gas Main. Abnormal Costs associated with Main Extensions will be allocated equally among all customers, unless such costs can be attributed to specific customers.

   b. Commercial and Industrial. Commercial and industrial Service and Main Extensions will be installed at no charge to the customer provided that the Estimated Annual Margin is at least one-sixth of the Estimated Cost of Construction of the Service and Main Extensions. If the Estimated Annual Margin is less than one-sixth of the cost of construction of the Service and Main Extensions, the customer will be required to pay to the Company the difference between the Estimated Cost of Construction and six times the Estimated Annual Margin, plus any Abnormal Costs.

   If the Main Extension will serve more than one location, the Company will calculate the sum of the Estimated Annual Margin from all metered services and the sum of the Estimated Cost of Construction for the Main Extension and all Service Extensions to determine whether any payment will be required from the customers to be served. The Company will also include in such calculations the Estimated Annual Margin and the Estimated Cost of Construction for Service Extensions for all existing premises for which the Company reasonably anticipates will take service, using the assumption that 60% of such premises will take service. If any payment is required, it will be allocated among all current metered services that exist as of the date that the Main Extension becomes an Existing Gas Main based on each customer's proportional share of the Estimated Annual Margin. Abnormal Costs associated with Main Extensions will also be allocated based on each customer's proportional share of the Estimated Annual Margin, unless such costs can be attributed to specific customers, in which case the costs shall be allocated appropriately to specific customers.

I. GENERAL TERMS AND CONDITIONS

7 - SERVICE AND MAIN EXTENSIONS (Cont'd)

c. Extensions Serving Customers in More Than One Rate Class. If the Main Extension will serve both residential and commercial or industrial customers, the Company will determine whether a contribution will be required by the customers by calculating the difference between the Estimated Cost of Construction of the Main and Service Extensions and (i) six times the Estimated Annual Margin for all commercial and industrial customers to be served, plus (ii) eight times the Estimated Annual Margin for all residential customers to be served. The Company will also include in the above calculations the Estimated Annual Margin and the Estimated Cost of Construction of Service Extensions for all existing premises for which the Company reasonably anticipates will take service. If the difference described above is positive, the customers will be required to pay to the Company such difference. The amount of payment will be allocated among all metered services that exist as of the date that the Main Extension becomes an Existing Gas Main based on each customer's proportional share of the Estimated Annual Margin. Abnormal Costs associated with Main Extensions will also be allocated based on each customer's proportional share of the Estimated Annual Margin, unless such costs can be attributed to specific customers, in which case the costs shall be allocated appropriately to specific customers.

7(C) Failure to Use Installed Gas Service. If a customer fails, within nine months after the date a service is installed under this Section 7, either in whole or in part, to make use of the service, the customer will reimburse the Company for all costs of constructing, removing and retiring the service less any contribution in aid of construction made by the customer for the service, which will be forfeited.

7(D) Easements, Etc. The Company is not required to construct extensions other than in public ways unless the customer provides, in advance and without expense or cost to the Company, all necessary permits, consents, authorizations and right-of-way easements, satisfactory to the Company, for the construction, maintenance and operation of the pipeline.

7(E) Shortest Distance. Services are run the shortest practical safe distance to the meter location. However, a customer may have the Company install a longer alternate service provided that the customer pays for the extra expense in advance of installation.

7(F) Winter Construction. Ordinarily, no new service pipes or main extensions are installed during the winter conditions (when frost is in the ground) unless the customer defrays the extra expenses.

7(G) Timing and Refunding of Contribution. Except as otherwise agreed by the Company under unusual circumstances, any required contribution in aid of construction will be made prior to installation by the Company of a service. To help cover the Company's expenses, damages and lost business, if substantial construction of the building or buildings for which gas service has been sought is not commenced by the earlier of (1) November 30th next following submission of the application; or (2) the date when the Company commences construction of the main and service concerned prior to withdrawal of the application, ten percent (10%) of the contribution will be forfeited to the Company and will not be returned to the customer. The balance of the contribution will be refunded if and when the application is withdrawn, or will be applied toward the new contribution if the customer submits a new application for service or subsequently commences construction of the building or buildings. A new application may be submitted at any time.

7(H) Reasonable Duration and Non-Discrimination. Under none of the foregoing provisions will the Company be required to install service pipes or to contract main extensions where the business to be secured may not be of reasonable duration or will tend, in any way, to constitute unreasonable discrimination.

7(I) Title. Title of all extensions constructed in accordance with the above shall be vested in the Company.

I. GENERAL TERMS AND CONDITIONS

7 - SERVICE AND MAIN EXTENSIONS (Cont'd)

7(J) Other Requirements. The Company generally will not approve any application or, if it shall have given such approval, will not proceed or continue with main and/or service construction unless the Company is satisfied

1) That the final site plans, sub-division plans and plans and specification for building or buildings to be served by the main and/or service concerned, including plans for waste disposal, water and other associated systems and facilities, have been prepared and approved by owner;

2) That all permits, exceptions, approvals and authorizations of governmental bodies or agencies required for construction of such building or buildings and associated systems and facilities have been obtained;

3) That the customer is proceeding or plans promptly to proceed with such construction; and

4) That nothing has occurred or failed to occur which will or is likely to prevent or interfere with such construction.

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DG 15-289

Staff Responses to Liberty Utilities Data Requests - Set 1

Date Request Received: 1/29/16 Date of Response: 2/11/16

Request No. LU 1-3 Witness: Stephen Frink

REQUEST:

Reference Frink testimony, page 5, lines 16 – 22. Please provide definitions of "major expansion" and "large enough" as used in the testimony.

RESPONSE:

In prior orders the Commission has not established a specific cost at which an expansion constitutes a 'major expansion' but considered Northern's projected capita investment of $2,000,000 to extend service to Madbury and Durham to be a major project.

By way of perspective, Liberty's 2014 capital budget growth projects totaled $5,000,000 with the two largest line items being a $1,800,000 blanket work order for new main growth and a $2,500,000 blanket work order for new residential services. A $1,000,000 expansion project would represent 20% of the capital budget for annual growth and could be considered a major expansion. Therefore, the DCF analysis should be employed to evaluate all main extensions outside of Liberty's existing service area with an estimated net present value equal to or greater than $1,000,000.

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DG 15-289

Staff Responses to Liberty Utilities Data Requests - Set 1

Date Request Received: 1/29/16 Date of Response: 2/11/16

Request No. LU 1-10 Witness: Stephen Frink

REQUEST:

Reference Frink testimony, page 13, lines 2-6. Are these the only other factors that potential customers take into account when considering natural gas utility service? Are there any other factors?

RESPONSE:

In addition to the factors mentioned in the Frink testimony, a customer may also take into account that the domestic production of natural gas means new jobs and a positive economic impact and that natural gas can be used for heating, water heating, cooking, manufacturing, and a host of other uses.

Source: Liberty response to Staff DR 2-2, Attachment 2-2.2 page 4 of 4.