

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 25, 2016 - 10:07 a.m. NHPUC NOV08'16 PM 3:36
Concord, New Hampshire

RE: DG 15-362
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES: *Petition for Expansion
of Franchise to Towns of Pelham and
Windham and Waiver of the Tariff
Filing Requirements Pursuant to
Puc 1603.02(a).*

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

Sandy Deno, Clerk

APPEARANCES: **Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a Liberty
Utilities:**
Michael J. Sheehan, Esq.

Reptg. the Town of Pelham:
Jeffrey Gowan, Planning Director

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen Frink, Asst. Dir./Gas & Water

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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**WILLIAM J. CLARK
STEVEN E. MULLEN
STEPHEN P. FRINK**

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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: Good morning,
3 everyone. We're here in Docket DG 15-362,
4 which is a Petition by Liberty Utilities
5 (EnergyNorth Natural Gas) Corp. to expand its
6 franchise to the Towns of Pelham and Windham.
7 We have a Settlement Agreement to consider this
8 morning. We have a couple of other matters I
9 know about.

10 But, before we do anything else,
11 let's take appearances.

12 MR. SPEIDEL: Good morning,
13 Commissioners. Mike Sheehan, for Liberty
14 Utilities (EnergyNorth Natural Gas) Corp.
15 Present from the Company, Bill Clark and Steve
16 Mullen, who we will propose as witnesses, Steve
17 Hall, and, in the second row, is Rich
18 MacDonald, Mike Licata. And, for the first
19 time here, along with the Company is Lisa
20 DeGregory, who is the head of our Sales force
21 in Manchester, and she's anxious to get working
22 should the Commission approve this franchise
23 request. Thank you.

24 MR. GOWAN: Thank you. My name is

1 Jeff Gowan. I'm the Planning Director. I'm
2 representing the Town of Pelham here today.

3 CHAIRMAN HONIGBERG: I'm sorry, sir.
4 What's your last name?

5 MR. GOWAN: My name is Jeff Gowan,
6 G-o-w-a-n. I'm the Planning Director,
7 representing Pelham.

8 DR. KOVACS: I am Mark Kovacs.
9 Chairman of the Windham Local Energy Committee,
10 here to address the Commission.

11 CMSR. SCOTT: Can we get your last
12 name again please?

13 CHAIRMAN HONIGBERG: Sir, what's your
14 last name again?

15 DR. KOVACS: Kovacs, K-o-v-a-c-s.

16 MR. KREIS: Good morning, Mr.
17 Chairman. I'm the Consumer Advocate, Donald
18 Kreis, here on behalf of residential utility
19 customers. And with me today is the Assistant
20 Consumer Advocate, Pradip Chattopadhyay.

21 MR. SPEIDEL: Good morning,
22 Commissioners. Alexander Speidel, representing
23 the Staff of the Commission. And I have with
24 me Stephen Frink, Assistant Director of the Gas

1 and Water Division.

2 CHAIRMAN HONIGBERG: Anybody here
3 from the IBEW?

4 *[No verbal response.]*

5 CHAIRMAN HONIGBERG: Does anybody
6 know if the IBEW was planning on being here
7 today?

8 MR. SHEEHAN: I have not heard either
9 way, Commissioner.

10 MR. SPEIDEL: No one reached out to
11 us.

12 *(Off the record.)*

13 CHAIRMAN HONIGBERG: All right.
14 Other than the IBEW's Motion to Intervene,
15 which I'm not sure we'll rule on if they're not
16 here, what other preliminary matters do we need
17 to deal with before we get started?

18 MR. SHEEHAN: I have a few. First
19 is, we filed a Motion for Protective Treatment
20 this morning. The rules require us to file
21 such a motion if we have produced confidential
22 discovery responses. We do not expect to admit
23 them today, but it's a requirement to keep them
24 confidential. So, that was filed this morning.

1 I have copies available, if you want to get
2 into it. But neither party, either the Staff
3 or the OCA, object to that.

4 Second, --

5 CHAIRMAN HONIGBERG: Well, we'll
6 treat the matters you listed in your motion as
7 confidential, and probably deal with the motion
8 in whatever order we issue following the
9 hearing.

10 MR. SHEEHAN: Thank you. For
11 exhibits, we've agreed to mark the following:
12 "Exhibit 1" is the initial filing from August
13 of 2015, Tab 1 in the Docketbook. "Exhibit 2"
14 is a Supplemental Testimony of Bill Clark,
15 filed April 15 of this year, Tab 28. "Exhibit
16 3" is Steve Frink's testimony filed in April of
17 '16, Tab 29. "Exhibit 4" is the Settlement
18 Agreement, with attachments, filed August 15th.
19 And "Exhibit 5" is the separately filed
20 signature page from the Town of Pelham. That
21 came in a week later. The preference was to
22 mark that as a separate exhibit, and that is
23 Tab 35.

24 (The documents, as described,

1 were herewith marked as
2 **Exhibit 1** through **Exhibit 5**,
3 respectively, for
4 identification.)

5 MR. SHEEHAN: And the other
6 preliminary item is the parties have discussed
7 and agreed to a panel of Steve Frink, Steve
8 Mullen, and Bill Clark.

9 CHAIRMAN HONIGBERG: Okay. I know we
10 have all of the intervenors are on the
11 Settlement, is that correct?

12 MR. SHEEHAN: Yes, sir.

13 CHAIRMAN HONIGBERG: The Town of
14 Windham did not intervene, but I know there's a
15 representative here.

16 Sir, would you like to address us in
17 the nature of public comment now or do you want
18 to wait? How do you want to proceed?

19 DR. KOVACS: I'd say it's up to the
20 Commission. I'm prepared to do so at the
21 moment.

22 CHAIRMAN HONIGBERG: Why don't we get
23 that out of the way. And, then, if you feel
24 that you want to leave, you could leave at that

1 point. So, why don't proceed, Mr. Kovacs.

2 DR. KOVACS: Thank you very much.

3 *[Brief off-the-record discussion*
4 *ensued.]*

5 CHAIRMAN HONIGBERG: All right.

6 Mr. Kovacs, you may proceed.

7 DR. KOVACS: Thank you. Good
8 morning. I'm Dr. Mark Kovacs, Chairman of
9 Windham's Local Energy Committee. And I have
10 been authorized by the Windham Board of
11 Selectmen to speak in support of the Liberty
12 Utilities' petition for a franchise to provide
13 natural gas service to Windham, New Hampshire.

14 Windham's Board of Selectmen, in
15 October of last year, authorized and submitted
16 a letter in support of this franchise request.
17 The Board voted unanimously, and I quote, "to
18 endorse Liberty's request after hearing at
19 length from their representatives, as well as
20 residents who were in attendance. As you may,
21 the Towns of Windham and Pelham are the only
22 two communities in this portion of the state
23 whose residents and businesses cannot avail
24 themselves of the option to utilize natural

1 gas; an overall less costly and cleaner energy
2 solution."

3 The Board of Selectmen, as assured by
4 Liberty Utilities' representatives, supports
5 this project since it will provide minimal town
6 disruption by following existing roads and
7 rights-of-way, will involve Town engineering in
8 distribution line planning and scheduling and
9 will avoid eminent domain seizures of resident
10 property.

11 The Windham Local Energy Committee
12 appreciates the opportunity to reinforce the
13 Board's support of this petition by noting the
14 following: The Windham Planning Board, in the
15 approved Energy Section of the 2015 Master
16 Plan, identified expansion of natural gas
17 service to Windham as an important contributor
18 to its growth over the next decade. And I
19 quote: "The Windham Planning Board supports
20 the extension of natural gas service throughout
21 Windham by 2025."

22 Not only do Windham's municipal
23 organizations support natural gas availability,
24 but a 2015 Town-wide survey indicated that

1 53 percent of respondents favor natural gas
2 service for its residents and Town businesses.

3 In 2014, the Windham Local Energy
4 Committee performed a competitive cost analysis
5 of natural gas and available fuels and
6 determined that municipal, School District,
7 residential, and commercial users in Windham
8 could reduce annual heating costs by as much as
9 38 percent by adopting natural gas.

10 With the approaching completion of
11 the I-93 expansion, Windham is preparing for a
12 surge in commercial development and is
13 currently modifying its zoning regulations to
14 attract new businesses while maintaining the
15 Town's character. The Town's Economic
16 Development Committee reinforces the view that
17 improvements in the Town's infrastructure, and
18 natural gas availability is a key element of
19 any community's infrastructure, would be a very
20 significant benefit in extending the Town's
21 commercial tax base. In addition, making
22 natural gas available in Windham would
23 eliminate a competitive handicap under which
24 the Town has operated, since Windham and Pelham

1 are the only two contiguous communities not
2 currently served with natural gas.

3 The Windham Board of Selectmen and
4 its Local Energy Committee support this
5 petition since it provides an economic and
6 near-term environmental benefit to its current
7 residents and offers the opportunity to enhance
8 Windham's responsible commercial growth.

9 Thank you very much for this
10 opportunity.

11 CHAIRMAN HONIGBERG: Thank you,
12 Dr. Kovacs.

13 Mr. Gowan, you -- the Town of Pelham
14 is on the Settlement as a party to this as an
15 intervenor. Is there something you would like
16 to do or say today? I don't want to keep you
17 here, if you have other things you need to do.

18 MR. GOWAN: Can you hear me? Is this
19 on?

20 CHAIRMAN HONIGBERG: Yes.

21 MR. GOWAN: I would reserve any
22 comments I have until the end, if there's an
23 opportunity at that time.

24 CHAIRMAN HONIGBERG: Fair enough.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 There certainly would be. I just didn't know
2 what your preferences were.

3 I will note for the record that we
4 received some other comments, written comments,
5 supportive of the expansion from the Greater
6 Londonderry -- Derry and Londonderry Chamber of
7 Commerce. We had a letter from the Town of
8 Windham. We also have comments in opposition
9 from Peggy Huard and Richard Husband. I'm not
10 aware of any other public comment, and I see no
11 other members of the public here.

12 So, if there's nothing else,
13 Mr. Sheehan, are we ready to have the panel
14 take their places?

15 MR. SHEEHAN: Yes, sir.

16 (Whereupon *William J. Clark,*
17 *Steven E. Mullen,* and
18 *Stephen P. Frink* were duly sworn
19 by the Court Reporter.)

20 CHAIRMAN HONIGBERG: Mr. Sheehan.

21 MR. SHEEHAN: Thank you.

22 **WILLIAM J. CLARK, SWORN**

23 **STEVEN E. MULLEN, SWORN**

24 **STEPHEN P. FRINK, SWORN**

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 this morning, there are no other changes to
2 your testimony?

3 A. (Mullen) That's correct.

4 Q. So, if I ask you the same questions today,
5 would your answers be the same?

6 A. (Mullen) Yes.

7 Q. So, you adopt that testimony?

8 A. (Mullen) I do.

9 Q. Mr. Clark, your name and position with the
10 Company please.

11 A. (Clark) William Clark, Director of Business
12 Development for Liberty Utilities. Business
13 address is 15 Buttrick Road, in Londonderry,
14 New Hampshire.

15 Q. And, as we discussed earlier today, you filed
16 testimony as part of Exhibit 1 and supplemental
17 testimony, which has been marked as "Exhibit
18 2", is that correct?

19 A. (Clark) That's correct.

20 Q. And have there been any changes or updates with
21 that testimony?

22 A. (Clark) Yes. On my original testimony, Bates
23 Page 009, I reference that Liberty "estimates
24 construction could begin in the Spring of

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 2016." I would modify that to say "Spring of
2 2017".

3 Q. And, Mr. Clark, we're going to get into a
4 discussion of general updates. Before we get
5 there, are there any other changes to what
6 you've actually filed, in the original and the
7 supplemental testimony?

8 A. (Clark) There are no changes. There are some
9 updates on the supplemental testimony that we
10 can get into.

11 Q. Okay.

12 CMSR. SCOTT: Could I get a
13 clarification before we move on? So, you said
14 "Spring of 2017". Does the following, the
15 "Fall of 2016" become "2017" also?

16 WITNESS CLARK: Yes.

17 CMSR. SCOTT: Because it's the same
18 information.

19 WITNESS CLARK: Yes.

20 CMSR. SCOTT: Thank you.

21 BY MR. SHEEHAN:

22 Q. So, putting aside for the moment the updates
23 you will give us since filing the supplemental
24 testimony, if I ask you the questions in your

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 written testimony would your answers be the
2 same today?

3 A. (Clark) They would.

4 Q. So, you adopt the original and supplemental
5 testimonies?

6 A. (Clark) Yes.

7 Q. So, why don't you go to that now. Why don't
8 you give us a description of some of the
9 updates that have happened since filing the
10 supplemental testimony, which was in --

11 A. (Clark) So, the major change --

12 Q. -- April.

13 A. (Clark) The major change in the supplemental
14 testimony is the customer commitments. I had
15 mentioned in the supplemental testimony that
16 Liberty was working with the Town of Pelham and
17 an anchor customer. We have received signed
18 service line agreements from the Town of Pelham
19 for their buildings. We have also received a
20 signed service line agreement from two large
21 anchor customers in Pelham.

22 As how they relate to the Settlement
23 Agreement, I have some updated numbers. The
24 construction costs in Pelham, for the initial

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 build-out, is \$1,400,244. We have signed
2 commitments, as stated in the Settlement
3 Agreement, of 73 percent; well above the
4 25 percent required.

5 And, for Windham, we have an estimated
6 construction cost for the first year build of
7 \$1,236,610. And we have signed service line
8 agreements from a developer that total
9 \$1,756,800 for 142 percent of the committed
10 revenue.

11 Q. And do you have any updates on the status of
12 that developer's project?

13 A. (Clark) My understanding is that they are
14 proceeding in the Spring of 2017.

15 Q. Mr. Mullen, Exhibit 4 is the Settlement
16 Agreement that is in front of the Commission
17 for consideration today. Could you please just
18 walk us through the Agreement and highlight its
19 material terms.

20 A. (Mullen) Sure. The substantive terms begin on
21 Page 2, in Section II. Section II.A just
22 simply states that "The Settling Parties
23 recommend that the Commission grant EnergyNorth
24 the franchise rights to serve the Towns of

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Pelham and Windham."

2 Section B, the "Distribution Rates Charged
3 to Customers", the Phase 1 build in Windham
4 will be served under EnergyNorth's standard
5 tariff distribution rates. In Pelham, because
6 there are additional costs associated with a
7 take station, those customers will be served
8 under the Managed Expansion Program rates that
9 were recently approved by the Commission. But,
10 like I say, that's different than our initial
11 filing and that was in my testimony, where our
12 initial proposal was to serve all customers
13 under existing distribution rates.

14 In Section C, this mirrors the language
15 that is in our Settlement Agreement. And,
16 again, I believe that was also approved during
17 the Managed Expansion Program case. Which
18 basically says that we will not commence
19 construction until the revenue from committed
20 C&I, commercial and industrial, customer load
21 the first six years, plus the committed
22 residential load for the first eight years, is
23 at least 25 percent of the cost of
24 construction, excluding overheads.

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[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 For Section D, the take station that would
2 be in the Town of Pelham, what we would do
3 there is we would -- we have an initial upfront
4 payment that essentially acts as our
5 contribution in aid of construction to
6 Tennessee, who owns the Concord Lateral. That
7 upfront payment will be amortized over ten
8 years and it would be set up as a regulatory
9 asset. And that would be included with -- that
10 would be included as a regulatory asset and
11 receive a rate of return at the then prevailing
12 Commission-approved overall rate of return.

13 The Section E, related to Pelham, there's
14 a risk-sharing provision. And what that does
15 is it says, for the five-year period, to the
16 extent that EnergyNorth comes in for rate
17 cases, we would do an analysis of the revenue
18 from the customers in Pelham to the revenue
19 requirement to serve the customers in Pelham.
20 And, at the time of the first rate case, we
21 would take a look at that. And, if there's a
22 shortage between the revenue and the revenue
23 requirement, we would then -- make sure I get
24 it right here -- we would reduce the revenue

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[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 requirement in our rate case by half of the
2 difference. If there's a subsequent rate case
3 within the five-year period, instead of it
4 being half the difference, we would reduce the
5 revenue requirement by the full difference, if
6 there was a shortage between the revenue from
7 those customers in Pelham and the revenue
8 requirement of the capital investment.

9 In determining the revenue for each of
10 those analyses, we would look at committed
11 revenue, plus the estimated annual margin,
12 following the definition of "estimated annual
13 margin" that is currently in our tariff. And
14 this will, as I say, this will last for five
15 years.

16 However, in Section E.4, if, at some
17 point, the anticipated annual revenue exceeds
18 the estimated annual revenue requirement, then
19 the provision will terminate.

20 Finally, there are some annual reporting
21 requirements that I believe Mr. Frink will
22 describe.

23 MR. SHEEHAN: Those are all the
24 questions I have of the Company's witnesses.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Thank you.

2 CHAIRMAN HONIGBERG: Mr. Speidel, you
3 want to deal with Mr. Frink?

4 MR. SPEIDEL: Yes, please. Thank
5 you, Mr. Chairman.

6 BY MR. SPEIDEL:

7 Q. Mr. Frink, could you please state your full
8 name for the record.

9 A. (Frink) Stephen P. Frink.

10 Q. And what is your place of employment and
11 position?

12 A. (Frink) Public Utilities Commission. I'm the
13 Assistant Director of the Gas and Water
14 Division.

15 Q. Are you familiar with the document that was
16 referred to as being marked for "Exhibit 3",
17 with your name and the date of April 22nd,
18 2016?

19 A. (Frink) Yes, I am.

20 Q. In general terms, would you be able to describe
21 how the Settlement Agreement comports with the
22 general parameters of your settlement
23 testimony?

24 A. (Frink) My concerns were that they didn't

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 use -- the Company did not use a Discounted
2 Cash Flow analysis, and that they didn't have
3 any firm commitments. And the Settlement
4 Agreement required a DCF analysis, and one was
5 submitted and included as an attachment to the
6 Settlement, and it also required firm
7 commitments before construction could commence.
8 And, also, it includes provisions that protect
9 against a cross-subsidization due to the
10 financial analysis being incorrect and possibly
11 falling short of what's been forecasted.

12 Q. So, in general terms, you are satisfied that
13 the precedent of the Commission and your own
14 Division's internal guidelines regarding how to
15 measure financial feasibility of franchise
16 expansions is satisfied through the terms of
17 the Settlement Agreement, correct?

18 A. (Frink) Correct.

19 Q. And, therefore, would you concur that the
20 Commission granting the franchise of Windham
21 and Pelham to the Company would be in the
22 public interest?

23 A. (Frink) It would be in the public interest,
24 yes.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. Is there a specific piece of information
2 related to the computer module that the Company
3 intends to use to provide detailed financial
4 metrics for its expansion projects in Windham
5 and Pelham? And would you have any additional
6 light that you'd like to have shed on those
7 figures that will be produced and how they'll
8 be delivered to the attention of Staff and the
9 Commission?

10 A. (Frink) Yes. The Settlement requires annual
11 reporting, which requires an update of the DCF
12 analysis, to show the -- actually, if you refer
13 to Exhibit 4, the last three pages is the
14 format that the annual reporting we believe
15 will have.

16 And, so, Exhibit C, Page 1, actually shows
17 the original DCF analysis that is Attachment A,
18 and that's the forecast and the profitability
19 annually over ten years. Then, the update,
20 which will be filed each year, will show what
21 the actual capital spending was, what actual
22 revenues are, what the results are, as to
23 whether it's a profit or loss for that year.
24 And it will also reflect updated projections

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 for the remainder of the period.

2 So, in this example, on Attachment C,
3 Page 1, just for an illustration, we assumed
4 capital costs would be 10 percent higher than
5 forecast and that revenues were 10 percent less
6 than forecast, and that you granted a -- that
7 the Commission approved a rate of return that
8 was slightly lower than what is in this
9 original forecast. All that would impact the
10 results of the DCF analysis. And, then, you'll
11 see, in the third box down, actually shows a
12 variance. So, all that is clear and
13 understood.

14 A. (Mullen) Excuse me, before we leave that page.
15 I just want to show -- point out that there's a
16 typographical error in the second table in the
17 middle of that page. The fifth line of text
18 down, that reads "Net Present Value (Delta
19 Years) 1-10 & 10.15 percent discount rate",
20 that "10.15" should be "9.73 percent".

21 Q. Throughout the entire schedule, Mr. Mullen?

22 A. (Mullen) No. Just on that one table.

23 Q. The top one or the middle one?

24 A. (Mullen) The middle one.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. The middle one. Thank you.

2 A. (Frink) Correct.

3 CHAIRMAN HONIGBERG: Mr. Mullen,
4 before we leave that, are the calculations that
5 were done in the table done using the 9.73?

6 WITNESS MULLEN: Yes. I checked
7 before the hearing. The description just
8 wasn't updated.

9 WITNESS FRINK: And, again, this is
10 an illustration. These are assumptions. So,
11 it's not really pertinent to what will be
12 filed.

13 **BY THE WITNESS:**

14 A. (Frink) If you refer to Page 2 of 3 of Appendix
15 C, you'll see that, while this is what will be
16 used in adjusting the revenue deficiency, if
17 the project falls short of projections, this is
18 more granular, which is more for the Company
19 and our benefit. And what that shows is, it
20 shows the number of customers expected to be
21 added, and whether they're oil, propane,
22 residential or C&I. And the Company has a
23 Strategic Intelligence Management System that
24 they have implemented and that they're using to

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 do a more detailed analysis. This wasn't
2 available at the time this exhibit was
3 prepared, this attachment was prepared. So,
4 the Company is going to do a -- in a month and
5 a half, they will have completed their analysis
6 for Pelham and for Windham. And they will
7 populate those numbers. So, for this
8 illustrations, we simply plugged in some
9 numbers for the first year, to give you an idea
10 what it's going to look like. So, in another
11 month and a half, we will get an update of this
12 page that will show, based on the Strategic
13 Management -- Intelligence Management System,
14 just how many residential oil customers there
15 are, how many propane customers, and so on and
16 so forth, with a great deal of accuracy. And,
17 so, that -- the Company has agreed to do that,
18 and we will be getting that, again, in about a
19 month and a half.

20 Then, on Page 3 of Appendix C, this is
21 more informational, more granular, that
22 supports the DCF. Well, and what it does is
23 the Company will provide their Schedule 8 that
24 you see in their cost of gas filing that takes

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[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 the average residential heating customer and
2 calculates the bill impact. So, when they file
3 their winter cost of gas, they will do a
4 Schedule 8 showing what the forecasted rates
5 will be for the year.

6 And, for Pelham, it's a little different.
7 They don't actually file in the cost of gas an
8 MEP analysis, but they will be as part of this,
9 because those rates are -- the delivery rates
10 are 15 percent higher than what is the tariffed
11 rate for a residential -- a regular residential
12 heating customer. So, what you'll have is
13 you'll have, basically, what the annual cost is
14 for a Pelham customer and a Windham customer.
15 And, then, you'll be able to see -- we'll be
16 able to see what a comparative -- what
17 comparative oil and propane prices are. And,
18 then, you can refer back to Page 2, and you'll
19 have some comparison as to what kind of -- how
20 conversions have been, given the variance in
21 the alternative fuel prices.

22 So, you'll have a gas rate price. If you
23 look at Page 3, for instance, the fuel price of
24 oil, on the very bottom, the last two couple of

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 lines, you'll see the fuel price is \$1.93 for
2 oil per gallon. You convert that to a per
3 therm price, it's \$1.39. You can look at the
4 table right above that and see that the actual
5 natural gas rate, at this point, are \$1.43.

6 That bottom two lines also shows the
7 efficiency per therm. So, it adjusts for the
8 average efficiency, for instance, an oil
9 customer, the average efficiency of a oil
10 furnace is 87.5, versus the natural gas
11 efficiency of 95 percent. So, it's a further
12 adjustment. But you'll have them both. And
13 the customer can make his own adjustments
14 looking at this.

15 For instance, my furnace is older, and I
16 don't have an 87.5. I can do a comparison
17 based on what my efficiency is versus if I were
18 to put in a gas furnace.

19 So, again, the Pages 2 and 3 are more
20 informational, to give us an idea as just to
21 how a customer is responding to the price
22 signals, and what conversions are for propane
23 versus oil and so forth. It should just
24 reinforce what the Company's Strategic

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Intelligence Planning model will be doing.

2 And, so, anyway, that's the update as to
3 Appendix C. And, again, that is not complete,
4 but will be completed shortly, and will be
5 useful in seeing just how effectively the
6 Company -- how well the Company has forecasted
7 both costs and revenues.

8 BY MR. SPEIDEL:

9 Q. So, Mr. Frink, is it fair to say that you would
10 like for the Commission, as part of any
11 approval order in this proceeding, order the
12 Company to produce those schedules and to
13 forward them to the attention of the Commission
14 and the Staff and the Office of Consumer
15 Advocate?

16 A. (Frink) That would be helpful, if the Company
17 were ordered or directed to file that, an
18 updated Appendix C. And it has no bearing on
19 the economic analysis in the DCF, because that
20 specific numbers behind it doesn't really
21 change that. So, that's -- but, so, the
22 issue -- the order can be issued, and it would
23 be helpful to have that directive or an order
24 that says "this will be updated and filed".

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. With the actual schedules as produced by
2 computer program, the Strategic system --

3 A. (Frink) Yes.

4 Q. -- that was referred to earlier?

5 A. (Frink) Yes.

6 Q. Okay. Are there any other reports that are
7 required by the terms of the Settlement
8 Agreement that presumably the Commission would
9 also be ordering? Could you please outline
10 those monthly reports for the Commission and
11 for the parties today?

12 A. (Frink) Well, there are no -- there is no
13 monthly reporting. Again, once they commence
14 service, then we'll have an update as to what
15 their actual capital costs were. And we'll see
16 what their conversions have been in the
17 first -- for each year in the updated
18 projections. But there are no monthly filing
19 requirements, simply an annual requirement.
20 And, again, the filing is annual. And, once
21 the Company achieves profitability, then they
22 will be able to cease filing that report. That
23 is after three years. So, there is a minimum
24 of three years. So, even if they do achieve a

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 positive return in year one, we would like to
2 see these reports for at least three years, to
3 determine -- just to see how successful it's
4 been.

5 And, again, it is a check to see just how
6 well the Company's forecasting is, both on the
7 construction costs and the revenue projections.
8 And there is a maximum of five years for this
9 report. As time goes out, to become -- it's
10 not that beneficial. But five years should be
11 plenty for -- that covers the rate adjustment
12 period. And, so, we will get these reports a
13 minimum of three years, maximum of five years.
14 And, again, it helps in evaluating just the
15 Company's forecasting.

16 MR. SPEIDEL: Thank you. Staff has
17 no further direct questions of Mr. Frink.

18 CHAIRMAN HONIGBERG: Mr. Gowan, as an
19 intervenor, you have a right to question the
20 witnesses. Do you have questions for any of
21 the members of the panel?

22 MR. GOWAN: No, I don't. Thank you.

23 CHAIRMAN HONIGBERG: Mr. Kreis, do
24 you have questions?

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 MR. KREIS: Just a very few. As you
2 know, Mr. Chairman, the Office of the Consumer
3 Advocate is a signatory to the Settlement
4 Agreement. So, my questions are definitely in
5 the order of friendly cross. And I think all
6 of my questions are for the witnesses from
7 Liberty Utilities. And I'll let Mr. Clark and
8 Mr. Mullen decide as between the two of them
9 who should answer any questions that I might
10 ask. And, if both of them would like to
11 answer, that would be welcome to.

12 **CROSS-EXAMINATION**

13 BY MR. KREIS:

14 Q. With respect or with reference to Exhibit 3,
15 which is Mr. Frink's testimony, at Page 7 of
16 his testimony he explains why he thinks that
17 the DCF analysis that he advocated is superior
18 to the revenue test that the Company advocated
19 in its original proposal for evaluating the
20 financial merits of the Pelham and Windham
21 expansion. And my question for the Company
22 witnesses is, given that the Settlement
23 Agreement actually adopts the DCF methodology,
24 have you concluded that Mr. Frink's opinion is

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 the correct one?

2 A. (Clark) I will take that. Originally, when
3 filed, we were following the letter of our
4 tariff or our Line Extension Policy and
5 applying that to all growth opportunities.
6 Through discussions with Staff and Mr. Frink
7 through some dockets, we believe that Mr. Frink
8 was correct, in that major projects of over a
9 million dollars, should have a DCF analysis.
10 And we agreed to that, I believe, in the MEP
11 hearing and adopted that into our tariff.

12 Q. So, that should be treated in the future as no
13 longer a contested issue between the Staff and
14 the Company or between the Staff -- or, among
15 the Staff, the Company, and the OCA, correct?

16 A. (Clark) Correct.

17 Q. There are references in the Company's filings
18 to "anchor customers". What makes a customer
19 an "anchor customer"?

20 A. (Clark) There's no specific criteria as far as
21 load. It's not a 50,000 decatherm minimum.
22 It's more of a large commercial or industrial
23 entity that will be the driver behind expanding
24 to a certain location, and residual, smaller

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 commercial/residential customers are on that
2 route. So, an anchor customer really bears the
3 primary responsibility for initiating the
4 expansion.

5 Q. So, it's sort of like a diner, in the view
6 of William O. Douglas --

7 *[Court reporter interruption due*
8 *to extraneous noise.]*

9 CHAIRMAN HONIGBERG: Yes. Let's just
10 hang on for a second. Let's go off the record.

11 *[Brief off-the-record discussion*
12 *ensued.]*

13 CHAIRMAN HONIGBERG: All right. Mr.
14 Kreis, you may proceed.

15 MR. KREIS: Okay. So, we're back on
16 the record.

17 BY MR. KREIS:

18 Q. So, the point I was making is that there's no
19 specific definition of an "anchor customer"
20 that the Company uses. It just sort of knows
21 one when it sees one, just like William O.
22 Douglas knew what a diner was without a
23 definition specifically to the word "diner"?

24 A. (Clark) Correct.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. Okay. There are -- there were references in
2 the direct testimony to anchor customers and
3 customers that have committed to becoming
4 customers of Liberty Utilities, and you
5 mentioned a developer that had agreed to commit
6 a substantial amount of new customers, but you
7 haven't identified them. I assume that's
8 because you would prefer that specific
9 customers not be identified on the record here?

10 A. (Clark) That is correct. They were identified
11 through confidential discovery.

12 Q. And those sorts of identifications are covered
13 by the pending Motion for Confidential
14 Treatment to which Staff and the OCA has
15 assented, true?

16 A. (Clark) True.

17 Q. What's the basis for treating that information
18 as confidential?

19 A. (Clark) In my opinion, there's two main
20 factors. One is competitive in nature. They
21 may not want other industries that are
22 competing with them to know their energy
23 profile. Second, there's been quite a bit of
24 protesting recently in the state, as far as

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 methane and fracking goes. And I don't think
2 they want their businesses out in front in a
3 docket where it could turn into a potential for
4 protesting at their business.

5 Q. Given the degree of commitments that you have
6 already obtained, and given the terms of the
7 Settlement Agreement, spin out the worst-case
8 scenario for me for the residential utility
9 customers that I represent. The Commission,
10 let's say, approves the Settlement Agreement,
11 and things don't work out as the Company hopes.
12 What's the worst-case scenario for consumers?

13 A. (Mullen) Well, I guess there's always the
14 potential that revenues could fall short of
15 what we expect. But, there again, if we know
16 that, you know, with the provisions of having
17 so much commitments before we start
18 construction, you know, we'll have a pretty
19 good idea, before we go forward, whether or not
20 we're going to have revenues sufficient to
21 justify any extensions.

22 So, I think that there's enough in here
23 to, and along with the risk-sharing provision
24 related to the Pelham construction, that

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 residential customers should be fairly well --
2 there shouldn't be too much downside risk for
3 them related to this, with the various
4 protections that are either put in in our
5 tariff provisions or in the Settlement
6 Agreement.

7 Q. But there is some downside risk?

8 A. (Mullen) There's always -- there's always risk
9 with everything.

10 Q. So, could you characterize that risk?

11 A. (Mullen) Characterize it in which way?

12 A. (Clark) Well, I guess I will jump in here. If
13 you bifurcate the two towns, as an example, the
14 Town of Windham, the major development, there's
15 not a take station required to serve Windham.
16 It's an extension of our existing piping from
17 Hudson. So, once construction commences for
18 the development in our piping, as I mentioned,
19 it's already revenue-justified and would have a
20 beneficial effect for all residential
21 ratepayers.

22 For the Town of Pelham, with the take
23 station, there's, as Mr. Mullen stated, there's
24 always a risk of construction costs or

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 something else, but those would be addressed in
2 a rate case, if they were deemed not prudent.

3 Q. So, if I might put some words in your mouth, it
4 sounds to me like the risk to residential --
5 the overall body of Liberty Utilities'
6 customers, and certainly its residential
7 customers, is very, very small, should the
8 Commission do as we request and approve the
9 Settlement Agreement?

10 A. (Clark) I would agree with that, yes.

11 A. (Mullen) I would, too.

12 Q. Are there any -- does this docket raise any
13 supply issues? I read Mr. Husband's comments,
14 and his argument is, basically, if the
15 Commission approves this Settlement Agreement
16 and the Company's Petition, the Company will
17 then have to go out and acquire a new wholesale
18 supply, and the Company will be back here
19 seeking new -- approval of new wholesale supply
20 agreements.

21 What's the Company's response to that?

22 A. (Clark) The revenue shortfall that was
23 predicted -- I'm sorry, the capacity shortfall
24 that was predicted, and that gets updated

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 annually, does have growth in those
2 projections. This would be part of that
3 growth. We currently have capacity to serve
4 both towns, both initial phases of
5 construction. And we will be evaluating
6 capacity on an annual basis, to make sure that
7 we can achieve and maintain our growth
8 strategies.

9 Q. And does that growth strategy include future
10 petitions of this sort to expand your franchise
11 territory?

12 A. (Clark) We have this docket and the
13 Hanover/Lebanon docket. Never say "never", but
14 there's nothing imminent for any new towns.

15 Q. Converting from some other kind of fuel to
16 natural gas, in order to take advantage of this
17 new service opportunity, can be expensive for
18 some customers. Does the Company intend to
19 offer any financial aid in Windham or Pelham
20 for customers that might come forward and say
21 "we're having difficulty affording the capital
22 investment we have to make in order to become
23 natural gas customers"?

24 A. (Clark) There is nothing that's concrete that's

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 on the table. We do have marketing budgets
2 that are available on an annual basis. We're
3 putting together the 2017 marketing budget.
4 There may be discounts available. There may be
5 a discounted equipment program from suppliers
6 that are available. There is energy efficiency
7 financing available as well. And we could
8 certainly assist in third party lending
9 alternatives as well.

10 MR. KREIS: Mr. Chairman, I believe
11 those are all my questions.

12 CHAIRMAN HONIGBERG: Thank you, Mr.
13 Kreis. Commissioner Scott.

14 CMSR. SCOTT: Good morning. And,
15 again, the usual caveat, whoever feels most
16 able to answer, please do so.

17 BY CMSR. SCOTT:

18 Q. So, on the Settlement Agreement, Section B,
19 under "Terms of Agreement", it says Windham
20 will be under normal distribution rates,
21 correct?

22 A. (Clark) Yes.

23 Q. And, then, when I go to Appendix A, Page 2 of 2
24 of the Settlement Agreement, where it has the

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 DCF analysis for Windham?

2 A. (Clark) Yes.

3 Q. So, the second to last column says "Projected
4 "Revenues MEP rates". Is that a typo or am I
5 missing something?

6 A. (Clark) No. You are correct. That's a good
7 catch. That's a typo.

8 Q. Okay. All right. You talk about the -- I'm
9 going to call it the "SIMS", the Strategic
10 Intelligence --

11 A. (Clark) Management System.

12 Q. -- Management System, that sounds very --

13 A. (Clark) Military?

14 Q. It sounds very federal government type. Is one
15 of the points to that to be able to share the
16 data with the potential customers to show them
17 the -

18 A. (Clark) Yes.

19 Q. -- the value proposition, is that --

20 A. (Clark) So, there are two parts to the ICF tool
21 that we're adapting right now. One is
22 customer-facing and one is internal. So, the
23 customer-facing will be on our website. That
24 we are updating right now, we're going to have

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 a separate sales page within the Liberty
2 Utilities website. In that sales page, there
3 will be a gas availability tool look-up. So,
4 for Windham and Pelham, we will have the years'
5 projected gas mains and the locations. A
6 customer can put in their address, search to
7 see if gas is available. It will return an
8 answer based on our mapping system, and then
9 direct them, if it's available, to speak to a
10 Customer Service Representative in the Sales
11 Department to fill out the Service Line
12 Agreement online, electronically signed, sent
13 in. There will be conversion analysis, how
14 much you could save, what your existing fuel
15 type is. So, there will be a nice page that
16 the customer can walk through and do an
17 analysis on their own.

18 Q. Can you characterize the projected service
19 areas you're looking at? Are they primarily
20 C&I? They primarily residential? A mix? Can
21 you characterize that?

22 A. (Clark) Sure. I actually printed that data
23 this morning. So, for the Town of Windham,
24 it's predominantly residential. Total prospect

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 count, which is number of customers, is 4,730
2 and commercial is 985. For the Town of Pelham,
3 there are 4,233 residential, 789 commercial.
4 Total for C&I and residential for both towns
5 are 10,737 potential customers. The estimated
6 annual load for all of those customers is
7 3,258,000 decatherms, so pretty decent load as
8 well.

9 Q. And you mentioned you had some Service Line
10 Agreements already now in place. Can you
11 characterize how much load that would be that
12 you have right now?

13 A. (Clark) Yes. For the Town of Pelham, that is
14 107 -- oh, sorry, that's revenue. I do have
15 that. Approximately 495,000 decatherms under
16 contract.

17 Q. And Windham?

18 A. (Clark) Pelham. Sorry.

19 Q. Pelham. Do you have the figures for Windham
20 also?

21 A. (Clark) In Windham -- It's residential. So,
22 it's 28,000 decatherms.

23 Q. And tying that to Part C of the terms of the
24 Settlement Agreement, the 25 percent and the

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 C&I six years and the eight years for
2 residential, where does that put you in meeting
3 these SLAs, in meeting that criteria right now?

4 A. (Clark) We have met it for both towns. We're
5 at, for Pelham, we're at 73 percent. And
6 Windham we're actually at 142 percent.

7 Q. Okay. Great. And in your -- I think, the
8 original filing you talked about "ICF
9 International's business plan being developed".
10 I assume, at this point, it is developed?

11 A. (Clark) Yes. We have all of the data. We're
12 tweaking the analysis on what we want the
13 system to ask. So, there are certain criteria
14 for drop-down boxes for searching for internal
15 use, where right now there's one ask for a
16 distance from main. We're actually carving
17 that up even further. So, it's, you know, zero
18 to 500 feet, 500 to a thousand, going on out.
19 We're fact-checking the existing fuel types.
20 So, as part of that, we'll be able to tell if
21 they're on propane or oil. We're doing that.
22 And we're giving them some data points or geo
23 points for the potential mapping for Windham
24 and Pelham, and Hanover/Lebanon as well.

{DG 15-362} {10-25-16}

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. And I believe you've kind of alluded to the
2 answer, but I just wanted to be more
3 definitive. Obviously, the Settlement has a
4 risk-sharing agreement with Pelham, but not
5 Windham. Is that because of the take station?
6 Is that what complicates Pelham?

7 A. (Clark) Correct. And that was also the driver
8 for the MEP rates.

9 CMSR. SCOTT: Okay. Great. I think
10 that's all I have.

11 CHAIRMAN HONIGBERG: Commissioner
12 Bailey.

13 CMSR. BAILEY: Good morning.

14 WITNESS CLARK: Good morning.

15 WITNESS MULLEN: Good morning.

16 CMSR. BAILEY: Most of my questions
17 have been answered, but I just want to double
18 check.

19 BY CMSR. BAILEY:

20 Q. Just so I'm sure I understand it. In Section D
21 of the Settlement Agreement, on Page 2, it says
22 that the cost of the Pelham take station will
23 be recovered "through distribution rates". So,
24 would that be all of Liberty's distribution

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 rates or just the distribution rates to Pelham
2 customers?

3 A. (Mullen) All.

4 Q. Why is that reasonable?

5 A. (Mullen) Well, that's just as any other large
6 investment that we make on our system
7 elsewhere. That's, you know, if we do
8 something in Concord, customers in Manchester
9 pay for it. So, this -- it's really no
10 different from that perspective.

11 A. (Frink) Actually, it's -- while it's reflected
12 in all rates, the actual recoveries are going
13 to be achieved through this expansion in
14 Pelham. So, if you look at the DCF analysis,
15 you'll see that the Discounted Cash Flow
16 analysis includes that amortization over the
17 ten years. And so that this project pays for
18 that, the revenues from these customers, and
19 it's going to be billed to all customers.

20 A. (Mullen) And, as the customers are paying the
21 Managed Expansion Program rates, that's how we
22 get additional recovery from the Pelham
23 customers that other customers are not paying
24 for.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. Okay. Thank you. Mr. Frink, are you satisfied
2 that the firm commitments that the Company has
3 will address the concerns that you raised in
4 your original testimony?

5 A. (Frink) Well, it certainly goes a long way to
6 achieving their projected revenues. And, so,
7 particularly on Windham, I don't think that was
8 really a problem with Windham to begin with.
9 But, Pelham, again, it's a much larger
10 investment because of the take station. And,
11 with a 75 -- 73 percent of the projected
12 revenues already under firm commitment, I'm
13 comfortable that they will be able to achieve
14 what they've said they will achieve.

15 Q. Okay.

16 A. (Clark) And, if I could add onto that, the
17 largest user in Pelham on that Service Line
18 Agreement is a propane user, and their payback
19 upon their conversion is less than seven
20 months.

21 Q. So, you expect other customers --

22 A. (Clark) Well, we expect them to absolutely
23 convert as soon as that line is available to
24 them.

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 Q. Okay. But they're included in your assumption
2 that 73 -- that you're going to achieve
3 73 percent?

4 A. (Clark) That is correct. Yes.

5 Q. Mr. Frink, you testified that you would like
6 the Commission to direct in our order the
7 Company to file the schedules that you gave us
8 as an example in Appendix C. Doesn't the
9 Settlement Agreement require that, numbers 2
10 and 3 on Page 4, or am I misinterpreting those
11 provisions?

12 A. (Frink) It does, actually. Number -- on Page
13 4, number 2 does say "A comparison of original
14 annual projected residential and C&I
15 customer" --

16 *[Court reporter interruption.]*

17 CHAIRMAN HONIGBERG: You need to slow
18 down.

19 WITNESS FRINK: Yes.

20 **BY THE WITNESS:**

21 A. (Frink) On Page 4 of Exhibit 3, it does say "A
22 comparison of the original annual projected
23 residential and C&I customer conversions and
24 gross profit margin, by fuel type, with the

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 actual annual conversions and gross profit
2 margin." So, you are correct. That is a
3 requirement of the Settlement.

4 But, as I mentioned, when we were putting
5 this together, while they had estimates, they
6 didn't have their ICF analysis done, which will
7 be much more accurate. And, as a matter of
8 fact, the Company, before the hearing,
9 mentioned that the accuracy will be 95 percent.
10 So, it's really -- that's what we're looking
11 for, is an accurate number for a starting
12 point. And, so, that's what we're looking for.

13 BY CMSR. BAILEY:

14 Q. Okay. So, rather than, for the first report,
15 you want them to update these tables in
16 Appendix C?

17 A. (Frink) Pages 2 -- actually, just Page 2.

18 Q. Before they file the actuals for December of
19 2017 or 2016?

20 A. (Frink) The annual filings will take place one
21 full year after service commences.

22 Q. Okay.

23 A. (Frink) So, we're really looking at a first
24 report 2000 -- so, if they put service in

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 starting next summer, then 2018 will be the
2 first full year. So, in January 2019, we'll
3 see our first report.

4 Q. Okay. So, you want an update based on the
5 ICF --

6 A. (Frink) Right.

7 Q. -- before that? And that's not really covered
8 by the Settlement Agreement?

9 A. (Frink) Right.

10 Q. Okay.

11 A. (Frink) Before they actually commence
12 service, --

13 Q. Got it.

14 A. (Frink) -- we're going to have a report based
15 on their ICF analysis that will include
16 residential oil customers, residential propane
17 customers, C&I oil and propane. So, that's --
18 basically, that's what's going to get filled in
19 here, before they even commence construction.

20 Q. Okay.

21 A. (Frink) So, then we'll have a good idea as to
22 how well their forecast went.

23 Q. I understand that part. Yes. Okay. All
24 right. Thank you. And, Mr. Mullen, do you

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 have any objection to doing that?

2 A. (Mullen) I'll let Mr. Clark deal with that one.

3 CHAIRMAN HONIGBERG: And,

4 Mr. Sheehan, if you need to weigh in or confer

5 with your witnesses? All right. Mr. Clark,

6 you may proceed.

7 **BY THE WITNESS:**

8 A. (Clark) I don't have an objection. I just have
9 a couple comments. The year one data that is
10 in there currently, that will not change
11 because of the ICF data. We were very accurate
12 before we got the ICF data, by knocking on
13 doors, going through the Town database, working
14 with both towns on there. So, I think Mr.
15 Frink wants a projection for subsequent year
16 build-outs, or two through ten, that we're
17 putting together now, based on geography, fuel
18 type, construction costs. And that will be
19 updated, so that we will have a projection of
20 how many customers we think we may be adding in
21 2020 or 2021. So, that will be updated.

22 BY CMSR. BAILEY:

23 Q. Okay. Thank you. Oh. On Page 3 of the
24 Settlement Agreement, I just want to make sure

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 I understand this. Item Number 3 says, for
2 purposes of risk sharing, you're going to take
3 the anticipated revenue -- or, "the anticipated
4 revenue will include the committed revenue",
5 that's the revenue that the customers who have
6 signed SLAs with you are expected to pay, --

7 A. (Mullen) Yes.

8 Q. -- the committed revenue?

9 A. (Mullen) Uh-huh.

10 Q. Plus the estimated annual margin, which I
11 looked up in your tariff, and that's revenue
12 from the customer charge and delivery charge
13 for 12 months, right?

14 A. (Mullen) Correct.

15 Q. So, what is the -- what's estimated about that?
16 You have the committed revenue, and then, from
17 this analysis that we just talked about, your
18 estimates of customer conversions for that
19 particular year? That's how you'll get the
20 estimated --

21 A. (Clark) I'll take a shot, you can correct me if
22 I'm wrong. My understanding of that is, if
23 we're filing midyear, we have a sales cycle,
24 that's an annual sales cycle. So, at the time

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 of the filing, we will have contracts in hand,
2 and we'll also anticipate X amount of customers
3 signing up and receiving service in the next
4 three or four months that will be in that rate
5 case.

6 Q. That you don't already have --

7 A. (Clark) That We don't have, but we expect.
8 Correct.

9 CMSR. BAILEY: Okay. All right.

10 Thank you. That's all I have.

11 BY CHAIRMAN HONIGBERG:

12 Q. Mr. Clark, if you could return to the question
13 that Commissioner Scott asked you about,
14 Appendix A, Page 2 of 2, and the heading in the
15 next to the last column, what should that
16 heading say?

17 A. (Clark) Strict "Projected Revenues".

18 CMSR. SCOTT: "MEP" would be
19 stricken, too, correct? Would be "Distribution
20 Rates"?

21 WITNESS MULLEN: Yes. The "MEP", and
22 Mr. Clark just got rid of "MEP" and the word
23 "Rates". So, it would just say "Projected
24 Revenues".

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 CMSR. SCOTT: Thank you.

2 CHAIRMAN HONIGBERG: Oh. Okay.

3 BY CHAIRMAN HONIGBERG:

4 Q. Mr. Clark, it sounds like you were successful
5 in signing customers up without having the
6 franchise territory approved in advance. Did
7 that surprise you at all?

8 A. (Clark) Not in this instance, and not with this
9 particular customer base. One is, as I
10 mentioned, for Windham, it was a large
11 developer that was on the border of Hudson,
12 that was fairly close to our pipe. We knew
13 that we could serve them without a contribution
14 from that customer. We would just need the
15 franchise rights. So, we felt pretty
16 comfortable in getting that one.

17 The Pelham contracts, there are quite a
18 few from the Town itself, and the Town has been
19 working with Liberty for a couple years to get
20 gas service. So, their coming -- it was not
21 surprising that they were going to convert the
22 Town buildings.

23 The manufacturers that are on propane,
24 very inexpensive conversion, and very large

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[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 savings between the two fuels, so less than a
2 year payback. So, those weren't surprising.
3 And they are also businesses that have access
4 to natural gas at other locations. So, they're
5 familiar with the product.

6 Q. So, it's worked for you to feel much more
7 comfortable -- or, not "much more", but
8 you feel -- so, you feel comfortable with this
9 expansion, and I know it's apparent from
10 Staff's reaction that they're comfortable with
11 an expansion proposal with so many customers
12 signed up in advance. That seems like an
13 object lesson for some other scenarios, doesn't
14 it?

15 A. (Clark) It does. A benefit to this expansion,
16 though, as mentioned earlier in Dr. Kovacs'
17 statement, Pelham and Windham have been
18 surrounded by natural gas for years, and
19 they're aware of the product and they
20 understand the delivery, and they want the
21 option.

22 If you get outside of the Northern or
23 Liberty territories a great distance, it can be
24 a little more difficult convincing people to

[WITNESS PANEL: Clark ~ Mullen ~ Frink]

1 switch to a product that they're unfamiliar
2 with. So, as far as expanding within or
3 adjacent to existing gas territories, it makes
4 it a little easier.

5 CHAIRMAN HONIGBERG: That's all I
6 had. And, thanks to Mr. Kreis, he asked the
7 question I would have asked on behalf of some
8 of the commenters.

9 So, Mr. Sheehan or Mr. Speidel, does
10 either of you have further questions for the
11 witnesses? Mr. Sheehan?

12 MR. SHEEHAN: No thank you.

13 CHAIRMAN HONIGBERG: Mr. Speidel?

14 MR. SPEIDEL: None. Thank you.

15 CHAIRMAN HONIGBERG: All right. I
16 think you gentlemen can probably return to your
17 seats.

18 The only things we have left to do
19 are to strike the ID on the Exhibits 1 through
20 5. And, since you've all, I think, agreed that
21 they're full exhibits, that will be done.

22 We've already taken public comment.
23 So, there's no further need for that.

24 I think the last thing we need to do

1 is to have the parties sum up. So, we'll go
2 Mr. Gowan, Mr. Kreis, Mr. Speidel, and finish
3 with Mr. Sheehan.

4 So, Mr. Gowan, you may proceed.

5 MR. GOWAN: May I make my comments
6 seated?

7 CHAIRMAN HONIGBERG: Absolutely.

8 MR. GOWAN: Great.

9 CHAIRMAN HONIGBERG: Just make sure
10 your microphone is on and that you are close
11 enough to it so that we hear it through the
12 speakers.

13 MR. GOWAN: Thank you very much.
14 First of all, Pelham is a growing community,
15 13,000 residents now. We're building
16 approximately 100 homes per year. We are a
17 little bit different. I think Windham and
18 Pelham both I think are different, in the fact
19 that we still have growing populations, where
20 many communities in New Hampshire that's not
21 the case.

22 Pelham has a Tennessee Gas pipelines
23 bisecting it from stem to stern, all the way
24 for Massachusetts, up to Windham. And we have

1 a take [pumping?] station in our industrial
2 park. So, we have all this infrastructure in
3 our community, and not one individual has any
4 access to any natural gas whatsoever. This has
5 been more than just a source of frustration.
6 It's been very, very irritating to many of us
7 in the community.

8 As a person who's responsible for
9 planning, thinking about the future, economic
10 development, our broadening of our energy
11 availability is hugely important. It was
12 referenced in our 2001 Master Plan. There's a
13 chapter on energy that will be vocalizing that
14 growing need in our current Master Plan effort.

15 On August 16, 2016, the Board of
16 Selectmen unanimously voted to enter into this
17 Liberty agreement, very excited about the
18 prospect. And, again, they understand, we all
19 understand in Pelham the value for our
20 taxpayers, our businesses, and for future
21 economic development.

22 That's all I have to say. Thank you.

23 CHAIRMAN HONIGBERG: Mr. Kreis.

24 MR. KREIS: Thank you, Mr. Chairman.

1 As I indicated earlier, the Office of the
2 Consumer Advocate is a signatory to the
3 Settlement Agreement. We know, from what we've
4 heard today, that the two host communities are
5 eager to see the request for a franchise
6 expansion granted. As the witnesses testified
7 earlier, although there is some degree of risk
8 to the overall body of residential utility
9 customers, that risk is extremely small. And,
10 for those reasons, we believe it is in the
11 public interest for the Commission to grant the
12 requested franchise expansion.

13 The only tiny bit of disagreement I
14 might note is, when I asked the witnesses about
15 the confidentiality issues, Mr. Clark alluded
16 to the possibility that commercial customers of
17 the utility might want to have their data or
18 the fact that they're a customer of Liberty
19 kept confidential, because of I guess I would
20 call it "public obloquy", potential public
21 obloquy associated with the revelation that a
22 particular customer is using natural gas. That
23 is not an asserted basis for confidential
24 treatment in the Company's motion, and it is

1 the Company's motion in its written form to
2 which the OCA has assented.

3 I want to reserve judgment on whether
4 that latter ground that Mr. Clark alluded to is
5 a valid ground for granting confidential
6 treatment. I'm not sure at this point whether
7 it is or it isn't. So, I just wanted to note
8 that for the record.

9 Beyond that, I believe that it is in
10 the public interest for the Commission to grant
11 the Petition, as conditioned by the Settlement
12 Agreement. And, so, therefore, we request that
13 the Commission do do so.

14 CHAIRMAN HONIGBERG: Thank you, Mr.
15 Kreis. I'll note I had a similar reaction to
16 what Mr. Clark said about that. And I think
17 Mr. Sheehan may want to say something about
18 that when he sums up himself.

19 Mr. Speidel.

20 MR. SPEIDEL: Commissioners, the
21 Staff of the Commission supports the approval
22 of the Settlement Agreement as filed, with the
23 additional request for information embedded
24 within Mr. Frink's discussion of the first run

1 of results from the computer module referenced
2 by the parties today. We would like to see
3 that before construction commences. And we
4 would appreciate the Commission's consideration
5 and do appreciate the Company's cooperation
6 with that effort.

7 In general terms, we have been
8 pleased to have participated in a collaborative
9 process over these several months that moved us
10 to a position where we were not concerned over
11 undue cross-subsidization of the new
12 infrastructure by existing customers of the
13 Company. Where we were not concerned unduly
14 about a lack of firm customer commitments and a
15 lack of certainty regarding infrastructure
16 development. We wanted to make sure that
17 whatever was being proposed for this franchise
18 expansion had some level of specific data and
19 specific bounding and specific information that
20 would give the Staff the confidence to be able
21 to say "this does not pose a threat to the
22 existing ratepayers", and, in fact, actually
23 represents a potential boon to the existing
24 ratepayers, insofar as there will be more

1 sharing of common costs within the structure of
2 the overall general EnergyNorth franchise.

3 That said, we are looking forward to
4 the roll-out of this project as the years go
5 by. And we're going to be carefully monitoring
6 the results of the project on a financial
7 level, to make sure that Staff got it right.
8 And to make measure that, if there are lessons
9 to be learned about modern infrastructure
10 development in gas, really, the last big
11 build-out in New Hampshire was more than 50
12 years ago, that we are getting it right and
13 making sure that we're not overlooking
14 something.

15 So, with that, we do thank the
16 Commission for its consideration, and the
17 Company and the Office of the Consumer Advocate
18 for their cooperation. Thank you.

19 CHAIRMAN HONIGBERG: Mr. Sheehan.

20 MR. SHEEHAN: Thank you. On the
21 confidentiality first, of course, I drafted the
22 motion, not Mr. Clark. The statutory bases for
23 confidentiality in the motion are from RSA
24 91-A, and they include a protection from

1 invasion of privacy and a protection from
2 disclosure of confidential, commercial, or
3 financial information. And, on top of that, I
4 can orally state the Puc 1200 rules also
5 provide protections for customer information.
6 Those are the grounds on which we rely. Mr.
7 Clark has more of a practical concern that may
8 be in the minds of some of our customers.

9 On the merits, there have been a
10 couple of link references to other dockets.
11 Mr. Kreis's question about financial aid, and
12 the Chairs question about the relative ease in
13 signing up new customers. We will certainly
14 have more thorough discussions of those in
15 those other documents -- dockets.

16 Of course, here, on the financial aid
17 issue, these customers are not going to lose
18 their source of supply, which is a very
19 different dynamic. And, as Mr. Clark
20 explained, in the more remote areas, it's just
21 a different dynamic, and, especially with
22 Hanover/Lebanon, when we had a competitor, was
23 another dynamic. And we hope, in those
24 dockets, to convince you that we can achieve

1 similar success as we ask for those franchises
2 in the future.

3 On the merits of this request, for
4 the reasons stated in the written testimony,
5 the oral testimony, and stated by especially
6 the Towns of Windham and Pelham here, we thank
7 them for being here and working with us. And
8 we're looking forward to providing them the
9 service that they have long sought.

10 And, so, we ask that the Commission
11 find that our proposed expansion in Windham and
12 Pelham is in the public good, and that you
13 grant us the right to serve both of those towns
14 in their entirety. Thank you.

15 CHAIRMAN HONIGBERG: All right.
16 Thank you all. With that, we'll close the
17 hearing, take the matter under advisement, and
18 issue an order as quickly as we can.

19 ***(Whereupon the hearing was***
20 ***adjourned at 11:20 a.m.)***