ORIGINAL

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

10 APR '18 AM10:41

**March 14, 2018 - 1:35 p.m.** Concord, New Hampshire

**DAY 2**
**Afternoon Session ONLY**

**RE: DG 17-048**
**LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES: Request for Change in Rates. *(Hearing on the Merits)***

**PRESENT:** Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

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

**Reptg. Residential Ratepayers:**
D. Maurice Kreis, Esq., Consumer Adv.
Brian D. Buckley, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
James Brennan, Finance Director
Office of Consumer Advocate

**Reptg. PUC Staff:**
Paul B. Dexter, Esq.
Alexander F. Speidel, Esq.
Stephen Frink, Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Division

**Court Reporter:** Susan J. Robidas, NH LCR No. 44

# I N D E X

WITNESS PANEL: WILLIAM J. CLARK
(resumed) STEPHEN R. HALL

# I N D E X (CONT'D)

P R O C E E D I N G S

(Hearing resumed at 1:35 p.m.)

CHAIRMAN HONIGBERG: Mr. Dexter, whenever you're ready.

CROSS-EXAMINATION (cont'd)

MR. DEXTER: Thank you. I'd like to continue questioning from Exhibit 38, which was the Company's response to Staff 1-1 in Docket 14-091. And I'm looking at what's primatively Bates-marked as Page 2, the Net Present Value Analysis we were talking about earlier. And I'd like to direct the witnesses' attention again to Lines 50, 55 and 60, which are labeled "NPV," and just confirm that the sums that are located on those lines represent dollars that would be returned to customers in excess of the investments and costs that were incurred.

A. (Hall) Not exactly. I mean, generally your statement is correct. But the costs are recovered through distribution rates, and distribution rates are only reset as part of a rate case. So there's no -- there isn't a dollar-for-dollar return of those amounts.

Q.   Understood.  I should have phrased that question a little bit differently.  But that's what I was getting at, is that the revenues and the investments and expenses under this scenario were going to be subject to standard base rate ratemaking treatment.
A.   (Hall) Yes.
Q.   And to the extent these numbers are positive, those would be sums that through the ratemaking process could be expected to be credited to other customers, returned to other customers.
A.   (Hall) Ultimately, yes.
Q.   Okay.  And I think we established last week that the actual in-service date was December 1st, 2016; is that correct?
A.   (Clark) Correct.
Q.   And the actual cost for the facility was $4.8 million, including AFUDC; is that correct?
A.   (Clark) Including the AFUDC.
               MR. DEXTER:  In the course of this docket, Staff had asked the Company to run an equivalent net present value analysis based on the actual cost of 4.8 million, and

I'd like to submit that now as our next exhibit.

CHAIRMAN HONIGBERG: This will be 46.

(The document, as described, was herewith marked as Exhibit 46 for identification.)

MR. DEXTER: And this is response to Staff Tech 3-12.

I'd like the witnesses to turn to Page 2 and go down to the net present value lines we were just talking about that indicate what the expected net present value is under the minimum take-or-pay assumption scenario.

A. (Hall) I can indicate what that is. But first, the premise to this line of questioning was you characterized this as an "equivalent analysis" to what appears in Exhibit 38. I don't agree that it's an equivalent analysis, and that's because Exhibit 38 does not include AFUDC and this one does. If we wrote an equivalent analysis to Exhibit 38, we'd get different results.

Q. Okay.

A. (Hall) In responding to your question, the NPV under the minimum take-or-pay in this particular analysis, again, including AFUDC, is negative $228,535. If we exclude AFUDC, that number becomes positive.

Q. Do you have that figure that you could give us for the record?

A. (Hall) If I recall, it's positive $175,000, in that ballpark. I'm being told it's probably a little less than that.

Q. Could you explain for the record, again, what AFUDC is? I know we covered this last week.

A. (Hall) It's allowance for funds used during construction, which is basically carrying costs at a specified rate for a project during construction and prior to the time it goes in service.

A. (Clark) I also might add that this was asked in discovery to update an existing. It also doesn't take into account the proposed settlement agreement, equity structure or the new federal tax rate of 21 percent as opposed to 34 percent, which would make that NPV even more positive.

Q. With regard to the tax effects in the capital structure, would you agree that it's on an equivalent basis to the analysis submitted in Exhibit 38?

A. (Hall) With regard to the capital structure and tax rates, yes, with the caveat that, again, this includes AFUDC. So it is not -- I will not agree that it's an equivalent analysis. It just isn't.

CHAIRMAN HONIGBERG: Mr. Dexter will stipulate that the AFUDC issue is different. So if he continues to ask you about this, we'll remember it.

WITNESS HALL: Got it.

MR. DEXTER: Thank you, Mr. Chairman.

BY MR. DEXTER:

Q. Now, your rebuttal testimony talked about some reasons as to why the 2.2 million that was contained as an investment estimate in the business case and in the first AFUDC analysis in Exhibit 38 rose to 4.8 million as the final number. And as Mr. Chairman said, I'll stipulate that one of those reasons was AFUDC. But I'd like to move to some of the other reasons that you mentioned. And to do that, I would direct your attention to the rebuttal testimony that you submitted in this case, Page 68 through 71. And I digested these pages down into four reasons, and I'd like to go through them one by one.

The first one is described at Lines 6 through 8 of your testimony. Could you read that into the record, please. This is on Page 68 of your rebuttal.

A. (Clark) "The first major driver was the decision by EnergyNorth to construct a 'full capacity' facility. The original $2,245,000 estimate was for the first phase of construction, which would not accommodate the accelerated growth model beginning in years four and five."

Q. Okay. And could you explain what the "full capacity facility" is and how it differs from the original estimate of 2.24 million? Well, let me break that question down. Why don't you describe what "full capacity" is and then we'll get into how it compares.

A. (Clark) The "full capacity facility" would be the accelerated sales model that you could see reflects between 1.5 and 2.2 annual -- 1.5 and 2.2 DCF of annual load. In order to accommodate that, the Company would have to install a larger canopy, more concrete, more asphalt, more compressor pads, a larger dryer, gas conditioner and few other pieces of equipment.

Q. Okay. So --

A. (Clark) I believe that was a data request in the 14-091 docket. There was a question from Staff asking what that additional cost would be to reach that, and the answer was between $6- and $700,000.

Q. Okay. So this is a bit of a tangent, but you mentioned canopies, and I think last week when we were here, you indicated that Liberty owns -- Liberty owns the canopies; is that correct?

A. (Clark) Correct.

Q. But if we were to go back to your testimony from 14-091, which has been marked in this proceeding earlier this morning, going to Page 11 through 12, it looks to me like that says that iNATGAS owns the canopies. And I'd like you to explain that to me or correct me if I'm misreading this.

A. (Clark) Sorry. Which line numbers?

Q. So I'm back on Exhibit 44, which is your testimony from 14-091, and I'm looking at Bates 11 through 12.

(Witness reviews document.)

A. (Clark) "iNATGAS is obligated, at its sole expense, to construct a CNG fueling station as described in Exhibit B to the lease agreement. This includes: Providing a commercially viable fuel management system; two sets of CNG storage vessels; six trailer fueling posts; at least one retail-style CNG dispenser for vehicle fueling; maintenance of all equipment downstream of the natural gas meter set assembly, including the compressor station; all electrical work after the 1250 KVA transformer; and all electric utility meters at both the compressor station as well as the CNG fueling station."

Q. Okay. So --
A. (Clark) It doesn't -- the canopies are not included in what I just read.
Q. Okay. Sure. Well, I thought I read that somewhere, but we'll get to that if I find it. But let's get back to the other questions we were asking.
Is it correct that this project was proposed as a phased construction in 2014?
A. (Clark) At that time it was phased, $6- to $700,000 incremental, that was going to be done at a future date.
Q. Right. And what were the phases? What was Phase 1 and Phase 2?
A. Phase 1 would have been the original $2.245 million estimate. Phase 2 would have been the addition of more land clearing, more asphalt, more concrete, a canopy extension. That would have been done anywhere from years three to six, depending on growth.
Q. Okay. And you indicated that that second phase was to handle accelerated growth. I think you said that in your rebuttal on Page 68; correct?

A. (Clark) Correct.
Q. And if I recall, to go back to the Exhibit 38, which is the DCF analysis from 2014, the accelerated growth, net present value scenario -- the accelerated scenario showed a net present value of 5.5 million; correct?
A. (Clark) Yes.
Q. Yet, the costs up on the top of that page, on Line 11, in Column 1, showed $2.2 million. Would you agree?
A. (Clark) I agree.
Q. So the 700,000 that you're talking about that's needed to serve the accelerated facility is not reflected on the net present value analysis done in 2014, in Exhibit 38; is that correct?
A. (Clark) Correct.
Q. And why would that be?
A. (Clark) That may have been an oversight. Looking back, it most likely should have been added as a capital expense in one of those future years.
Q. Moving further in your rebuttal testimony, at Page 69, it says that iNATGAS still needs to

do upgrades in order for the plant to reach its full capacity. Would you agree with that? It's up in the first question there. Would you agree with that? Lines 4 and 5.

A. (Clark) Sorry. Yes, I was under the fold. That is correct. They have, to my knowledge, installed all the hardware on the fuel management system on the electrical side to handle their full capacity. They have also run the underground tubing and boxed off the additional fuel fill station posts. My understanding is the only thing that they need to add is the fill station posts. Everything electronically and tubing-wise is there in the box under the concrete.

Q. So as it stands now, the facility can't handle the accelerated growth scenario that's presented in either one of these analysis. Would you agree with that?

A. (Clark) I agree, to the extent that iNATGAS could add those at any time and meet that.

Q. Do you know the lead time for iNATGAS to finish off their end of the work?

A. (Clark) The fuel management posts are a 3- to

12-week lead time and less than a week to install them.
Q.   I'm sorry.  What did you call them?  Fuel what posts?
A.   (Clark) Fuel fill posts.  It's what the trucks hook up to to receive the gas.
Q.   Okay.  Did the initial -- I'm sorry.  Did the full buildout involve adding compressors?  I believe you said it did.  Is that correct?
A.   (Clark) The additional compressors required were also iNATGAS responsibility.  So what we installed were the compressor pads, which are in the building.
Q.   So what's contained in the 2014 net present value analysis, Line 6, compressors, $1 million, what does that represent?
A.   (Clark) Those are the four compressors that are currently active.
Q.   And in the newer analysis in 2018, that number went up to $1,100,000.  Do you see that?  That's Line 6, Page 2, Exhibit 46.
A.   (Clark) Correct.
Q.   Is that still four compressors, or is that more compressors?

A. (Clark) No, that's still four compressors. If my memory is correct, the $100,000 incremental difference was the compressor transfer switch, the management to operate the compressors. They lead-lag so the same one doesn't come on all the time first. So it was a different component.

Q. Okay. So, just so I understand, I'm back on your rebuttal testimony at Page 68, and you talked about the expansion to the full phase. And in Line 12, you said -- well, Lines 10 through 12, you said this expansion would require additional paving, concrete work, a larger canopy and building a larger or additional gas dryer, compressors. Is it your testimony now that the gas dryer and compressors would be built by iNATGAS, not Liberty?

A. (Clark) No. What that simply is stating is that, in order to meet that capacity, this is the additional work that would have been done. It doesn't assign who was responsible for what. So, as I say in Lines 10 through 12, this expansion would require additional paving, concrete work, larger canopy and building, larger or additional gas dryer and compressors. The compressors would have been iNATGAS's responsibility. The additional gas dryer, larger or additional gas dryer, would have been Liberty's responsibility, if the larger dryer was installed.

Q. Is everything else in that sentence Liberty's responsibility, or any other items in this paragraph iNATGAS's responsibility?

A. (Clark) All other items are Liberty.

Q. Okay. And when was the decision to make the accelerated -- to do the accelerated build-out by Liberty? When was that decision made?

A. (Clark) Best recollection would have been mid- to late summer, possibly early fall of 2014.

Q. And would you explain why the decision was made to accelerate the full build-out?

A. (Clark) At the time, the competing fuel market was really showing advantage to natural gas. If you go back in time and look at the delta between oil, propane and natural gas in 2014 and 2015, it was very large. The two natural gas, CNG natural gas providers at that time in operation, NG Advantage and XNG, seemed like monthly they were coming out with press releases for new customer addition, new conversions, new models.

Q. And has that differential between oil and propane and natural gas and CNG, has that continued?

A. (Clark) It's continued, just not to the extent of 2014. That window closed up a little bit.

Q. And what did that differential look like when you filed for approval of the Special Contract back in April of 2014?

A. (Clark) Subject to check, it was in the high $3s I believe per gallon for oil and propane, as opposed to pipeline gas or Liberty Utilities gas pricing at that time would have been in the low $1 area.

Q. So that would be a significant difference in prices is what you're saying.

A. (Clark) Significant. It's not quite to that extreme. You would have to have, you know, compression delivery and decompression charges onto that natural gas price, but the delta was still substantial.

Q. So if I understood your rebuttal testimony on Page 69, it indicates that the decision to accelerate the construction was made after the Polar Vortex Winter of 2014-2015. So to me, that would indicate something like spring or summer 2015. Do I understand that correctly?

A. (Clark) Correct.

Q. And yet, I think you just testified that the decision to accelerate was made in the summer or fall of 2014. So I'm just going to ask you to clarify that if you could.

A. (Clark) Yeah. As I believe I mentioned, and that answer was subject to check, I thought it was that time frame. But apparently it was during that winter.

Q. Well, the testimony said "shortly after the winter." Would you agree?

A. (Clark) I would agree that means shortly after the Polar Vortex pricing. I'm just not sure where in that winter that pricing spike happened.

Q. Sure. When was the actual construction done for the full build-out?

A. (Clark) I believe, subject to check, the construction, including the asphalt and paving, concrete work and the canopies, was the summer of 2015 it began, and completed -- again, we had a shutdown that winter. So, again, with the commencement date being December of 2016, the final facility was ready to turn over late December of 2016.

Q. Okay. Now, your rebuttal testimony at Page 69 says, and I quote, "The Company believed the cost savings associated with completing all the work for the full-capacity facility from the onset was a prudent business decision." Can you identify the "cost savings" that are referenced in this statement?

A. (Clark) Not without checking. It would largely be due to the construction manager or project manager receiving the bids back for the asphalt and concrete; my guess is getting incremental bids to do it all at once.

Q. So are these savings reflected in the $4.8 million figure that was the final plant number?
A. (Clark) So do you mean if we didn't do it at this time, the 4.8 would have been higher if we did it later?
Q. I guess what I'm asking is you testified here in the rebuttal that there were savings.
A. (Clark) Correct.
Q. And my question is, are those savings reflected in the final $4.8 million --
A. (Clark) My answer would be that if we did not do it at that time, the $4.8 million would have been higher.
Q. Okay. So you mentioned the asphalt and the concrete a couple of times. And that's listed at your rebuttal testimony at Page 71 as another reason why the costs, investment dollars increased from 2.2 million to 4.8 million. Would you agree with that? And I can refer you to Rebuttal 71, Lines 4, 5 and 6.

(Witness reviews document.)

A. (Clark) Correct. It would be -- I did not

specify of the 635 how much was asphalt and concrete. I know, as mentioned in Line 6, there were other design changes and decisions made that accounted for that.
Q. But you said it was primarily due to asphalt and concrete; correct?
A. (Clark) As far as that being those two combined would be a large chunk of that.
Q. Okay. And we're talking this piece is 635,000 of that cost differential between the original and the final cost; correct?
A. (Clark) Correct.
Q. Okay. So I want to hand out another exhibit, and this is just since we haven't -- the Commissioners haven't been able to take the tour yet, this is just to help get an idea of what the plant looks like. Let me just take a minute to find the exhibit.

(Pause in proceedings)

CHAIRMAN HONIGBERG: This will be 47.

(The document, as described, was herewith marked as Exhibit 47 for identification.)

Q. While this is being passed out, I'll identify it as Liberty's Response to Staff 4-3 in Docket 14-091. And the question that was asked had something to do with vaporization boundaries. And the answer included a site plan. I'm really handing it out not to talk about the vapor dispersion zone, but more just to talk about the general layout of the facility.

So if you could turn to Page 2, please, and give a brief description of the facilities we're talking about, and if you could point out the various things we've been talking about: The filling station, the compressors, the canopies and the like. Would you do that, please.

A. (Clark) Sure. So it would be the box furthest to the right. It looks like six tractor-trailers backed in there. Everybody see that? So that would be the canopy. The tractor-trailers would be actually under that canopy. The compressor building is below that to the right, and it shows the concrete pads for six compressors. This is a little flip-flopped, so there was a little bit of a design change. You see the box at the right of the compressor building, that equipment actually went on the left of the compressor building. But the compressor building is in the back corner of the facility. The canopy with the tractor-trailers is in the center of the facility. The smaller canopy to the left of the tractor-trailers, that's the vehicle refueling facility. The fencing and the entrance are separate. The facility is totally surrounded by fence with secure gate posts. The vehicle refueling facility is open to public access. So that gate will be open during the day to allow for vehicles to fill up. If you were to gain -- in order to gain access to the compression facility for the tractor-trailers, a driver would have to show up and use a key card to get in. They would pull in under the canopy, pull forward so the back of the truck is adjacent to the fill posts and then hook up and engage.

Q. And is it correct that -- you said that the six compressors have been installed in that

rectangle that's --
A. (Clark) No. I'm sorry.
Q. Okay.
A. (Clark) I said six compressor pads. Four compressors were installed, the remaining two being the responsibility of iNATGAS.
Q. Okay. Now, the concrete we've been talking about, where is the concrete used on this chart?
A. (Clark) Sure. So the concrete, it's actually pretty much under that canopy. And the reason concrete was used there, that's where the truck legs to support would be located, so that there needed to be a denser structure to support that weight. The rest of the facility is the asphalt. And the compressor pads, obviously the concrete.
Q. So the concrete -- when you say the "canopy," you're talking about the six long rectangles that you said look like tractor-trailers. That dark area there, is that the concrete?
A. (Clark) Correct. Not sure if the canopy extends a little bit further than the concrete or the concrete extends a little bit

further than the canopy. But they're basically -- concrete's under the canopy.

Q. And then there would be concrete used for the compressor pads you said.

A. (Clark) Correct.

Q. And as far as paving, how much of this lot is paved, or asphalt? Same thing I guess.

A. (Clark) Behind the compressors is crushed stone and landscaping grass. So the entrance and exit is asphalt. Everything to the north and south of the canopy is asphalt up to the compressor building. And then as you go south towards the fence line, there is a little swale of landscaping. I would estimate that the asphalt stops about 20 feet before the fence to allow for some drainage.

Q. So I'm not good with north and south. And I do see there's a key here. But is it correct, do I understand correctly that area in between the rectangle with the tractor-trailer-like-looking things and smaller rectangle with the compressors, that's all asphalt?

A. (Clark) Correct. I think what you're looking at here on this design is, if you look at the six trucks and you look just to the right of that, you see a solid line followed by a line with some dots on it. I believe that was the original design. And then the full capacity, as you can kind of see that, that solid line extends to the right, or south, and then that dotted line also extends. That would be the new fence line and the new asphalt line for the larger, full-capacity facility.

Q. Okay. But all of the asphalt underneath where the six tractor-trailers are is part of the original facility --

A. (Clark) One more time?

Q. -- is that correct? All of the darkened rectangle underneath the six, what look like six tractor-trailers, that's all asphalt related to the original facility. Is that what you just said? The original area --

A. (Clark) Well, the dark shade is concrete, the white is asphalt.

Q. Oh, I'm sorry. I missed that.

A. (Clark) Right. Exactly to your point, though. The incremental asphalt and concrete would be the extension from that solid line to the next solid line to the right for concrete. And the incremental asphalt would be the same thing, from that solid line to the next solid line to the right.

Q. Okay. So let's go back to the original $2.2 million estimate for a moment. So that's Exhibit 46, Page 2. And there's detail -- I'm sorry. Exhibit 38, Page 2. And there's a breakdown of the 2.2 million original investment. And it also shows up -- it might be a little bit easier to read -- well, let's just go with this. We'll squint.

Do you have that in front of you, Lines 6, 7, 8 and 9? So we talked a little bit about six, compressors, $1 million. What's included in the compressors, the million dollars?

A. (Clark) The million dollars was the strict cost of the compressors and not any of the switching electrical required. I believe if you go through the estimates, each compressor is $250,000.

Q. That's the parts, basically?

A. (Clark) That's the bulk of the compressor, the enclosure. And then I believe the transferred electrical switch was -- another switch gear was the incremental $100,000 that we were looking at earlier.

Q. Right. Was there any labor involved in that, or was that just the parts?

A. (Clark) Just parts.

Q. Okay. So the next line says piping, meter set, survey, et cetera, 865,000. What would that include?

A. (Clark) That would have included the pipe run from the compressor station to the gate station. I'm sorry. A little bit more. So that would have been the meter set required. The asphalt, concrete, the installation of the compressors.

Q. So let me just take that one by one. The first thing you said was the pipe from the take station to the meter -- to the compressors I think is what you said.

A. (Clark) That's correct.

Q. So could you point out on the site plan, which is Exhibit 47, where the take station is? I think I see it at the upper side of the site plan, sort right in the middle, something that says "existing take station"?

A. (Clark) That is correct.

Q. Okay. So there's a pipe. And then that goes from that, and it follows --

A. (Clark) It's to the -- it comes out of the building to the north, the far left side of the gate station. It comes out of that building and then crosses under Broken Bridge Road, down alongside the adjacent driveway that feeds the LNG plant, crosses under the driveway and comes into the back of the compressor station.

Q. And the compressor station, again, is that smaller rectangle on the site plan with the six pads on it.

A. (Clark) Correct.

Q. Okay. So, of the $865,000, do you know how much of that was related to that pipe?

A. (Clark) I don't.

Q. And the meter set, which is the next thing you mentioned, I believe it's located on the site plan directly behind the rectangle with the six compressor pads. Am I correct in that?

A. (Clark) Yes. That was, I believe, changed. So they're now located at the gate station.

Q. The meter set in real life is now located at the gate station?

A. (Clark) I believe so, subject to check on that.

Q. And was that a Liberty expense, or was that somebody else's expense?

A. (Clark) That would have been a Liberty expense. That was one of the design changes I mentioned. I believe the original design had a single meter set exposed to the elements. The final was some redundancy, a bypass. And we constructed a small roof enclosure over that.

Q. Okay. Do you know in the original scenario, of the 865,000, how much of that was allocated to the meter set?

A. (Clark) I don't.

Q. And the next thing that's mentioned is surveying and then et cetera. And you had mentioned a few things that were included, but do you have any more details you can give as to what makes up the remainder of the 865,000 after you get past the piping and meter set?

A. (Clark) It would have been the surveying of the land, the removal of the trees, asphalt, concrete, canopies, and the connection of the compressors. I may be leaving out a couple items, but those were the...

Q. Okay. In the updated version of that, that equivalent number came to $3,080,000; correct? Again, that's Exhibit 46, Page 2.

A. (Clark) Correct. I believe that was a response to --

Q. Line 7.

A. (Clark) -- a discovery. So, without putting any line items in there, we left the compressors at the $1.1 million, took out the contingency and then backed into that new number, knowing that it was 4.835 if you include the AFUDC.

Q. So it would seem to me from your description of what was originally planned for concrete and asphalt versus what was part of the full build-out for concrete and asphalt, that the larger part of that would have been included in the original scenario. Would you agree with that, that greater than 50 percent of the concrete and asphalt was included in the original facility?

A. (Clark) Just going by the drawing, it would appear that the larger surface area, correct, was in the original.

Q. Is it more -- I mean, you're familiar with this plan. I assume -- is it more like 75 percent or 80 percent? I'm trying to get a scale as to how much of the original estimate, how much of the concrete and asphalt was included in the original estimate -- or in the original design I should say?

A. (Clark) It would just be a guess by me if I were to...

Q. Okay. Do you know how long that pipe is that goes from the take station to the compressors?

A. (Clark) I don't.

Q. Do you know the diameter?

A. (Clark) It's either four or six, but I'm not

sure.
Q. Is it plastic?
A. (Clark) No.
Q. Steel?
A. (Clark) Correct. That facility receives full Concord lateral pressures, so it has an MAOP of 750.
Q. And do you know the standard cost per foot of a 4- to 6-inch MAOP 750 psi steel line?
A. (Clark) I do not.
Q. Do you have any ballpark figure you can give us?
A. No.
Q. So, another item that was mentioned in the rebuttal as an area of differences in cost appears on Pages 70 to 71, and it talks about moving from the three-sided building -- I'm sorry -- moving from a canopy to a three-sided building over meters and regulators. Do you recall that being one of the changes?
A. (Clark) Those are two different items. The original design had a canopy over the compressors and had a canopy over the

electrical and switch gears and control system, and it had no structure over the meters and regulators. The final design was a three-sided building to house the compressors. Attached to that building would be a fully-enclosed room which would house all the electrical switch gear, and then again, as mentioned earlier, open on all four sides, just the roof structure to cover the meters and regulators.

Q. And that was done -- again, I'm paraphrasing -- to protect this equipment from weather, essentially? Is that what it was?

A. (Clark) Correct. Weather-related issues.

Q. Was there anything that happened between 2000 -- when was that decision made? That was all part the decision that made -- or when was that decision made to go from the -- to go to the more protected version?

A. (Clark) I believe it was all in the same time frame.

Q. That same 2015 to 2016 time frame?

A. (Clark) Yeah. Subject to check, I believe it was.

Q. Was there any reason, or did anything happen between 2014 and 2015 and 2016 that would have caused Liberty to move to a more protective arrangement for this equipment?

A. (Clark) I'm not aware of any incidents, if that's what you're -- Liberty was owning the compressors. We felt it prudent to provide a structure around them that would protect them a little bit more thoroughly, would allow for maintenance and work repair work to go on in winter if need be to reduce downtime on the facility.

Q. Okay. And the last item -- or another item that's cited in your rebuttal testimony as a reason for differences in the cost has to do with a street and water main extension. And this is discussed in the rebuttal testimony at Page 69 through 70. Do you recall that discussion in your rebuttal?

A. (Clark) I do. I remember the project managers of the two different facilities, the training facility and the iNATGAS facility, talking about that.

Q. Now, it's correct, is it not, and I'm going to hand out a couple of documents that indicate that this requirement to extend the water main in the street was imposed upon you by the city through a site plan review. Is that correct?
A. (Clark) That's my understanding of it.
Q. Okay. And I'm just going to take a minute to hand out two documents.

(Pause in proceedings)

MR. DEXTER: So I have to exhibits I'd like to mark, and the first one is entitled "City of Concord Planning Board Project Summary Sheet" related to the CNG facility. I would ask that that be marked for identification purposes. I think we're up to Exhibit 48.

CHAIRMAN HONIGBERG: Forty-eight is correct.

(The document, as described, was herewith marked as Exhibit 48 for identification.)

MR. DEXTER: Okay. Thank you.

And I'd also like to

distribute the minutes of the Concord City Planning Board Meeting of September 17, 2014. And I would ask that that be marked as Exhibit 49.

CHAIRMAN HONIGBERG: All right. That will be 49.

(The document, as described, was herewith marked as Exhibit 49 for identification.)

Q. If you could turn to Page 3 of Exhibit 48, which is the project summary sheet. There's a paragraph that admittedly I highlighted to make things easier to read. That's not in the original document. And if you could just read for us the third bullet that begins with "Improvement to Broken Bridge Road..."

A. (Clark) "Improvements to Broken Bridge Road were a condition of the site plan approval for the adjacent Liberty Utilities training facility in July. Construction plans for the road improvements were submitted on August 1st, 2014 and are under review. The roadway improvements along the frontage of their CNG facility are also incorporated into the construction plans currently under review. Staff notes that a conditional use permit application will be required to allow for impacts to the wetland buffer in association with the proposed roadway improvements to Broken Bridge Road."

Q. Okay. And then later that night in Exhibit -- or later that day in Exhibit 49, the site plan was approved by the City of Concord. Would you agree with that?

A. (Clark) Yes.

Q. Now, earlier on in a data request from the 2014 case -- I'm sorry.

MR. DEXTER: In the 2014 case, there was a data request, Staff 3-1 that I'll hand out right now and ask that this be marked as Exhibit 50.

(The document, as described, was herewith marked as Exhibit 50 for identification.)

Q. This was prepared by you, or so indicated. And it indicates in the first sentence of the response that there was a meeting with the City of Concord on May 22nd, 2014. Do you see that?

A. (Clark) Correct.

Q. Were you at that meeting?

A. (Clark) Subject to check, I believe I was, if it's the meeting I'm thinking of.

Q. Do you know, or do you recall at that meeting whether or not the requirement to extend the road and the water line was brought up?

A. (Clark) I do not believe it was. My recollection, if it's, again, the meeting that I believe this is referring to that I was at, it was an informational session strictly to do with the CNG facility. So the water line would not have been an issue at that point.

Q. How about the road?

A. (Clark) The road was not brought up at that point, other than I believe they asked at that meeting about estimated truck usage.

The first mention of the requirement for the rebuilding of the road and the water line that I received was an e-mail in late June from one of the construction managers that said they met with the City a day or two earlier than that, and that's what they were requesting. Subject to check, I believe that e-mail came out around June 18th.

Q. The e-mail discussing the road and water line?

A. (Clark) Yes, it was from -- I keep getting confused between North Branch and North Point, the construction manager. But it was from that construction manager mentioning that they met with the City of Concord, and as part of the requirement for the two projects, they are going to request -- or they're going to require a rebuilding of the road, re-swaling of the road, and an extension of the water line.

Q. And the part of that extension that was allocated to the iNATGAS project was $600,000; is that correct?

A. (Clark) I'm not exactly sure how that was allocated. But that's to the best of my recollection.

Q. Well, if you could look at your rebuttal testimony, Page 7, Lines 6 through 8, and just confirm that $600,000 was the incremental piece of the road and the water line allocated to the iNATGAS gas project.

A. (Clark) And as I said in Line 7, it was approximately. That was a number I was told. I wasn't involved in the allocation process.

Q. Okay.

MR. SPEIDEL: And the Bates page reference was 70.

BY MR. DEXTER:

Q. So are you familiar with the Staff's proposal in this case for ratemaking treatment of the iNATGAS investment?

A. (Hall) Yes. It's been a while since I read Staff's testimony.

Q. Would you agree that Staff is not recommending a full rate base exclusion of the facility in this case?

A. (Hall) Staff talked about a deferral, but it's not clear to me how that would work. I don't know how you defer rate base items.

Q. Okay. Well, I'll wait until Mr. Frink takes the stand and let his testimony stand for itself.

I'd like to go to the Clark, Hall

Rebuttal. At Page 66, there's a statement there about net present values that I want to ask about.

A. (Clark) Sixty-six?

Q. Sixty-six. And there's a line, a sentence that begins on Line 15 that says, "Even with the increased capital cost associated with the completion of the facility, the net present value is positive with these take-or-pay amounts over the contract term." And I would like to reconcile that statement with the negative net present value that we found in the DCF analysis done in response to the Staff data request in this case. That's exhibit --

A. (Hall) I'm not going to say the word.

CHAIRMAN HONIGBERG: Mr. Dexter, I thought we've been through this.

This is AFUDC; is it not, Mr. Hall?

WITNESS HALL: Yes.

MR. DEXTER: Okay. Thank you.

BY MR. DEXTER:

Q. So the last area of inquiry on the iNATGAS that I have has to do with the reasons for the delay in the construction from 2014 to 2016. And you had listed them quickly when we discussed it last week, but I was wondering if you could just do that again, please.

A. (Clark) I believe we, in the original testimony in 14-091, estimated an in-service date of November, December of 2014. But as you can see with the Concord City Planning Board, that approval came mid-September. My understanding is the alteration of terrain permit wasn't approved until after that, when we kind of got into winter season. So I think in earnest the construction didn't start until 2015. I'm not exactly sure what factors slowed it down through the summer of 2015. But we were at a point in 2015 where we didn't believe we could finish the entire facility and have it operational before winter. So the project was shut down for that winter and resumed in the spring.

Q. Did the decision to slow down or shut down the project have anything to do with the development of customers, from anything you heard from iNATGAS?

A. (Clark) No.

Q. Just to bring us up to the current situation, if we go to rebuttal testimony, Page 71, there's an indication that there was some sales activity in the December 2017 time frame. Could you explain that in more detail, please.

A. (Clark) So iNATGAS signed a large customer that is currently utilizing the facility. Not sure if what I'm about to say is confidential or not, so...

CHAIRMAN HONIGBERG: Mr. Sheehan, were you tuned in to what Mr. Clark was just saying?

MR. SHEEHAN: Partly until Mr. Mullen started whispering in my ear.

CHAIRMAN HONIGBERG: There's a question about whether there's some confidential information that might be required in response to Mr. Dexter's last question.

Mr. Dexter, would you repeat

the question, please.

MR. DEXTER: Yes. I was referencing the rebuttal testimony at Page 71 where the witnesses talked about some recent activity at the facility in December of 2017. And my question was just for some greater detail as to the nature of the transaction, and then I was going to follow that up depending on what the answer was.

MR. SHEEHAN: If I can make a statement. If Mr. Clark is going to talk about the amount of gas that is flowing out of our facility, that's not confidential. I don't think we are parties to any contracts that dictate -- contracts between iNATGAS and its customer. We're not parties to that and have no confidential information.

CHAIRMAN HONIGBERG: Thank you. Mr. Clark.

A. (Clark) I was going to give the updated peak day usage, but I was worried about naming their customers.

So the current peak day actually occurred in January of 2018, and it's changed

from 1826, which is on Line 19, to 4,250.
Q. So how does that -- that's MCF per day; is that correct?
A. (Clark) Correct.
Q. And the DCF scenarios we were looking at, the two we were looking at all afternoon, are based on three scenarios -- we actually started this last week and didn't get to finish it -- three scenarios of usage that's expressed in decatherms, if I remember. Is that correct?
A. (Clark) Correct. So the decatherm would be slightly higher, I believe, if my math is correct. 1826 MCF, the decatherms would be slightly higher than that.
Q. Yet, if we go to Page 66 of your rebuttal, you've indicated under the "take-or-pay" scenario, the minimum amount is 300,000 decatherms per year; is that right?
A. (Clark) That's correct.
Q. So how does one compare the 1800 MCF a day to 300 decatherms per year?
A. (Clark) Going to be 300,000 decatherms per year. And the peak day is just that. It's a

peak day. There may be 4250 decatherms used on one day and half of that the following day and another number the day after that. But that's their peak day. That's more in tune to what their capacity assignment would be. So if they were to leave and go to transportation service, now that they are entitled to do that because it's been a year on sales service, their capacity assignment would be based on their peak day, which is 4250.

So the capacity credit, if you were to do a rough, updated number, you know, based on one of the previous data requests, that capacity credit would have a value of over $800,000 a year flowing back to our customers.

A. (Hall) And that flows through the cost of gas.

A. (Clark) It's not a direct revenue received from iNATGAS, but it is value to our customers. It wasn't included in the DCF and the NPV analysis, but it's an overall project value for our customers that should be included.

Q. So, of the three scenarios that we've been talking about -- the minimum take-or-pay, the baseline and the accelerated -- based on all the actual information you have to date, which of these three scenarios is closest to what's been actually experienced?

A. (Clark) It would be a guess, and it would be based on what is known. Now, you're looking at probably slightly ahead of baseline as things stand now. My understanding, there could be an expanded use of that facility sometime soon.

Q. And so the baseline scenarios on Exhibit 46, what are the volumes associated with years one, two and three under the baseline?

(Witness reviews document.)

A. (Clark) Are you asking for the baseline usage numbers?

Q. Yes.

A. (Clark) Annual? In which years?

Q. Well, we'll start with years one, two and three. And I'm looking for the volumes that equate to the estimated revenue at baseline in year one of 314,000; in year two, 781,000; and year three, a million four. Those are cumulative. I'm sorry. You'd have to go to Page 3 to get the -- Page four to get the individual years. So I'm looking for the volumes associated with year one revenues of 314,000; year two revenues of 467,000; and year three revenues of 619,000.

(Witness reviews document.)

A. (Clark) I believe the take-or-pays are confidential.

Q. Take-or-pay aren't confidential because they're laid out at Page 66 of your rebuttal testimony. But I was asking about the baseline.

A. (Hall) The price is confidential.

Q. I just want the volumes.

A. (Clark) I just want to make sure you can't back into the price if I give you the volumes.

A. (Hall) If we give you the volumes, it's very easy to determine the price.

MR. DEXTER: Well, I disagree with the witness because there's customer charges that are public, there's a lease factor that's confidential, there's a volumetric -- all I'm trying to do is compare the volumes where we are currently so that I can test the statement on Bates 71 of the rebuttal testimony that 2,000 MCF would equate to 80 percent of the minimum take-or-pay. And so I'm trying to compare reality to what's contracted. I can't imagine this stuff is confidential.

CHAIRMAN HONIGBERG: I don't know if it's confidential or not. Mr. Sheehan may have an opinion on this. If it is, you ask the questions, you get the answers. And these pages are marked, and whatever is confidential gets redacted. So we're attuned to it. There will be an opportunity for the parties to review the transcript afterwards and we'll go from there. There's no one currently in the room that would have to leave if confidential information is disclosed, so...

A. (Clark) I'm going to tell you --

CHAIRMAN HONIGBERG: You are

good to go, Mr. Clark.

A. (Clark) Baseline years one and two would be 500,000 decatherms annually.

(Witness reviews document.)

A. (Clark) Year one was 500,000 annual, year two was 750,000 annual, and year three was 1 million annual.

Q. Again, those volumes would relate to the revenue levels on Page 4 of Exhibit 46; correct?

A. (Clark) Correct. The usage that we're seeing now, we feel pretty comfortable that it's that baseline.

Q. Okay. So what did you actually see for usage in December of 2017?

A. (Clark) I don't have that with me. The numbers that I -- the last numbers I saw were for combined numbers, December, January and February. That was over 200,000 in those three months.

Q. And would you classify that load as heating-related or non-heating-related? Or don't you know? Maybe you don't know.

A. (Clark) I don't know the mix. I'm sure --

well, I shouldn't say. I'm guessing there's some heating variable in there. But I don't know if they also include manufacturing customers. That would be more of a flat load.

Q. So how does the 200,000 combined load for those three months relate to the 20,000 MCF that was mentioned in the testimony at Page 71 for the month of December?

(Witness reviews document.)

A. (Clark) I'm sorry. What was the question? One more time.

Q. So I'm looking at testimony on Page 71, Line 11, and it says the monthly consumption for December, including several days of testing, was close to 20,000 MCF, which would equate to 80 percent of the minimum take-or-pay. And my question is: How does that load figure of 20,000 MCF relate to the combined load figure you just gave us of 200,000 decatherms for the three months, December January and February?

A. (Clark) So, December, if my memory is correct, was the lowest month of the three months I just gave you. That was over 200. I don't believe they started on December 1st. They were still doing a lot of testing and adjusting, so they weren't receiving all the trailers. The month of January was over, if my memory's correct, was over a hundred thousand just for the month of January, and then February was also quite high.

Q. So a hundred thousand decatherms?

A. (Clark) Hundred thousand decatherms for January.

Q. And this figure of 20,000 MCF, how does that convert decatherms?

A. (Clark) I believe that would equate to 21,000 decatherms, around there. So, close.

Q. So that would leave 79,000 decatherms for February; is that correct?

A. (Clark) I think it was a little higher. As I said, the three months combined were over 200. It wasn't 200. So, on order of magnitude, I want to say it was around 220, 225 for those three months.

MR. DEXTER: Would this be an appropriate time for a five-minute break?

CHAIRMAN HONIGBERG: It would. We'll break for 10 minutes.

MR. DEXTER: Thank you.

(Brief recess was taken at 2:51 p.m., and the hearing resumed at 3:12 p.m.)

CHAIRMAN HONIGBERG: Mr. Dexter.

MR. DEXTER: Thank you.

BY MR. DEXTER:

Q. I'm going to turn back to AFUDC. And my question simply is: In order to make these two AFUDC analyses that we've been looking at comparable, would it be possible to add AFUDC into the 2014 analysis? And my question is: If this facility had been built at $2.2 million and within six months, as was predicted back in 2014, what would you estimate the AFUDC would be on that project?

A. (Hall) Short answer to your question is, sure, we could calculate it. But I've got a fundamental issue with the question, and that's this: Under our tariff, which is what we followed when we first performed this analysis, it talks about direct cost. And it talks about a six-year payback for a direct cost. Doesn't include AFUDC. Every project has a AFUDC assigned to it, to the extent that there's a gap between the time the project is finished and the time it's placed into service. The issue that I have with saying, okay, well, now let's add in AFUDC and see what the numbers look like is we're changing the rules in the fourth quarter. It just doesn't -- it's not the way that the framework was set up when we originally did this analysis. If the analysis originally said, oh, and you include AFUDC as well, I'd be agreeing with you. But I don't think it's right to change the rules when you're at end game.

CHAIRMAN HONIGBERG: Mr. Hall, understanding that you disagree that it should be included, accept my representation that we don't necessarily agree or disagree.

WITNESS HALL: I respect that.

CHAIRMAN HONIGBERG: Play the game with us.

WITNESS HALL: Okay.

CHAIRMAN HONIGBERG: See if you can give Mr. Dexter an answer to his question, which I won't -- I'll paraphrase it as assume A and B, what would AFUDC have been if it applied. And we all understand it's a hypothetical for you, but work with us here.

WITNESS HALL: Fair enough.

A. (Hall) And to answer your question, I'm going to have to take a record request because I don't want to do a rough number and come up with something. I'd prefer to go back, do the analysis and then respond in writing, if that's okay.

MR. DEXTER: Staff has no objection to that.

CHAIRMAN HONIGBERG: All right.

A. (Clark) To be clear, are you asking for the original AFUDC to be added based on a certain construction time line and then --

BY MR. DEXTER:

Q. Yes. AFUDC calculated -- if it were calculated on the scenario that we've been talking about in Exhibits 38 --

A. (Clark) At the 2.245 million --
Q. At the --
A. (Clark) -- and within a certain construction time line?
Q. Right. And when the contract was put before the Commission back in 2014, the projected in-service date was November 2014. So that would be the time line -- or December 2014. Whatever was represented. It's in the testimony. I can pull it out.

CHAIRMAN HONIGBERG: Are there other elements you need other than what Mr. Dexter just outlined to do the calculation?

WITNESS HALL: I think that's good enough.

CHAIRMAN HONIGBERG: All right. So we will make that Exhibit 51, that record request. Mr. Sheehan, are you onboard?

MR. SHEEHAN: Yes, sir.

CHAIRMAN HONIGBERG: All right. Thank you.

(The document, as described, was herewith marked as Exhibit 51 for identification.)

BY MR. DEXTER:

Q. Turning back to the site plan, which is Exhibit 47, Page 2, could you indicate where on the plan, again, the vehicles fill up versus the tractor-trailers fill up, just to make that clear?

A. (Clark) Sure. If you see the six tractor-trailers presumed parked there, there's a gray box just to the left of them; that's the vehicle fill. And that dotted line between the trucks and that gray is a fence. So on one side of the fence is a vehicle fill, the other side of the fence is the compression facility for the trailers.

Q. And just generally speaking, rough estimate, what percentage of the estimated sales in the scenarios we've been talking about was related to vehicles versus tractor-trailer fill-ups?

A. (Clark) On an annual basis?

Q. Yes.

A. (Clark) It was less than 5 percent. It was a minimal part of the analysis.

Q. The vehicles?
A. (Clark) The vehicles. And I also did -- that just reminded me. I need to correct an earlier statement.
During the break I went and ran the reports. The three-month usage was 125,000 decatherms, not 200,000 decatherms.
Q. So, just to follow up on that, the 200,000 that you reported for December, January and February has been corrected to be 125,000?
A. (Clark) Correct. I believe I was confusing two separate projects that we're working on, on numbers.
Q. Sure.
A. (Clark) I thought that -- so getting back to your earlier and how that compares with baseline, the 125,000 in three months, quarter of the year, full year being about 500,000 decatherms, that's the baseline for year one.
Q. And the 21,000 for December, does that remain accurate?
A. (Clark) That was correct.
Q. So the remaining 104,000 would be split

between January and February?
A. (Clark) Correct.
Q. And I think we touched on this last week, but I want to make sure I have it clear. When you said the plant opened in the middle of 2017, that was just for the vehicle load; is that correct?
A. (Clark) Yes. Correct.
Q. And when was the first trailer load?
A. (Clark) The first non-test trailer was December of 2017.
Q. Okay. When this project was presented in 2014, it was presented as a two-phase process. Do you recall the reason for breaking it into two phases?
A. (Clark) No, not off the top of my head.
Q. Did it have anything to do with minimizing the risk of investment, depending on how the market developed?
A. (Clark) That could have been a factor.
Q. You don't recall?
A. (Clark) I don't.
Q. And the take-or-pay provisions that we've been talking about, when did those become

effective? When did Liberty start to receive take-or-pay payments?

A. (Clark) The take-or-pay started from the commencement date, which was December of 2016. So the first true-up would have been December of 2017. INATGAS had the ability to roll over one time during the 15 years a shortfall into the next year. They elected to do that. Basically, that means this year, year two, their take-or-pay is 600,000: 300 from this year and 300 from the previous year.

Q. So if I understand what you just said, they actually didn't make any take-or-pay in 2017; is that right?

A. (Clark) They did not make a take-or-pay minimum after year one.

Q. And when was year one?

A. (Clark) Year one was December 1st of 2016 through December 1st of 2017. So the take-or-pay minimum would have been due December of 2017.

Q. And that was rolled over so that they're now their take-or-pay --

A. (Clark) Correct.

(Court Reporter interrupts.)

Q. So under the rollover provision, their take-or-pay minimum for 2018 is now 600,000 decatherms? Is that what you're saying?

A. (Clark) Correct. It was my understanding in December, at the time they made that decision, they were in the process of finalizing the contract with the customer they now have, and they felt that rolling it over, they would still be able to meet the 600,000 and not have to make a payment.

Q. So revenues from gas sales in 2015 were zero; is that correct?

A. (Clark) Correct.

Q. And revenues from gas sales in 2016 were zero; is that correct? No, that's not correct. What were the revenues from gas sales in 2016?

A. (Clark) Minimal. If they commenced December 1st of 2016, there would have been some small vehicle usage for the month of December.

Q. Okay. And that would be the same for 2017 as well, minimal sales?

A. (Clark) Yes. Summer they started utilizing the vehicle a little bit, but again, small compared to what the trailers can use. And December would have been their first good month at the 20,000 decatherms.

MR. DEXTER: Okay. I believe that completes our questioning on the iNATGAS gas facility. Next up on the agenda after questioning would be a different topic with the same panel. And I just wanted to raise the possibility of the Bench questioning on this topic before moving into the next topic, which is going to be Keene.

CHAIRMAN HONIGBERG: All right. We'll do our questioning on iNATGAS gas now, which I think is what you all contemplate us doing; right?

MR. DEXTER: Well, it didn't occur to me. It occurred to my co-counsel during the break. And so --

CHAIRMAN HONIGBERG: Own it. We're on it.

MR. DEXTER: -- I won't claim

ownership of the idea.

CHAIRMAN HONIGBERG: Commision
er Bailey.

QUESTIONS BY COMMISSIONERS:

BY COMMISSIONER BAILEY:

Q. I had several follow-up questions, and they're probably going to be all mixed up, not in good order. I apologize for that.

So, this year, from December 2017 through the end of November 2018, iNATGAS has a minimum take-or-pay of 600,000 decatherms because they didn't use any last year.

A. (Clark) That's correct.

Q. And from December through February, they used 125,000?

A. (Clark) Correct.

Q. Which is less than a quarter of 600,000.

A. (Clark) Correct.

Q. Isn't December through February going to be the highest-usage quarter because it's cold?

A. (Clark) Depends on the mix of their customer base -- or I should say of their customer's customer base.

Q. Do you have any idea?

A. (Clark) I don't. I believe -- well, they're looking at transportation service, which could expand the use of summer gas if they did that.

Q. But is the quantity of summer gas for transportation anywhere near the quantity of gas for heating?

A. (Clark) Sure. If they get the asphalt plants and the cogeneration hospitals, that type of load, yeah. In New England, I want to say there's, in the northeast, you know, close to double digits, if not more than double digits, of asphalt customers on compressed natural gas, and their load is April through November.

Q. So they use it in their manufacturing?

A. (Clark) Correct. So, as an example, we have a lot of asphalt plants on our system, on our pipe system. And depending on the size, they could have an annual -- or, you know, basically a nine-month load of 75- to 150,000 decatherms in one plant through the summer.

Q. They're already your customers, though; right?

A. (Clark) Correct. As a scale.
Q. Okay. Are you confident that they're going to make the minimum?
A. (Clark) I'm pretty confident they're going to get to the baseline, which is 5, 6. I'll reserve judgment if they get to the 600,000 on the take-or-pay.
Q. I'm not sure I understand the difference in the base line and minimum take-or-pay.
A. (Clark) The baseline was just a projection, a modeling we did.
Q. Oh, oh.
A. (Clark) The take-or-pay minimum, a baseline projection. And the baseline projection, year one was 500,000 decatherms.
A. (Hall) Remember, the minimum take-or-pay for the second year is two years' worth of take-or-pay.
Q. Right. Okay. So baseline was 500,000 for year two; the minimum take-or-pay was 300,000, but they used that provision because they didn't make it in the first year to get the 600,000. Okay. Thank you.
A. (Clark) Correct.

Q. The diagram of the facility that we're going to go see on Friday -- apparently I didn't write the exhibit down.

CHAIRMAN HONIGBERG: Forty-seven.

BY COMMISSIONER BAILEY:

Q. Exhibit 47. I thought I was following you and then I want to make sure.

The two pads that don't have compressors on them today, iNATGAS has to pay for those compressors.

A. (Clark) Correct.

Q. The four pads that have compressors today, did you pay for those or did iNATGAS?

A. (Clark) We paid for pads.

Q. Did you pay for the compressors?

A. (Clark) Yes, we paid for the compressors. Yes. That was the million dollars.

Q. Right. Okay. So you pay for compressors and the pads on the first floor. But the additional two, they pay for the compressors?

A. (Clark) Correct.

Q. Okay. Okay. Can you turn to your rebuttal testimony on Page 68. In answering one of

Mr. Dexter's questions, you said that the compressors were the responsibility of iNATGAS. And the answer to this question -- I mean the question that this -- the question here is: Why were the costs so much greater than what you expected? And you said the reason was additional paving, concrete work, larger canopy and building, larger additional gas dryer and compressors. And then you said in your oral testimony that the compressors weren't part of the additional amount. So can you clear up that confusion for me?

A. (Clark) So I guess I was -- in the sentence here, I was expressing all of the work that would be done. And it apparently wasn't clear, breaking out the two costs between Liberty and iNATGAS. So in Lines 10 through 12, that list was all what I meant by that. That was the list of all the work that would have needed to be done, but not necessarily the responsibility of Liberty.

Q. Well, are those compressors included in the $2,135,084 cost increase?

A. (Clark) No. They haven't been put in yet.

Q. Right. But the question is: What are the major cost drivers of that $2.1 million cost overrun? And you're saying it's not the compressors in your oral testimony, but the written testimony says compressors are included in that 2.1 million.

A. (Clark) The meaning behind the compressors in that sentence was that that was going to be required for the larger facility. But again, not the responsibility -- it wasn't clear that it was not the responsibility of Liberty.

CHAIRMAN HONIGBERG: Are you saying that Liberty spent more money to set it up so that it could be used as a larger facility? Because what we're trying to get is the answer to the underlying question that starts on Line 4, which is: Why is the cost so much higher than you thought it was going to be? Why did the cost turn out to be so much higher? So it's a backward-looking question about what did you spend more money on than you expected to spend, not necessarily what other expenditures you're going to be required to finish it, but what did you actually spend to get from 2.4 to four point whatever.

A. (Clark) Sure. So was it 2.3 differential between the two numbers?

BY COMMISSIONER BAILEY:

Q. Well, this question says 2.1.

A. (Clark) 2.1 was the allocation for the road work and the water line. The asphalt, concrete, larger canopy, switching from a canopy to a three-sided building for the compressors, switching from a canopy to a full, enclosed building for the electrical switch gear controls, the roof changes for the regulators and meters, some of the redundancy built into the supply line so you can work on the facility while one of the meters or regulators was down, the larger dryer which was installed, pouring of the six concrete pads instead of four -- I said concrete.

Q. So should I just delete compressors from that sentence then?

A. (Clark) That would make it easier. Yes, ma'am.

Q. Okay. And now is there an account of that $2.1 million for each one of those items, or is this just a general explanation?

A. (Clark) This is a general explanation. We could find receipts from the contractors to find out exactly what the cost per foot would be, I guess, for concrete work and maybe extrapolate some numbers to find out what those two pads additionally cost.

Q. Well, it's not what the two pads additionally cost. I mean, the question you were trying to answer is what are the major cost drivers for the $2.1 million over budget, and you gave a bunch of items to answer that question, one of which was incorrect. So I just wanted to see if you could show us how much each one of these things that you have listed here contributed to the $2.1 million over budget costs.

(Witness reviews document.)

CHAIRMAN HONIGBERG: Mr. Sheehan, Mr. Dexter, can one of you tell me whether this was the subject of discovery?

It seems like the kind of thing that probably was asked.

MR. SHEEHAN: Two things. I can point to the testimony where it was itemized to a degree; and second, the Audit Staff did audit all of this. And I was going to ask Mr. Hall that question on redirect. They audited all these costs and found no issues.

The issue they found was -- yeah, it didn't affect the dollar amount, just some other --

CHAIRMAN HONIGBERG: And that's fine. It's just if we're interested in knowing what the cost drivers were, this answer may well be complete. I felt like at some level we were doing a memory test here, though we did testimony in front of them. I just think that this was a question that was probably asked in discovery and produced something. Mr. Dexter.

MR. DEXTER: This was looked at extensively by Liberty Consulting and they gave a fairly detailed breakdown in the report, which is attached to Mr. Frink's testimony.

COMMISSIONER BAILEY: Okay. Thank you.

MR. DEXTER: I don't recall exactly how detailed it was, but I know this was an area. I did not find a project cost overrun breakdown like I did for the training center that we talked about last week that went item by item for this facility. But there was similar investigation by Liberty Consulting.

CHAIRMAN HONIGBERG: Okay. Thank you.

Is there a pending question? There may well be. Mr. Hall, you seem to be looking for something to respond to the question. You even had a calculator out at one point.

A. (Hall) I think I come up with 2.135. It's talked about in the testimony below. On Bates 68, Line 16, the expansion cost was $700,000. I know it says 6 to 7, but 700 is what was used.

On the next -- on Bates 70, Line 8, there's a $600,000 item, which is the cost of the water line and repaving of Broken Bridge Road.

And then on Bates 70, Line 14, it's $835,000 for design changes.

Q. Okay.

A. (Hall) And if you add those numbers together, you come up with 2.135.

Q. Okay. Thank you.

All right. I had a couple questions about the design changes. One of the things that you said was the additions to enclose the compressors, I think with the three-sided structure, and the building that enclosed electrical would make the facility more reliable. Is that basically what you said?

A. (Clark) Hmm-hmm.

Q. So why wouldn't you have designed that in the first place?

A. (Clark) The original design was done both internally and externally. So I believe it was just -- you know, these condensers -- compressors can be installed outside so you can have warm-weather package, cold-weather package covers on them. But we just felt it was more prudent to cover them with the three-sided, you know, with the servicing.

Q. And I can understand how you get there. But why did you find it was more prudent after you showed the Commission how much it was going to cost? Do you know what caused the change in that decision?

A. (Clark) I don't. I'd have to go back and check. It was three and a half years ago that we were looking at that and what the design change was and what time it was done. I know, I mean, in the rebuttal testimony there's a footnote also on Bates 68 that this was subject to some discovery in October of 2015. My recollection is these changes were included in that discovery of 2015. So, sometime between an order which was, I believe in July of 2014, to then, the design change happened. And I believe, also, that when we indicated the final numbers in October of 2015, we were pretty close to where we are today. So as far as managing the construction process after that, we were pretty close.

Q. Okay. The costs that were unexpected that came from the City of Concord -- when you design a project or when a company designs a project, do you usually include some allowance for unexpected costs?

A. (Clark) Yes. I believe the original 2.25 had a $180,000 contingency in there.

Q. And did you know when you had that $185,000 contingency where you were in the planning process with Concord?

A. (Clark) Oh, that was well early. I'm not even sure if we had anything more than a preliminary discussion with Concord about would you be opposed to having this project in your city.

Q. On the minimum take-or-pay requirement, you claim in your rebuttal testimony that Staff doesn't understand that the minimum take-or-pay extends for the full 20 years of the contract.

A. (Clark) Fifteen years.

Q. Fifteen. Sorry. So there is a minimum

take-or-pay for years 5 through 15 of 1.3 million.
A. (Clark) Correct.
Q. Is there a risk that -- is it possible that Staff's concern is there's a risk in year 5 through 15 that the 1.3 million may not be paid because the escrow expires in year five? Is that what your argument is, do you know?
A. (Clark) Well, I think Staff would be best to answer that. But that would be my --
Q. Your understanding?
A. (Clark) -- understanding of their testimony.
Q. Okay. And what's your response to that? That they owe you that 1.3 million for each of those years, and if they don't pay --
A. (Clark) They do. And while the escrow expires after year 5, the AVSG, which is a sister company of iNATGAS, and the principal owner of iNATGAS Babak Alizadeh, we have a guaranty that extends through the life of contract that we could get personal and business assets of the other company, or his personal assets if he's in default.
Q. What does that guaranty look like, and was

Staff aware of that guaranty?

A. (Clark) Yes, it was part of the docket.

Q. Part of the Special Contract?

A. (Clark) Yes. And also as part of that, we would be able to take possession of the full facility, of everything that they at this date own.

Q. Okay. All right. I think that's all I have. Thank you.

CHAIRMAN HONIGBERG: Commissioner Giaimo.

BY COMMISSIONER GIAIMO:

Q. Good afternoon. So, just a couple clarifying questions. On Bates 71 of the rebuttal testimony, bottom of the page, "To date, iNATGAS has a peak day of 1826 MCF." Did I hear you correctly that that number actually changed?

A. (Clark) It did. It is now 4,250.

Q. So it more than doubled.

A. (Clark) Yes.

Q. So with respect to the take-or-pay requirement for the five-year option, did the take-or-pay option exist in those five years as well?

A. (Clark) Years 15 to 20?

Q. Correct, in the additional five years.

A. (Clark) I'd have to check that. I'm not entirely sure.

Q. Okay. But what I did hear you say is year one, the Company decided to roll over. So there would be a double payment, if you would, of, what was it, 600?

A. (Clark) Six hundred it is now. And year two, take-or-pay minimum. And they have now exercised that one-time option to roll over, so that is no longer in effect. They can't do that anymore.

Q. So rest of the 13-year term --

A. Correct.

Q. And we don't know if there is a rollover provision in the next five years, so --

A. (Clark) Correct. By the time I'm back here for Keene, I can have an answer for you on that.

Q. I think that's fine.

A. (Clark) Okay.

Q. So, back to the 4,250 MCF we talked about earlier. I thought I heard both you gentlemen say that that's $800,000 of revenue?

A. (Clark) It's capacity credit to our customers.

Q. Can you explain that and maybe show where it might appear on Exhibit 46, if that's...

A. (Clark) It would not be on Exhibit 46. As I said, the capacity credit is not a direct revenue stream received from iNATGAS, but it is a credit that flows back to Liberty customers. So I'm going to point you to Bates Page 95 of the rebuttal testimony.

Q. Okay.

A. That was a data request during the original docket, 14-091, from Francisco DaFonte. And if you look on Page 96, Bates Page 96, Mr. DaFonte calculated annual capacity credits that would be flowing back to our customers based on various iNATGAS peak days. So, 2700, 3200, 4600. If you extrapolate the 4250, it's roughly $826,000.

Q. Okay.

A. (Clark) And again, it was not part of the

DCF, but as an overall value to our customers for this project. I think we ran a quick analysis this morning. If you did put that in as a revenue requirement with the new tax structure, the take-or-pay minimums resulted in a positive NPV of over $6 million. So...

Q. Thanks. So when a transmission owner wants to build transmission for reliability, transmission owners have to provide a range of costs, plus or minus 25 percent of their initial estimate. Was there ever a range of certainty that you used in this project?

A. (Clark) No. There was strictly that, I believe it was 10 percent, $180,000. I think we backed the land cost out, and then 10 percent was $180,000.

Q. So the 2.2 million minus the land costs multiplied by 10 percent gave you your --

A. (Clark) Roughly the contingency.

Q. Okay. So with respect to time lines, I want to make sure I understand this right. The initial estimate was an in-service date of 2014? Is that --

A. (Clark) At the initial -- at the onset of the docket, we believed that we could have this in by that winter, yes.

Q. Is it fair to say that that was, even at the time, it was viewed as being aggressive?

A. (Clark) Yes.

Q. Okay. All right. My last question deals with Exhibit 43, and it will be Bates 3. So I'll wait for Bates 3. And it's the Staff Question 6-33, 6-35, planning and budgeting questions. So on Page 3, which is the business plan from April --

A. (Clark) Yes.

Q. You both have that?

A. (Clark) Yes.

Q. So I'm going to ask a question and hope to get your comments.

Did the Company rush into this venture out of fear that it would miss out on a business opportunity? And I ask that based on the Status Quo part of Page 3, where it says, "The alternative for Liberty is to simply not collaborate on the development of a CNG facility and allow others to pursue this market. If Liberty chooses this alternative, CNG developers may bypass Liberty entirely and tap directly into the TGP transmission line, as has been done already by a competitor. Also, a neighboring gas distribution utility may partner for development of a CNG facility in proximity to our franchise territories. The market demand for CNG will support a finite amount of these facilities, and if this facility is not constructed, Liberty may lose an opportunity for significant revenue growth.

A. (Clark) I would say "rush" is a strong word. It was identified as a "risk" that we -- you know, at that time, as I mentioned, there was the NG Advantage/clean energy facility in Pembroke that did choose to bypass us.

INATGAS does have a second facility in Worcester off of the Eversource system. A risk would have been another direct tap within our service territory, or potentially on the seacoast, maybe in the Unitil territory off of one of those transmission lines as well. We did feel that if we were able to get this customer based on the finite amount, we'd be in good shape to see substantial growth.

Q. Thank you.

A. (Clark) Thank you.

CHAIRMAN HONIGBERG: I think my questions were answered, in part because I butted in on Commissioner Bailey's question. Just making sure -- go ahead, Commissioner Bailey.

BY COMMISSIONER BAILEY:

Q. So are you really still confident that this is going to be a revenue producer?

A. (Clark) Yes. Even without the capacity credits, I do believe that the NPV and the take-or-pay will be positive.

Q. Okay. Thank you.

CHAIRMAN HONIGBERG: I have no further questions.

Mr. Sheehan, do you have any follow-up on these topics with this panel?

MR. SHEEHAN: Yes, I do. Thank you.

REDIRECT EXAMINATION

BY MR. SHEEHAN:

Q. As you said directly to the Commission, Mr. Hall, are you aware of whether the Audit Staff reviewed the costs related to the iNATGAS facility?

A. (Hall) Yes, they did review it.

Q. And do you know if they made any positive findings, or findings, if you will, about any of those costs?

A. (Hall) They didn't make any findings with respect to the cost of the facility.

Q. And of course that was done after the facility was completely built.

A. (Hall) Yes.

Q. Is there a reason the Company did not include projected capacity credits in its DCF analysis?

A. (Clark) Twofold, the first being it wasn't a direct revenue from iNATGAS gas. There was a lot of variation on different models of how much that would come out to be. As you can see, in 2014, we actually gave three different scenarios. And we were positive without including them, and felt fairly confident that we would be positive at the end without them as well. So we didn't include them in the financial part of it.

Q. That's all I have. Thank you.

CHAIRMAN HONIGBERG: All right. Let's go off the record for a minute.

(Discussion off the record)

CHAIRMAN HONIGBERG: We'll adjourn today and be together on Friday for a view of the training facility and the iNATGAS facility and then resume the hearing a week from today, on the 2nd. Thank you all.

(Whereupon the Afternoon Session of Day 2 of the hearing was adjourned at 4:00 p.m.)

C E R T I F I C A T E

I, Susan J. Robidas, a Licensed Shorthand Court Reporter and Notary Public of the State of New Hampshire, do hereby certify that the foregoing is a true and accurate transcript of my stenographic notes of these proceedings taken at the place and on the date hereinbefore set forth, to the best of my skill and ability under the conditions present at the time.

I further certify that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action; and further, that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

______________________________________

Susan J. Robidas, LCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
N.H. LCR No. 44 (RSA 310-A:173)

## $



## A



## B

## M



## N



## O

## U



## V



## W

## 6



## 7



## 8



## 9