

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **November 28, 2018 - 10:09 a.m.**
5 Concord, New Hampshire

NHPUC 13DEC18PM3:13

6
7 RE: **DG 18-140**
8 **LIBERTY UTILITIES (ENERGYNORTH**
9 **NATURAL GAS) CORP. d/b/a**
10 **LIBERTY UTILITIES: Petition for**
11 **Approval of a Renewable Natural Gas**
12 **Supply and Transportation Contract.**
13 **(Prehearing conference)**

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

17 Sandy Deno, Clerk

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

22 **Reptg. Residential Ratepayers:**
23 D. Maurice Kreis, Esq., Consumer Adv.
24 Pradip Chattopadhyay, Asst. Cons. Adv.
 Office of Consumer Advocate

Reptg. PUC Staff:
 Lynn Fabrizio, Esq.
 Mary Schwarzer, Esq.
 Stephen Frink, Director/Gas & Water
 David K. Wiesner, Esq.
 Stephen Eckberg, Sustainable Energy
 Al-Azad Iqbal, Gas & Water Division

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


**CERTIFIED
ORIGINAL TRANSCRIPT**

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P R O C E E D I N G

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2 CHAIRMAN HONIGBERG: We are here this
3 morning in Docket DG 18-140, which is a
4 Petition by Liberty Utilities (EnergyNorth
5 Natural Gas) Corp. for Approval of a Renewable
6 Natural Gas Supply and Transportation Contract.
7 We have a prehearing conference scheduled, and
8 after that there's a technical session for the
9 parties that we are not involved in.

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

12 MR. SHEEHAN: Good morning,
13 Commissioners. Mike Sheehan, for Liberty
14 Utilities. Since the room is full, and many of
15 them are with us, I figured I'd give you a
16 brief introduction.

17 Next to me is Mark Saltsman. He's
18 very familiar to you, he's been involved in
19 this project. Unfortunately, for us, the
20 Company -- the Canadian Company has acquired a
21 new utility in New York State, and Mark is
22 leaving us in the spring to go run that
23 operation. So, New Hampshire will be saying
24 goodbye him next year.

1 You know Bill Clark, and Mark Stevens
2 is at the end, and he is taking Mark Saltsman's
3 place. He has been with the Sales Division in
4 Manchester for a number of years.

5 Directly behind me is Ken -- not Ken
6 Robbins, Eric Fischer, from RUDARPA, and Joe --
7 I'm sorry, I don't you real well --

8 MR. DARLING: Darling.

9 MR. SHEEHAN: -- Mary Lou Darling and
10 Joe Darling, the three of them are with
11 RUDARPA, which is the company we've contracted
12 with in this proceeding. In the back of the
13 room is Ken Fischer [Robbins?], from Casella.

14 And we also have Dave Simek, Mike
15 Licata, and Huck Montgomery is in the back, he
16 works with Mike Licata.

17 Thank you.

18 MR. KREIS: I guess that makes it my
19 turn?

20 I'm D. Maurice Kreis, the Consumer
21 Advocate, here on behalf of the residential
22 utility customers of this fine utility. And
23 the distinguished to my left is the Deputy
24 Consumer Advocate, Pradip Chattopadhyay.

1 MS. FABRIZIO: Good morning, Chairman
2 and Commissioners. Lynn Fabrizio, on behalf of
3 Staff today. And with me today at the table
4 are Stephen Frink, the Director of the Gas &
5 Water Division at the Commission, Co-Counsel
6 Mary Schwarzer of the Legal Division, and Bill
7 Ruoff, Safety Division engineer. And at the
8 back table, also on the team for this case, are
9 Steve Eckberg, Utility Analyst with the
10 Sustainable Energy Division, and Al-Azad Iqbal,
11 a Utility Analyst for the Gas & Water Division.

12 CHAIRMAN HONIGBERG: A cast of
13 thousands.

14 I'm not aware of any petitions to
15 intervene. Is anyone out there aware of any?

16 MR. SHEEHAN: No, sir.

17 CHAIRMAN HONIGBERG: All right.
18 Anything we need to do before we get the
19 preliminary positions of the parties?

20 MR. SHEEHAN: The only other item
21 pending was a Motion for Confidential
22 Treatment. I've spoken with Staff, and we
23 would prefer -- Staff would prefer, and we're
24 okay with, just having a conversation with

1 Staff after this session, and putting off a
2 resolution of that motion until Staff can
3 formalize what their position would be.

4 CHAIRMAN HONIGBERG: Mr. Kreis part
5 of those discussions as well?

6 MR. SHEEHAN: He wasn't initially,
7 but we will include him in them.

8 CHAIRMAN HONIGBERG: Mr. Kreis?

9 MR. KREIS: I have no issues with
10 handling it that way.

11 CHAIRMAN HONIGBERG: Anything else we
12 need to do before hearing from the parties?

13 *[No verbal response.]*

14 CHAIRMAN HONIGBERG: All right.
15 Mr. Sheehan, why don't you start us off.

16 MR. SHEEHAN: Sure. In this docket,
17 the Company asked the Commission to approve
18 what is, in essence, a gas supply contract.
19 Under the contract, Liberty will buy renewable
20 natural gas, RNG, from the Bethlehem Landfill
21 and RUDARPA's facility at a set price. The
22 contract for approval is between Liberty and
23 RUDARPA. RUDARPA will build the facility that
24 takes the gas -- landfill gas from the Casella

1 landfill, treats it, cleans it, compresses it,
2 and will truck it to Liberty's facilities.

3 The contract provides that we will
4 pay a fixed price for that gas delivered to our
5 facilities. That price is competitive on a
6 yearly basis with pipeline gas, price
7 competitive. The price does include the
8 transportation, and it will be in CNG form.
9 And we can designate where it is delivered; to
10 our Concord location, where it could be
11 injected into our pipeline system, to Keene, to
12 Hanover/Lebanon, or where we deem appropriate.

13 RUDARPA, in turn, has arrangements
14 with Casella to rent a portion of their site in
15 Bethlehem, and to, whatever the terms are
16 between RUDARPA and Casella, to buy the raw
17 landfill gas, if you will, from the landfill.

18 If RUDARPA is able to produce a
19 sufficient quantity of RNG, and maintain what
20 we call "pipeline quality" over the first short
21 term of the contract, then the contract
22 provides that Liberty will buy the facility
23 itself, at a price set forth in the contract.
24 Liberty would then own the facility. RUDARPA

1 would continue to operate the facility even
2 after we exercise the purchase option. After
3 that purchase, we will continue to pay a fixed
4 price for the RNG, but it will be a much lower
5 price. If you combine the revenue requirement
6 for that purchase, with the lower price for the
7 RNG, the net price is still price competitive
8 with pipeline gas, slightly higher in the
9 summer/slightly lower in the winter, on
10 average.

11 The Company has built into the
12 contract many provisions that protect Liberty
13 and its customers from risk. We have learned
14 over the recent years of various issues that we
15 need to be sensitive to, that Staff urges us to
16 be sensitive to, and we have tried to address
17 all of them in this agreement.

18 For example, the Company has the
19 right to refuse any deliveries that do not meet
20 the pipeline standards. There will be a
21 procedure to look at the gas, measure the gas,
22 test the gas on every truck. There will be a
23 piece of paper that is supposed to document
24 that it's the right quantity and the right

1 quality. RUDARPA will have to put a certain
2 amount of money in escrow to guarantee its
3 performance during the early years of the
4 contract.

5 Finally, as was well-articulated in a
6 Boston Globe editorial of two days ago, titled
7 "Don't curb gas utilities; clean them up", gas
8 distribution utilities must play an important
9 role in moving towards a decarbonized economy.
10 As the Globe argued, and we agree, natural gas
11 utilities now provide the cleanest of the
12 fossil fuels. Thus, we should continue to
13 encourage the conversion from oil and propane.
14 But natural gas utilities also have the
15 infrastructure in place to deliver the coming
16 generation of carbon-neutral fuels, such as the
17 RNG in this case. Other possibilities are
18 methane from digesters. Whether it's farm
19 waste or municipal waste, you put them in a
20 digester and it generates methane. And there
21 is some plans for large-scale composting, if
22 you will, of farm waste/forest waste to
23 generate gas.

24 All of these are in their early

1 stages of development. And when they are
2 produced, they need a system to be delivered to
3 customers, and we have that system.

4 Unlike those other technologies,
5 though, landfill gas is well-established.
6 There are now dozens, if not scores, of
7 facilities producing landfill gas and injecting
8 it directly into a utility system. So, it is
9 not a new concept, it's just new for New
10 Hampshire.

11 This docket does represent an
12 important first step in this direction for New
13 Hampshire, and we look forward to demonstrating
14 to the Commission that it is a prudent first
15 step for the Company and its customers.

16 Thank you.

17 CHAIRMAN HONIGBERG: Thank you,
18 Mr. Sheehan. Mr. Kreis.

19 MR. KREIS: Thank you, Mr. Chairman.
20 The Office of the Consumer Advocate is
21 intrigued by the Company's proposal here, and
22 is therefore favorably inclined towards it.

23 Renewable natural gas is almost as
24 irresistible as Krabby Patties are down in

1 Bikini Bottom. And I mention that because I've
2 read about the untimely death of the creator to
3 SpongeBob SquarePants.

4 CHAIRMAN HONIGBERG: I wondered if
5 you were going to be coming in with a black
6 armband or something like that.

7 MR. KREIS: It is a sad day for
8 consumers because of that.

9 But to return back to the subject of
10 today's proceedings, I think that our review
11 focuses on the assurances that Liberty is
12 getting from its partner in this venture, and
13 their adequacy with respect to protecting
14 customers. And I think there are other issues
15 involved in the cost projections, and whether
16 the costs of this proposed renewable gas supply
17 are appropriately allocated to the various
18 customer classes.

19 So, we look forward to working with
20 the Company. And I anticipate that at the end
21 of this proceeding there will be some sort of
22 favorable outcome that will make everybody
23 happy.

24 CHAIRMAN HONIGBERG: Thank you, Mr.

1 Kreis. Ms. Fabrizio.

2 MS. FABRIZIO: Thank you, Mr.
3 Chairman.

4 Staff has reviewed the Petition
5 preliminarily, and we recognize the potential
6 benefits of the proposed project, some of which
7 you have heard already this morning, including
8 the potential economic and environmental
9 benefits of converting landfill gas to
10 renewable natural gas, or RNG, and providing
11 that gas for some useful purpose. Those
12 benefits do not come without some risk to
13 ratepayers, however, and Staff expects to
14 explore those potential risks as well as the
15 benefits of the project during the course of
16 this proceeding.

17 The contract for transportation and
18 delivery of the RNG for trucking to CNG
19 customers appears to be fairly straightforward.
20 The proposal to inject the RNG directly into
21 the Company's distribution system is somewhat
22 less straightforward, however. That the
23 proposal does require a thorough examination of
24 the mechanics of the processing and injection

1 of the RNG into the system, as well as the
2 economics of the project, potential impact on
3 utility and customer equipment, and other
4 safety-related concerns that arise when
5 landfill-generated gas is proposed to be
6 injected directly into a natural gas
7 distribution system.

8 The Petition is accompanied by
9 testimony which provides a lengthy list of
10 examples of similar facilities throughout the
11 country, although not in New England, in
12 various stages of development, and these
13 facilities are producing RNG. It is not clear,
14 however, how many, if any, such facilities are
15 owned by public utilities and paid for by
16 ratepayers, as the Company proposes to do in
17 this filing.

18 To the extent the proposed
19 \$15 million gas processing facility is required
20 under the proposed contract to be purchased by
21 Liberty and paid for by Liberty's 92,000
22 customers, the Petition raises obvious
23 financial questions to be explored in this
24 proceeding. The Petition also raises, as

1 noted, operational and safety concerns that
2 will need to be fleshed out and assessed.

3 Other questions that may bear
4 exploration include the estimates provided of
5 potential REC values, and the extent to which
6 any change in those estimates could affect the
7 overall feasibility of the project; the
8 remaining lifetime output potential of the
9 portion of the -- what we believe to a 50-acre
10 landfill that is proposed to be tapped for
11 methane to produce RNG, given the fact that
12 emissions from the landfill have been flared
13 off since 2001.

14 All that said, the interest in an
15 additional supply of pipeline quality gas is
16 clear, especially one with potential renewable
17 energy attributes at some point in the future
18 and one with potential environmental benefits.

19 Staff has already issued an initial
20 set of discovery requests in this proceeding,
21 which the Company has responded to. And we
22 look forward to continuing our inquiries and
23 further discussion at the technical session
24 following this prehearing conference.

1 Thank you.

2 CHAIRMAN HONIGBERG: Is there any
3 member of the public who wishes to provide
4 comment at this time on the proposal or the
5 expectations going forward?

6 *[No verbal response.]*

7 CHAIRMAN HONIGBERG: All right.
8 Seeing none.

9 Mr. Sheehan, not directly related,
10 but you alluded to the Globe editorial, or
11 maybe it was an op-ed, I don't remember, and
12 the issues that are surrounding safety of the
13 gas industry.

14 You and the other gas utility in this
15 state have a deadline coming up for reporting
16 to us regarding your system. Is that on track?

17 MR. SHEEHAN: Yes, sir.

18 CHAIRMAN HONIGBERG: You also have a
19 report due on the status of things in Keene
20 about a week later. Is that on track as well?

21 MR. SHEEHAN: Yes. The first is in
22 draft form. We're circulating it now. We'll
23 have it filed Monday. The deadline was
24 December 1, which is Saturday, so we will have

1 it to you Monday.

2 The second is in response, as you
3 know, to Safety Division's report on Keene, and
4 how we plan to respond to that, and that
5 will -- we will have that for you as well.

6 And just one more note on this
7 project, the mechanism for receiving the gas
8 will be a copy of what's going through the
9 approval process in Keene. It will be the same
10 kind of facility, the same process. And so, we
11 will be able to copy and paste it into these
12 other locations.

13 CHAIRMAN HONIGBERG: More
14 specifically to what we're talking about today,
15 what do you perceive as the largest risks to
16 the Company and ratepayers out of this
17 proposal?

18 MR. SHEEHAN: I don't see a
19 operational risk. Again, assuming we get final
20 approval for how we have set up the Keene
21 facility and how we will receive gas, again,
22 that will be mirrored exactly, the procedures
23 in place and the equipment in place. And if
24 the quality of gas is not there, we don't take

1 it.

2 The risk is financial risk. We --
3 there is a provision in the contract where we
4 will, if they meet certain standards, we are
5 obligated to buy the facility. We are
6 comfortable that -- so that's the risk. The
7 risk is, as the Staff alluded to, the
8 quantities of gas in the landfill and the
9 pricing.

10 However, we think those risks have
11 all been handled in a few ways. First is, the
12 scientists tell me, and tell us, that once a
13 landfill has been producing for a year or two,
14 you can be very -- you can have very accurate
15 predictions of how long it will produce at that
16 level. And so, once they reach that benchmark
17 that they produce X amount of gas over the
18 first couple of years, we are very comfortable
19 that it will continue for whatever the
20 projection is. And again, we'll explore those.
21 But it's not like it's a up-and-down curve.
22 Once the landfill is producing, it produces at
23 that rate. They know how big the landfill is,
24 they know when the materials went into the

1 landfill. So, it's actually more precise than
2 I thought from the outside when we first got
3 involved in this. So -- and on the financial.

4 So, if it continues to produce gas at
5 those quantities, and if they have the
6 machinery working so that it cleans it
7 appropriately, again we will know that in the
8 first couple of years, those are the two
9 biggest risks. And we believe they would be
10 satisfied before we exercise the purchase.

11 CHAIRMAN HONIGBERG: All right.

12 Thank you, Mr. Sheehan.

13 If there's nothing else, then we will
14 adjourn the prehearing conference and leave you
15 to your technical session.

16 ***(Whereupon the prehearing***
17 ***conference was adjourned at***
18 ***10:25 a.m., and a technical***
19 ***session was held thereafter.)***