

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 16, 2018 - 9:11 a.m.  
Concord, New Hampshire

REDACTED  
(For PUBLIC Use)

NHPUC 25OCT18-9:34

RE: DG 18-145  
LIBERTY UTILITIES (ENERGYNORTH  
NATURAL GAS) CORP. d/b/a  
LIBERTY UTILITIES - KEENE DIVISION:  
*Winter 2018/2019 Cost of Gas.*

**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.:  
Michael J. Sheehan, Esq.

**Reptg. Residential Ratepayers:**  
Brian D. Buckley, Esq.  
Pradip Chattopadhyay, Asst. Cons. Adv.  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Lynn Fabrizio, Esq.  
Paul B. Dexter, Esq.  
Stephen P. Frink, Dir./Gas & Water  
Al-Azad Iqbal, Gas & Water Division

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

{ R E D A C T E D - For PUBLIC Use }

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ORIGINAL TRANSCRIPT

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EXHIBIT NO.	DESCRIPTION	PAGE NO.
1	Winter 2018/2019 Cost of Gas, consisting of the Direct Testimony of Deborah M. Gilbertson and Catherine A. McNamara, TOC, Tariff Pages, Schedules, Appendix, and Attachments <b>(CONFIDENTIAL &amp; PROPRIETARY)</b>	premarked
2	Winter 2018/2019 Cost of Gas, consisting of the Direct Testimony of Deborah M. Gilbertson and Catherine A. McNamara, TOC, Tariff Pages, Schedules, Appendix, and Attachments <i>[REDACTED - For Public Use]</i>	premarked
3	Direct Testimony of Stephen P. Frink, including attachments	premarked
4	Attachment Staff 1-3, Schedule C, from the response to Staff data request <b>(CONFIDENTIAL &amp; PROPRIETARY)</b>	premarked
5	Response to Staff Data Requests - Set 1, Request No. Staff 1-6	premarked

**P R O C E E D I N G**

CHAIRMAN HONIGBERG: We are here this morning in Docket DG 18-145, which is Liberty's cost of gas proceeding for its Keene Division. I see we have witnesses prepositioned.

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

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas). In addition to our witnesses, I have Dave Simek with me, and behind me is Kelsey Sullivan, who is a third year UNH Law student who is working with us this fall.

MR. BUCKLEY: Good morning, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I am the staff attorney with New Hampshire Office of the Consumer Advocate. To my left is Dr. Pradip Chattopadhyay, he is the Assistant Consumer Advocate. And we are here representing the interests of residential ratepayers.

MS. FABRIZIO: Good morning, Mr. Chairman and Commissioners. Lynn Fabrizio,

1 Staff attorney. With me at the table today are  
2 Steve Frink, the Director of the Gas & Water  
3 Division here at the Commission; Utility  
4 Analysts from the Gas & Water Division, Iqbal  
5 Al-Azad and Anthony Leone; and co-counsel Paul  
6 Dexter.

7 CHAIRMAN HONIGBERG: Are there any  
8 preliminary matters we need to take care of  
9 before the witnesses are sworn?

10 MR. SHEEHAN: A couple of things,  
11 Mr. Chairman.

12 First, the parties have agreed to  
13 mark the following exhibits: Exhibit 1 will be  
14 the confidential version of the Company's  
15 filing on September 19th; Exhibit 2 will be the  
16 redacted version of that filing; Exhibit 3 will  
17 be Mr. Frink's testimony of October 9. And  
18 Staff has presented Exhibits 4 and 5, which  
19 they will introduce. Exhibit 4 is a attachment  
20 to a data response, and that is confidential,  
21 or has confidential pieces to it; and Exhibit 5  
22 is another data response in this case.

23 The other preliminary matter is to  
24 formally request confidential treatment of the

[WITNESS PANEL: Gilbertson|McNamara]

1 data requests we presented in this matter and  
2 the filings. And these are -- the confidential  
3 material all falls under the Puc 201.06(a)(11),  
4 which are those materials that are essentially  
5 presumed confidential in cost of gas filings.

6 CHAIRMAN HONIGBERG: Thank you,  
7 Mr. Sheehan.

8 Anything else we need to do before  
9 the witnesses are sworn?

10 [No verbal response.]

11 CHAIRMAN HONIGBERG: Mr. Patnaude.

12 (Whereupon **Deborah M. Gilbertson**  
13 and **Catherine A. McNamara** were  
14 duly sworn by the Court  
15 Reporter.)

16 CHAIRMAN HONIGBERG: Mr. Sheehan.

17 MR. SHEEHAN: Thank you.

18 **DEBORAH M. GILBERTSON, SWORN**

19 **CATHERINE A. McNAMARA, SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. SHEEHAN:

22 Q Ms. Gilbertson, please introduce yourself and  
23 your position with the Company.

24 A (Gilbertson) My name is Debbie Gilbertson. I'm

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[WITNESS PANEL: Gilbertson|McNamara]

1 the Senior Manager of Energy Procurement, and I  
2 work for Liberty Utilities.

3 Q And did you play a role in drafting the  
4 testimony that we have marked as "Exhibits 1"  
5 and "2" this morning; 1 being the confidential  
6 version, 2 being the redacted version?

7 A (Gilbertson) Yes, I did.

8 Q Do you have any changes to the portions of  
9 testimony that you were responsible for?

10 A (Gilbertson) Yes, I do.

11 Q Please explain.

12 A (Gilbertson) On Bates -- on Bates Page 024,  
13 Schedule F, the beginning balance of the  
14 Amherst Storage Inventory should be stated as  
15 "254,000 gallons", as opposed to the "256,734"  
16 that's represented on Schedule F.

17 CHAIRMAN HONIGBERG: I'm having  
18 trouble finding those numbers.

19 WITNESS GILBERTSON: Oh, I'm sorry.

20 CHAIRMAN HONIGBERG: What line number  
21 are we talking about?

22 WITNESS GILBERTSON: It's at the top  
23 of the page. It's on Schedule F.

24 CHAIRMAN HONIGBERG: Oh, I see.

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[WITNESS PANEL: Gilbertson|McNamara]

1 WITNESS GILBERTSON: Bates --

2 CHAIRMAN HONIGBERG: The very top  
3 line.

4 WITNESS GILBERTSON: The very, very  
5 top. It says "Amherst Storage Inventory", and  
6 it's stated as "256,734". That's incorrect.  
7 It should be "254,000 gallons".

8 BY MR. SHEEHAN:

9 Q And you say that's the starting balance for  
10 the --

11 A (Gilbertson) That is, yes.

12 Q Does that change, if you flow it through the  
13 calculations involved in this docket, make any  
14 difference in the proposed rates?

15 A (Gilbertson) It makes a very negligible  
16 difference in the rate. It's one-tenth of a  
17 penny higher.

18 Q Okay. And other changes?

19 A (Gilbertson) No.

20 Q Ms. McNamara, if you could introduce yourself  
21 and your position with the Company.

22 A (McNamara) Catherine McNamara. I'm a Rates  
23 Analyst with the Rates and Regulatory Affairs  
24 Group at Liberty Utilities Service Corporation.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q And did you also play a role in preparing the  
2 testimony and schedules that we've marked this  
3 morning?

4 A (McNamara) Yes.

5 Q And do you have any changes to the portions of  
6 the filing that were your responsibility?

7 A (McNamara) No, I do not.

8 Q Ms. Gilbertson, do you adopt your testimony  
9 this morning as your sworn testimony?

10 A (Gilbertson) Yes, I do.

11 Q And the same for you, Ms. McNamara. Do you  
12 adopt this as your sworn testimony this  
13 morning?

14 A (McNamara) Yes, I do.

15 Q There have been a few changes since the  
16 Company's September filing. And most notably  
17 was Mr. Frink's filing in October, which does a  
18 different calculation and results in different  
19 proposed rates. Is that right, Ms. McNamara?

20 A (McNamara) Correct.

21 Q And is it fair to say that the difference  
22 results from Mr. Frink removing compressed  
23 natural gas, or CNG, from the Company's filing?

24 A (McNamara) Yes.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q And by pulling out the cost attributed to the  
2 CNG and replacing it with an equal amount of  
3 propane, some of the numbers change, is that  
4 correct?

5 A (McNamara) Correct.

6 Q Is it the -- what is the Company's position as  
7 to which rates -- let me ask it a different  
8 way. Is the Company recommending that the  
9 Commission approve the numbers proposed in  
10 Mr. Frink's testimony?

11 A (McNamara) Yes.

12 Q And that is because the Company will not be  
13 providing CNG this winter, is that correct?

14 A (McNamara) That's my understanding, yes.

15 Q The Company's filing had planned on using CNG,  
16 correct?

17 A (McNamara) Correct.

18 Q And by not using the CNG, we will incur costs  
19 that weren't going to be incurred if we used  
20 CNG, correct?

21 A (McNamara) Correct.

22 Q And those costs are called what?

23 A (McNamara) Production costs.

24 Q And can you describe for the Commissioners the

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[WITNESS PANEL: Gilbertson|McNamara]

1 sort of three different types of production  
2 costs that would -- could be incurred by  
3 running the Keene propane facility?

4 A (McNamara) Sure. There are three different  
5 categories. They are mixing costs; day-to-day  
6 operations, an eight hour portion of the day,  
7 where we will have -- we would incur those  
8 costs on the system no matter what happens; and  
9 then the third is the remaining 16 hours in a  
10 day, or what's been referred to in the past as  
11 the "24/7" costs.

12 Q Ms. McNamara, the Commission has heard in a  
13 rate case discussion about the 24/7 costs,  
14 which we'll set them aside for a moment. By  
15 not serving CNG and using propane, do the  
16 amount of mixing costs change, or would that  
17 have been the same either way?

18 A (McNamara) I believe that's just about the same  
19 either way.

20 Q And to give an order of magnitude, is this a  
21 large number or a very small number of costs?

22 A (McNamara) Small.

23 Q The roughly eight-hour day, and that's the way  
24 we characterize the so-called "normal"

[WITNESS PANEL: Gilbertson|McNamara]

1 production costs, those would be incurred  
2 independent of a decision of whether the 24/7  
3 coverage is appropriate or not, is that  
4 correct?

5 A (McNamara) Correct.

6 Q And so, we will be incurring those costs this  
7 winter because we're not running CNG and we  
8 have to run the blower system, is that correct?

9 A (McNamara) Correct.

10 Q And last, the -- again, a simplified view of  
11 it, of the other 16 hours to complete the 24/7,  
12 what's your understanding of the Company's  
13 intention this winter as to whether to man the  
14 plant for those extra 16 hours per day?

15 A (McNamara) My understanding is that we're going  
16 to operate on a 24/7 schedule.

17 Q And to be clear, those -- that labor, both the  
18 regular production labor and the 24/7 labor, is  
19 not part of this filing, because we did not  
20 intend to do that when we made the filing. Is  
21 that correct?

22 A (McNamara) Correct.

23 Q Is it also correct that those labor costs, the  
24 direct costs, are not in distribution rates?

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[WITNESS PANEL: Gilbertson|McNamara]

1 A (McNamara) That's correct.

2 Q The overheads associated with the labor is, but  
3 the extra hours, if you will, are not part of  
4 distribution rates?

5 A (McNamara) Correct.

6 MR. SHEEHAN: And that's all I have.

7 Thank you.

8 CHAIRMAN HONIGBERG: Mr. Buckley.

9 MR. BUCKLEY: Thank you, Mr.

10 Chairman.

11 **CROSS-EXAMINATION**

12 BY MR. BUCKLEY:

13 Q So, maybe just a few follow-ups from what  
14 Attorney Sheehan had begun with.

15 At Bates -- and I'll just address these  
16 questions to the panel, and whoever feels most  
17 comfortable to answer them, please feel free to  
18 do so. At Bates Page 030 of the testimony,  
19 Line 28, there's a description of the actual  
20 winter cost of gas rate for the average  
21 Residential Heating non-FPO customer. And that  
22 description is "\$1.4056". Is that correct, for  
23 the period November 2018 to April 2019?

24 A (McNamara) Correct.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q And just to put some numbers on sort of how the  
2 case has changed, rather what the Company is  
3 proposing has changed, if you look at  
4 Mr. Frink's testimony, which has been marked as  
5 "Exhibit 3", he has a very similar schedule.  
6 Where, at Bates Page 024 of that testimony,  
7 Line 28, it shows a cost of gas that's  
8 "\$1.3802" for that same period, is that  
9 correct?

10 A (McNamara) Correct.

11 Q So, it's now gone down slightly, but it's gone  
12 down?

13 A (McNamara) The price has gone down, yes.

14 Q One further follow-up about that third tier of  
15 production costs. Is it the Company's position  
16 that those costs would be the -- the 24-hour  
17 staffing costs would be recovered within the  
18 cost of gas for the Winter Period 2018 to '19?

19 A (McNamara) We are going to anticipate those  
20 costs to be included, yes.

21 Q And you're aware that, at least in the context  
22 of the Commission's order in 17-048, they had  
23 found, and I think Mr. Frink asserts this in  
24 his testimony as well, that the

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[WITNESS PANEL: Gilbertson|McNamara]

1 around-the-clock staffing costs of the Keene  
2 production plant were not just and reasonable?

3 A (McNamara) Correct.

4 MR. BUCKLEY: Okay. No further  
5 questions. Thank you.

6 CHAIRMAN HONIGBERG: Ms. Fabrizio.

7 MS. FABRIZIO: Thank you, Mr.  
8 Chairman.

9 BY MS. FABRIZIO:

10 Q I will address to the panel, because I'm not  
11 sure who would be responsible for each  
12 question.

13 But, first, how do the current propane  
14 futures prices compare to the September 6, 2018  
15 propane futures prices used to calculate the  
16 proposed rates found on Page -- Bates Page 043  
17 of your testimony?

18 A (Gilbertson) I can answer that. That's what we  
19 were just discussing with Mr. Buckley. The  
20 rates from Mr. Frink's testimony were updated  
21 on October 2nd, the propane rates, as well as  
22 taking out the CNG. So, I think it was just a  
23 two-cent difference is what we were just  
24 looking at. And that's with no CNG and the

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[WITNESS PANEL: Gilbertson|McNamara]

1 updated futures prices as of October 2nd.

2 Q Okay. Thank you. And if you used the current  
3 futures prices, how would that impact the  
4 proposed rates?

5 A (McNamara) If you use the current prices --  
6 well, we did. So, that's as of October 2nd --

7 *[Court reporter interruption.]*

8 **CONTINUED BY THE WITNESS:**

9 A (McNamara) The original filed at 1.4056, and  
10 what Mr. Frink's testimony proposed, the  
11 1.3802, were based on the October 2nd futures  
12 price. So, they have been reflected, and  
13 that's part of the reduction in the 1.81  
14 percent change.

15 A (Gilbertson) So, just to clarify, that the  
16 original file, the prices were from September  
17 6th. And Mr. Frink had asked us to update  
18 them, and we did. So, question number two,  
19 "how was it impacted?" I think we looked at  
20 that like as a 2-cent decrease in the rate.

21 BY MS. FABRIZIO:

22 Q Do you know what the October 15th prices are at  
23 this point?

24 A (McNamara) I'm sorry.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q Do you know what the October 15th prices are at  
2 this point?

3 A (McNamara) I do not.

4 A (Gilbertson) We did look at them last night, at  
5 like four o'clock, and they had gone down. But  
6 to redo the whole filing at the last minute,  
7 when there is always going to be fluctuation,  
8 didn't seem very prudent.

9 Q Okay. Thank you. Is the proposed maximum  
10 rates sufficient to allow for the recovery of  
11 gas costs during the six-month winter period  
12 through monthly adjustments to the cost of gas  
13 within the normal price fluctuations?

14 A (Gilbertson) Yes, it is, because 60 percent of  
15 the portfolio is hedged. So, it's 40 percent  
16 that's subject to the fluctuations. We think  
17 that the rate is sufficient to cover that.

18 Q Thank you. In Docket DG 18-137, which is the  
19 EnergyNorth cost of gas filing, you filed a  
20 technical statement proposing a reduction in  
21 the Local Distribution Adjustment Charge rate  
22 and revised bill impact schedules. How will  
23 corrected LDAC impact the Keene customer bill  
24 analysis on Bates Pages 029 and 030?

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[WITNESS PANEL: Gilbertson|McNamara]

1 A (McNamara) It does not affect it. We found the  
2 issue on EnergyNorth prior to the filing --

3 *[Court reporter interruption.]*

4 WITNESS McNAMARA: I'm sorry.

5 CHAIRMAN HONIGBERG: Off the record.

6 *[Brief off-the-record discussion*  
7 *ensued.]*

8 **CONTINUED BY THE WITNESS:**

9 A (McNamara) So, the technical statement included  
10 the correct LDAC calculation that was reflected  
11 in the technical statement for EnergyNorth.

12 BY MS. FABRIZIO:

13 Q Thank you.

14 MR. SHEEHAN: And I think that was a  
15 misstatement to correct. She said "the  
16 technical statement reflected the technical  
17 statement". I think you meant to say "the  
18 Keene filing reflected the technical  
19 statement"?

20 WITNESS McNAMARA: I'm sorry, I did.

21 MR. SHEEHAN: Thank you.

22 BY MS. FABRIZIO:

23 Q The Fixed Price Option letter mailed October  
24 1st states that "applications should be filed

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[WITNESS PANEL: Gilbertson|McNamara]

1 by October 18th". What has been the enrollment  
2 to date and how does that compare to prior  
3 years?

4 A (McNamara) So, as of yesterday, enrollment was  
5 just under 12 percent. In the filing, we used  
6 19 percent, which is a five-year average. I  
7 don't have necessarily a comparison from this  
8 year to last year.

9 We should also note that the Company is  
10 intending on sending a new FPO letter based on  
11 the rates we're discussing today that were in  
12 Mr. Frink's testimony. And we're extending the  
13 election period until October 31st. And it was  
14 originally October 18th.

15 Q Thank you. And have you been working with  
16 Commission Audit Staff on its audit of last  
17 year's Keene costs?

18 A (McNamara) I have.

19 Q Okay. And are there any outstanding audit  
20 requests?

21 A (McNamara) There are a couple outstanding  
22 requests, and we continue to receive new  
23 requests daily. So, that is still an open  
24 item.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q Do you have any expectation of when the  
2 give-and-take may be completed?

3 A (McNamara) The Company makes it our first  
4 priority. I believe that there's two  
5 outstanding requests. And we intend to make  
6 the response as soon as possible.

7 Q I have one follow-up question on the FPO  
8 letter. If you do send a new FPO letter out,  
9 will the proposed FPO rate be lower than the  
10 cost of gas rates?

11 A (McNamara) Yes.

12 Q Okay. Thank you. Could you please summarize  
13 Keene's expansion plans following rate  
14 consolidation?

15 A (Gilbertson) Well, Keene and EnergyNorth will  
16 have separate cost of gas rates.

17 Q And has a comprehensive business plan been  
18 developed for the expansion?

19 A (Gilbertson) I'm sure it has been. But there's  
20 been a lot of changes. And of course, we  
21 wanted to get into CNG this winter, and that's  
22 been put off until parties agree that it's the  
23 right time. From an EnergyNorth procurement  
24 standpoint, we'll make sure that we work with

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[WITNESS PANEL: Gilbertson|McNamara]

1 Business Development to understand what the  
2 demand will be for the expansion, for the  
3 expansion amount. And we'll ensure that we put  
4 out a request for proposal to seek the lowest  
5 cost and the best cost for the proposed CNG or  
6 LNG, whatever the case may be.

7 Q Thank you. Now, could you please describe the  
8 supply plan as shown, this is on confidential  
9 Schedule C, Bates Page 021?

10 A (Gilbertson) Okay. So, this schedule shows in  
11 gallons what the demand will be for the  
12 upcoming period November through April, and the  
13 supplies utilized to meet that demand. Of  
14 course, we know that the CNG has been taken out  
15 and is going to be removed and replace that  
16 with spot gas.

17 Q Thank you.

18 MS. FABRIZIO: So, I'd like to mark  
19 for an exhibit "Exhibit 4", which is a  
20 confidential data response to Staff Data  
21 Request 1-3?

22 CHAIRMAN HONIGBERG: I assume it's  
23 already been marked, is that right?

24 MS. DENO: Yes.

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[WITNESS PANEL: Gilbertson|McNamara]

1 CHAIRMAN HONIGBERG: Okay.

2 BY MS. FABRIZIO:

3 Q Ms. Gilbertson, as the respondent to this data  
4 response, could you please explain how this  
5 differs from the supply plan in the Company's  
6 filing?

7 A (Gilbertson) This does not differ from the  
8 supply plan the Company has filed. Are you  
9 asking me to compare Exhibit 4 with Bates 021?

10 Q Yes.

11 A (Gilbertson) Well, the supply plan is the same,  
12 but what was asked was that the different  
13 supplies be broken out by percentage of the  
14 whole and by the percentage of the cost. So,  
15 that is the difference.

16 Q Okay. Thank you. And comparing average cost  
17 per gallon for each of the supply options,  
18 Lines 12, 19, 25, and 38 of this exhibit, how  
19 does the use of CNG impact the total average  
20 cost per gallon?

21 A (Gilbertson) I'm sorry, are you looking at --

22 Q This is still Exhibit 4.

23 A (Gilbertson) Exhibit 4. And you're looking  
24 at Line 1 through --

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q Lines 12, 19 -- they should be highlighted on  
2 your exhibit.

3 A (Gilbertson) Okay.

4 Q Twelve (12), 19, 25, and 38.

5 A (Gilbertson) Well, I can tell you the price for  
6 the Stabilization Plan is \$1.17, and the  
7 Amherst storage is 99 cents. And the cost of  
8 the CNG is \_\_\_\_\_, with the demand charges  
9 included, and the spot purchases of gas are  
10 \$1.39.

11 Q And just for the record, those numbers just  
12 stated are confidential?

13 A (Gilbertson) They are confidential.

14 CHAIRMAN HONIGBERG: Well, not all of  
15 them are. I'm looking at --

16 MS. FABRIZIO: The CNG numbers that  
17 she has just --

18 CHAIRMAN HONIGBERG: I agree with  
19 that, based on what I can see on Page 21 of  
20 Exhibit 2. But the other numbers that were  
21 just stated are not highlighted.

22 Am I right about that, everybody?

23 MR. SHEEHAN: Yes.

24 MS. FABRIZIO: Yes.

[WITNESS PANEL: Gilbertson|McNamara]

1 MR. SHEEHAN: And, Mr. Chairman,  
2 we'll obviously work with the stenographer and  
3 have the appropriate numbers redacted in the  
4 transcript.

5 CHAIRMAN HONIGBERG: Okay. And just  
6 for clarification purposes, Ms. Fabrizio, in  
7 Exhibit 4, there is both yellow highlighting  
8 and gray shading.

9 MS. FABRIZIO: Yes.

10 CHAIRMAN HONIGBERG: The yellow  
11 highlighting is not indicating confidentiality,  
12 right?

13 MS. FABRIZIO: That is correct.

14 CHAIRMAN HONIGBERG: Except where  
15 there's overlap --

16 MS. FABRIZIO: In the gray.

17 CHAIRMAN HONIGBERG: -- in the area  
18 that's underlined gray, right? Underlying  
19 gray?

20 MS. FABRIZIO: That's correct.

21 CHAIRMAN HONIGBERG: Okay.

22 BY MS. FABRIZIO:

23 Q So, just generally, the use of CNG, the impact  
24 on the total average cost per gallon, does that

{DG 18-145} [REDACTED - For PUBLIC Use] {10-16-18}



[WITNESS PANEL: Gilbertson|McNamara]

1 raise or lower the cost?

2 A (Gilbertson) With the use of CNG?

3 Q Uh-huh.

4 A (Gilbertson) It raises the cost slightly.

5 Q Thank you. Based on the supply plan, the least  
6 cost option for the Company would not include  
7 CNG, is that correct?

8 A (Gilbertson) Based on this schedule, yes,  
9 that's correct.

10 MS. FABRIZIO: Okay. And I'd like to  
11 introduce exhibit marked "Exhibit 5", which is  
12 the Company response to Staff Data Request 1-6.

13 CHAIRMAN HONIGBERG: It's been  
14 marked. So, use it.

15 BY MS. FABRIZIO:

16 Q So, estimated production costs are "482,262",  
17 as seen on the last line of the first paragraph  
18 in the response. Would you please describe  
19 what is included in those costs?

20 A (Gilbertson) One second.

21 A (McNamara) Yes. So, I'm sorry. The 482,000 is  
22 both direct and indirect costs. The direct CNG  
23 costs from last year -- this is all from last  
24 year, sorry. So, the CNG costs -- I'm sorry --

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[WITNESS PANEL: Gilbertson|McNamara]

1 the production costs fully loaded for last  
2 winter were 482,000. That includes the  
3 overheads, and -- I'm sorry?

4 So, it includes the overheads and the  
5 burdens, the payroll burdens. The direct costs  
6 were approximately 182,000. And that does  
7 include all three types -- all three categories  
8 of production costs that were explained  
9 earlier.

10 Q Okay. Labor and --

11 A (McNamara) The eight-hour normal production  
12 costs, the 24/7 production costs, and the --

13 *[Court reporter interruption.]*

14 **CONTINUED BY THE WITNESS:**

15 A (McNamara) -- mixing expense production costs.

16 BY MS. FABRIZIO:

17 Q Does the proposed cost of gas include any  
18 production costs?

19 A (McNamara) No.

20 Q And are Keene production costs reflected in  
21 Liberty's delivery rates and recovered from all  
22 Liberty customers, not just Keene customers?

23 A (McNamara) No. They are not in the  
24 distribution rates either.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q So, if you could go back to Exhibit 4 please.  
2 I'm sorry, Exhibit 5. What would be the impact  
3 of production costs to the supply costs for  
4 Keene if they are included in the Keene COG,  
5 the cost of gas?

6 A (McNamara) I'm sorry, could repeat that?

7 Q Yes. My apologies. What would be the impact  
8 of production costs to the supply costs for  
9 Keene if cost of gas numbers are included?

10 A (McNamara) We haven't done that analysis. I  
11 can say -- I can just give you the history I  
12 already did about the 183,000 direct costs that  
13 include all three types of production costs.

14 Q Given the numbers subject to check, is that  
15 fair to say?

16 A (McNamara) Yes.

17 Q Oh, okay. The numbers that we have are  
18 482,262, as you've seen in the exhibits, plus  
19 1,721,089, which equals 2,203,351, and  
20 represents a 28 percent increase in our  
21 estimation, subject to check?

22 A (McNamara) I don't know the answer to that.

23 Q Okay. So, how would including Keene production  
24 costs in the Keene cost of gas impact Liberty's

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[WITNESS PANEL: Gilbertson|McNamara]

1 plans to expand service in Keene?

2 A (McNamara) The production costs would increase  
3 the rates that are not included at this point.  
4 I'm not aware of exactly what the plans going  
5 forward are for Keene.

6 MS. FABRIZIO: Okay. All right.  
7 That concludes Staff's questions.

8 CHAIRMAN HONIGBERG: Commissioner  
9 Bailey.

10 CMSR. BAILEY: Thank you. Good  
11 morning.

12 WITNESS McNAMARA: Good morning.

13 BY CMSR. BAILEY:

14 Q Can we start on Bates Page 024, just for my  
15 understanding? In the "Amherst Storage"  
16 column, you have no purchases received for this  
17 time. And just is that because the storage  
18 tank is full, filled in the summer and is full,  
19 and you don't anticipate refilling that storage  
20 over the winter?

21 A (Gilbertson) That's correct.

22 Q Okay. Do trucking fees apply to propane and  
23 CNG or one or the other?

24 A (Gilbertson) In the -- for the Amherst portion

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[WITNESS PANEL: Gilbertson|McNamara]

1 of the storage -- of the plan, on Schedule C,  
2 the Amherst -- the Amherst does include the  
3 trucking, and the trucking is represented on  
4 Line 18, Bates 021, Line 18. In the tank,  
5 that's just the gallons, but -- and the price  
6 what's in the tank. But, when we truck it out,  
7 on Schedule C, we show the cost of trucking it  
8 from Amherst to Keene.

9 Q Okay. And I guess it's not really relevant  
10 anymore whether there were trucking charges in  
11 the CNG rates, because we've taken that out?

12 A (McNamara) Correct.

13 A (Gilbertson) Right. But there isn't. I mean,  
14 we have the demand charge, and that covers  
15 that.

16 A (McNamara) Okay.

17 Q All right. And you are not going to -- the  
18 Company is not going to begin operations on  
19 that CNG investment in the shopping plaza in  
20 Keene this winter?

21 A (McNamara) That is correct.

22 A (Gilbertson) They are not, no.

23 Q On Bates Page 013 of the testimony, Line 8, you  
24 are representing that "the current calculation

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[WITNESS PANEL: Gilbertson|McNamara]

1 uses equivalent bills from the billing system".  
2 At what point in time did you take the  
3 equivalent bills? Was it at the end of last  
4 year? Was it when you were preparing the  
5 testimony?

6 A (McNamara) Are you on Page 12 or 13?

7 Q Thirteen, sorry. Thirteen, Line 8. It's Bates  
8 Page 013.

9 A (McNamara) I'm sorry. Could you repeat your  
10 question?

11 Q Yes. You see the sentence on Line 8 that says  
12 "the current calculation uses the equivalent  
13 bills from the billing system"?

14 A (McNamara) Yes.

15 Q When did you take that number of equivalent  
16 bills from the billing system?

17 A (McNamara) I don't know that off --

18 MR. SHEEHAN: It may help,  
19 Commissioner. Mr. Simek is whispering in my  
20 ear that he did the calculation, and he'd have  
21 to look back to see what 12-month window he  
22 choose to do that. So, we could certainly get  
23 that to you by close of business today or  
24 tomorrow.

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[WITNESS PANEL: Gilbertson|McNamara]

1 CMSR. BAILEY: Okay. I think they  
2 can just give it to Staff.

3 CHAIRMAN HONIGBERG: All right.  
4 You'll provide that information to Staff?

5 MR. SHEEHAN: Sure.

6 CHAIRMAN HONIGBERG: Thank you.

7 CMSR. BAILEY: Okay. Thanks.

8 BY CMSR. BAILEY:

9 Q About the production costs, the 24/7 production  
10 costs. If we approve the rate that Mr. Frink  
11 has advocated, without the CNG, is it your  
12 expectation that we are approving inclusion of  
13 those production costs in the reconciliation at  
14 some point in time?

15 A (McNamara) Yes. One second.

16 MR. SHEEHAN: Mr. Chairman, this is  
17 more of a legal issue I was going to address.  
18 Our position is that the "normal production  
19 costs" would be included under the terms of the  
20 order in 17-048. And I was going to ask you to  
21 reconsider approving the extra costs, but  
22 that's more of my argument than the witnesses'  
23 request.

24 CHAIRMAN HONIGBERG: Okay. Is that a

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[WITNESS PANEL: Gilbertson|McNamara]

1       satisfactory answer for your purposes,  
2       Commissioner Bailey?

3               CMSR. BAILEY: Well, I am wondering  
4       if we have somebody here to talk about whether  
5       that's prudent or not, the same problem that we  
6       had in 17-048?

7               MR. SHEEHAN: There is no additional  
8       evidence that we presented here. It is, in  
9       effect, a reargument of what happened before.  
10      And I understand the uphill argument I'm  
11      making, but that's what we're prepared to do.

12              The order itself does say "the Keene  
13      cost of gas includes production costs", and we  
14      interpret that as the so-called "normal costs",  
15      which aren't in these rates, because we didn't  
16      plan on incurring them until events that  
17      happened from the filing to today. So, at a  
18      minimum, it's our opinion that the 17-048 order  
19      includes those.

20              CMSR. BAILEY: Like the mixing costs?

21              MR. SHEEHAN: Mixing costs, and then  
22      we call it the "eight hours". There are some  
23      labor costs incurred for the regular operation,  
24      and when the blowers are on they have to be

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[WITNESS PANEL: Gilbertson|McNamara]

1 checked, it's not exactly eight hours, but  
2 that's the shorthand we're using today, and at  
3 least the costs are tracked, or could be. And  
4 the plan would be to estimate them now, include  
5 them in a monthly trigger, and reconcile them  
6 in the spring.

7 The 24/7 costs are the second piece.  
8 And in light of the -- to be frank, the post  
9 Columbia Gas world we're in, we're asking you  
10 to reconsider that. We are going to do it  
11 either way. We're going to man it 24/7,  
12 because it's our engineer's belief that that's  
13 what we should do. So, that was the argument I  
14 was going to make this morning, understanding  
15 we've lost that once.

16 CMSR. BAILEY: All right. Why don't  
17 you have an engineer here to tell us that?

18 MR. SHEEHAN: We did. We had  
19 testimony at the hearing. We had  
20 Mr. Brouillard's testimony. His data requests  
21 were presented *ad nauseam* at the hearing. He  
22 said "we've made all these improvements to the  
23 system, but we still think there's a risk and  
24 we still think we should man it." Nothing has

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[WITNESS PANEL: Gilbertson|McNamara]

1 changed since then.

2 You chose not to approve them, which  
3 is your right, but that evidence is there.

4 CMSR. BAILEY: Okay. Well, if you  
5 could point us to the transcript where he said  
6 exactly that, that would be helpful, because I  
7 don't -- that's not my recollection of what he  
8 said.

9 MR. SHEEHAN: I will. I will  
10 certainly do that.

11 CMSR. BAILEY: And so, is it your  
12 expectation that, in approving the rates  
13 proposed by Mr. Frink, we're making a prudency  
14 determination on that 24/7 manning?

15 MR. SHEEHAN: No. No, it's our  
16 position that you're making a determination  
17 that we can add the normal production costs.  
18 And the second 24/7 is a separate issue that  
19 I'm asking you to consider.

20 CMSR. BAILEY: And when will we make  
21 that decision?

22 MR. SHEEHAN: Presumably in this  
23 order, between now and November 1st.

24 CMSR. BAILEY: So, you are asking us

[WITNESS PANEL: Gilbertson|McNamara]

1 to decide that it's prudent now?

2 MR. SHEEHAN: Yes. I'm saying, by  
3 approving Mr. Frink's rates, you're not  
4 automatically approving the others. That's not  
5 our argument.

6 CHAIRMAN HONIGBERG: Not approving  
7 anything other than the "normal" production  
8 costs?

9 MR. SHEEHAN: Correct.

10 CHAIRMAN HONIGBERG: And your  
11 understanding is that Staff agrees that the  
12 normal -- what you characterize as the "normal  
13 production costs" should be included?

14 MR. SHEEHAN: I don't know if they  
15 agree.

16 CHAIRMAN HONIGBERG: Ms. Fabrizio?

17 MR. SHEEHAN: This topic has come up  
18 in the last couple days.

19 CHAIRMAN HONIGBERG: All right.

20 MR. SHEEHAN: I was going to ask him  
21 that.

22 MS. FABRIZIO: Staff does not agree.

23 CHAIRMAN HONIGBERG: With what  
24 they're characterizing as the "normal costs"?

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1 MS. FABRIZIO: Yes.

2 CHAIRMAN HONIGBERG: Okay. And is  
3 Mr. Frink going to provide some testimony about  
4 that?

5 MS. FABRIZIO: Yes.

6 CHAIRMAN HONIGBERG: Okay. I think  
7 we've got ahead of ourselves here. But,  
8 essentially, we've got a witness on the stand  
9 who has a hope that those costs are going to be  
10 included, but that her testimony isn't about  
11 the inclusion.

12 MR. SHEEHAN: That's a fair  
13 characterization, yes.

14 CHAIRMAN HONIGBERG: But while you're  
15 sitting here, Mr. Simek and you are going to be  
16 feverishly looking for information in the  
17 record from the other docket that would support  
18 a request you're going to make?

19 MR. SIMEK: Correct.

20 CHAIRMAN HONIGBERG: Okay.

21 BY CMSR. BAILEY:

22 Q Have you -- have you calculated the rate --  
23 recalculated the rate impact on customer bills  
24 using the rate that you've agreed to now?

[WITNESS PANEL: Gilbertson|McNamara]

1 A (McNamara) Those schedules are included in  
2 Mr. Frink's testimony.

3 Q And do you agree that they're correct?

4 A (McNamara) Yes.

5 Q Okay.

6 A (McNamara) I think the process in how we got  
7 there is not necessarily the same. We agree,  
8 because we're removing CNG costs. Some of  
9 Mr. Frink's other testimony we don't  
10 necessarily agree with.

11 Q But you agree with the rate that he derived?

12 A (McNamara) Yes.

13 Q And you agree that the rate impact to  
14 customers, so, if we put in an order, if we  
15 were to approve this, that the rate impact to  
16 customers is whatever it says in Mr. Frink's  
17 testimony, that --

18 A (McNamara) Correct. It is. It's reflected in  
19 Bates Page 023 to 026. Those schedules  
20 incorporate Mr. Frink's rates.

21 Q And without even looking at this, it's a rate  
22 decrease because the distribution charge that  
23 was -- is lower now because of the rate case  
24 and consolidating the Keene rates, is that

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[WITNESS PANEL: Gilbertson|McNamara]

1 right? So, the overall bill will be a  
2 reduction?

3 A (McNamara) So, for the distribution charges,  
4 that reduction has already been ruled upon.  
5 For the cost of gas piece of it, these rates  
6 reflect the removal of CNG from our original  
7 testimony. Does that answer your question?

8 Q Well, so, if we compare this bill to the bill  
9 of the year prior, --

10 A (McNamara) Yes.

11 Q -- it's going to be significantly lower?

12 A (McNamara) Correct.

13 Q And primarily because of the distribution  
14 charges?

15 A (McNamara) Correct.

16 Q Okay. Thank you. When you were talking about  
17 the 2-cent difference in the rate between what  
18 you calculated with the CNG and what Mr. Frink  
19 calculated without it, I got really confused by  
20 the discussion about the futures. And I don't  
21 understand, Ms. Gilbertson, whether you were  
22 saying that the 2-cent difference was due to a  
23 combination of the reduction, the propane  
24 future and the removal of CNG, or if it was all

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[WITNESS PANEL: Gilbertson|McNamara]

1 due to the change in propane future?

2 A (Gilbertson) In Mr. Frink's testimony on Page  
3 12, his rate is about a 2-cent difference. And  
4 that includes the reduction of taking out the  
5 CNG, but there's also an increase of rate -- of  
6 Mont Belvieu futures. There was an increase in  
7 the propane rate from September 6 to  
8 October 2nd, when this was -- which this is  
9 based on, the October 2nd Mont Belvieu prices,  
10 they had gone up.

11 Q Oh, I thought you were saying they had gone  
12 down?

13 A (Gilbertson) Well, the next question that was  
14 asked was about like last night what the  
15 futures were.

16 Q Right.

17 A (Gilbertson) So, from October 2nd to last night  
18 when we looked at them, they had gone down.

19 Q Are they below what they were on September 6th?

20 A (Gilbertson) Yes. They are.

21 Q Okay. So, and I think Ms. Fabrizio asked you  
22 this question, but I'm going to ask again,  
23 because I want to make sure I understand it.

24 If the actual price is lower when the rate is

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[WITNESS PANEL: Gilbertson|McNamara]

1 in effect, you will lower the rate?

2 A (Gilbertson) Yes.

3 Q Okay.

4 A (Gilbertson) Every month they will -- they try  
5 to match revenues to costs.

6 Q Okay.

7 A (Gilbertson) So, I think they will definitely  
8 trigger and lower it.

9 Q Okay.

10 A (McNamara) Those will be in the trigger filing.

11 Q What?

12 A (McNamara) Those will be in the monthly cost of  
13 gas trigger filing.

14 Q Yes. Okay. And to the extent it's a little  
15 bit off, that all gets reconciled next year?

16 A (Gilbertson) Yes.

17 Q So, customers are going to pay actually what --

18 A (Gilbertson) What it costs.

19 Q -- what it costs?

20 A (Gilbertson) Yes.

21 Q Can we look at Exhibit 4? And so, this exhibit  
22 shows that 42 percent of the rate will be at  
23 1.1766 cents?

24 A (Gilbertson) Yes.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q And 19 percent at 99 cents?

2 A (Gilbertson) Yes.

3 Q And 27 percent at the spot market price?

4 A (Gilbertson) Correct.

5 Q And what about the 12 percent that isn't going  
6 to be supplied by CNG? Is that going to come  
7 from the spot market price?

8 A (Gilbertson) Yes.

9 Q So, that would be 39 percent. So, 40 percent  
10 of the rate would be at 1.39, and the remainder  
11 of it would be weighted somewhere between \$1.17  
12 and a dollar?

13 A *(Witness Gilbertson nodding in the*  
14 *affirmative).*

15 Q How do you get to \$1.38 rate from that  
16 weighting? It seems -- 1.38 seems high.

17 A (Gilbertson) Right. There's more that goes  
18 into it. But this is -- I guess there's the  
19 over-collection on the --

20 Q So, the over-collection would reduce the rate?

21 A (Gilbertson) Right. I'm not sure -- I'm not  
22 sure what goes in. I mean, this is the  
23 schedule and this is the cost. As far as the  
24 rate itself, I'm sure there's other things that

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[WITNESS PANEL: Gilbertson|McNamara]

1 go into it.

2 So, I think Schedule B shows how the rate  
3 is determined.

4 Q Say that again please?

5 A (Gilbertson) Schedule B.

6 Q In your original filing?

7 A (Gilbertson) Yes.

8 Q Can you give me a Bates Page on that?

9 A (Gilbertson) Oh, I'm sorry. Twenty.

10 Q All right. Can you talk me through this?

11 A (Gilbertson) Yes.

12 A (McNamara) Yes. So, the calculation starts  
13 with the firm sendout, and the detail behind  
14 that is in Schedule I.

15 Q All right. Wait a second. What is firm  
16 sendout? Is that what -- is that what would be  
17 reflected on Exhibit 4?

18 A (Gilbertson) That's the forecast.

19 A (McNamara) That's the forecast.

20 A (Gilbertson) That's the demand forecast.

21 Q Okay.

22 A (McNamara) That we expect customers will use.

23 Q That's how many therms?

24 A (McNamara) Yes.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q Okay. Okay.

2 A (McNamara) There is company use that gets added  
3 to that.

4 Q Uh-huh.

5 A (McNamara) So, the total sendout is 157,045  
6 therms.

7 Q For November?

8 A (McNamara) For November, I'm sorry, yes.

9 Q Okay.

10 A (McNamara) So, the total is 1,238,185.

11 Q Okay.

12 A (McNamara) Unaccounted for therms are 37,821.  
13 Then, we take the costs, which is the total  
14 sendout, times the cost per therm that's in  
15 Schedule F.

16 Q And why is the number different? You say  
17 "Sendout from above", look at November?

18 A (McNamara) Yes. So, total sendout, on  
19 Line 3, --

20 Q Okay.

21 A (McNamara) -- is the sendout that's used in  
22 Line 5.

23 Q Okay. And then you multiply that by?

24 A (McNamara) By the rate on Schedule F, the total

{DG 18-145} [REDACTED - For PUBLIC Use] {10-16-18}

1 average rate.

2 Q And if we were going to -- if we were going  
3 to figure out what the impact of  
4 Schedule [Exhibit?] 4 would be, then we would  
5 use the \$1.27 figure from Schedule [Exhibit?] 4  
6 on Line 48, 1.2719? No, that's a cost per  
7 gallon.

8 A (Gilbertson) Yes. Schedule --

9 Q Okay.

10 A (Gilbertson) Schedule F is the weighted average  
11 cost of what's in the inventory. So, it's not  
12 exactly the same as what would be on like  
13 Schedule C for the therms. Because there's  
14 already product in there, there's already --  
15 there's already propane in the tank. So, it's  
16 a weighted average.

17 Q Well, and what we started with was my ballpark  
18 weighted average of 1.17, 0.99, and 139. And  
19 it seems that the number that came out at 138  
20 was higher than what that weighted average  
21 would suggest. And so, I'm trying to figure  
22 out what else is included, what else is added  
23 to get to \$1.38. So, I guess it doesn't really  
24 matter what's in this line, because this line,

[WITNESS PANEL: Gilbertson|McNamara]

1 the numbers in Line 6, on Schedule B, are not  
2 correct. They're not -- they're not incorrect,  
3 because that was what you filed. But they're  
4 not the same as what Mr. Frink would have used  
5 or what would be produced by  
6 Schedule [Exhibit?] 4?

7 A (McNamara) Correct. Because I believe those  
8 schedules include the cost of the CNG as  
9 well --

10 Q Right.

11 A (McNamara) -- in the original filing.

12 Q Okay. So, and we don't need to add the FPO  
13 premium, right, because I'm trying to figure  
14 out how we get to \$1.38? And why is there an  
15 FPO premium? I thought that was just a 2-cent  
16 adder?

17 A (McNamara) Historically, it's been two cents.  
18 But we have to bring it in, because the other  
19 ratepayers that are not on the FPO have to  
20 absorb that cost, I think. I'm a little unsure  
21 of that, to be honest.

22 Q Actually, the FPO premium is a decrease to the  
23 schedule. I see. Okay. Okay. So, so far,  
24 there's nothing in here other than the rate

[WITNESS PANEL: Gilbertson|McNamara]

1       that is on this Schedule [Exhibit?] 4. I mean,  
2       we were trying to figure out what else gets  
3       added into the rate to get to \$1.38 from  
4       Schedule [Exhibit?] 4. So far, I haven't seen  
5       anything. So, what else --

6   A   (Gilbertson) Okay. So, Schedule [Exhibit?] 4  
7       is the supply plan, and every month there's  
8       obviously a different price for the spot, for  
9       the spot gallons. As we use -- as we use  
10      product, as we use propane and CNG, or whatever  
11      we're going to use, we've got to replace it.  
12      So, on Schedule F, that shows the inventory in  
13      the tanks, from the starting point. And then,  
14      as we deplete that inventory, by using Schedule  
15      C, which is the demand, as we're using that  
16      gas, we've got to replace it back into the  
17      inventory. The inventory already has a  
18      starting balance with a cost associated with  
19      that balance. So, it's not -- and then we're  
20      replacing the gas at different costs through  
21      the period.

22                So, to find the -- to go back to your  
23      question on what is Line 6 and where does that  
24      1.32 come from? It comes from Schedule F.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q Wait. Line 6?

2 A (Gilbertson) On Schedule B, Bates Page 020,  
3 Line 6. And in November, the cost was \$1.3240  
4 coming out of inventory.

5 Q Right.

6 A (Gilbertson) And that's --

7 Q I think you're missing my point.

8 A (Gilbertson) I'm sorry.

9 Q I'm trying to figure out how to calculate the  
10 rate that comes out to \$1.38. And if you look  
11 at Exhibit 4, --

12 A (Gilbertson) Uh-huh.

13 Q -- it appears that 42 percent of the rate  
14 you're going to get at \$1.17, 19 percent you're  
15 going to get at 99 cents, and the rest you're  
16 going to get at \$1.3957.

17 A (Gilbertson) This is in gallons.

18 Q Oh, that's in gallons.

19 A (Gilbertson) Right.

20 Q The \$1.3957 is gallons?

21 A (Gilbertson) That's gallons, yes.

22 Q Okay. And I'm comparing it to 1.3802, which is  
23 per therm?

24 A (Gilbertson) Right.

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[WITNESS PANEL: Gilbertson|McNamara]

1 Q That's the difference. So, what would -- so, I  
2 see. Okay. That was much more complicated  
3 than it needed to be.

4 A (Gilbertson) I'm sorry. Probably should have  
5 said that right away.

6 CMSR. BAILEY: Okay. That's all I  
7 have. Thank you.

8 CHAIRMAN HONIGBERG: Commissioner  
9 Giaimo.

10 CMSR. GIAIMO: Good morning.

11 WITNESS McNAMARA: Good morning.

12 BY CMSR. GIAIMO:

13 Q Since we're on Bates -- Schedule B, Bates Page  
14 020, Schedule B, I'll ask a question on Line 4,  
15 where it says the "Unaccounted for volumes",  
16 that's loss?

17 A (Gilbertson) Yes.

18 A (McNamara) Correct.

19 Q Loss. And so, back-of-the-envelope math, looks  
20 like it's about two and a half percent losses,  
21 in losses. Does that sound right? How does  
22 that compare with other parts of the system and  
23 how does it compare with industry standards?

24 A (McNamara) I don't know the answer to that

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1 question.

2 A (Gilbertson) I believe it's 3. -- on Schedule I  
3 is "unaccounted for" on Column 12,  
4 "3.24 percent".

5 Q Okay. Schedule I?

6 A (Gilbertson) Yes, sorry. It's Bates 027.

7 Q Bates 027.

8 A (Gilbertson) Oh, I'm sorry.

9 Q I guess I was hoping you might explain --

10 A (Gilbertson) Oh. I'm sorry.

11 Q -- the numbers, and maybe someone else should  
12 be explaining it, or we have the wrong  
13 witnesses for that question. Is the  
14 3.24 percent, is that the assumed loss?

15 A (Gilbertson) That's the line loss.

16 (Witnesses conferring.)

17 **BY THE WITNESS:**

18 A (McNamara) I'm trying to see if it's --

19 MR. SHEEHAN: Mr. Chairman, if I  
20 could help? There is a annual DOT report that  
21 lists losses for every utility in the country,  
22 and that would give you a pretty good idea of  
23 what's normal nationwide. And we can certainly  
24 provide that to the Commission.

[WITNESS PANEL: Gilbertson|McNamara]

1 CHAIRMAN HONIGBERG: Provide the  
2 information to Staff, that would be helpful.

3 MR. SHEEHAN: Thank you.

4 CHAIRMAN HONIGBERG: Thanks.

5 BY CMSR. GIAIMO:

6 Q Would it be possible for someone to explain the  
7 over-collection of \$150,000 last year, and what  
8 was that a result of? A function of weather?  
9 Sales? Combination of the two?

10 A (McNamara) I don't have in front of me the  
11 detail of what was in the excess collected. I  
12 would have to provide that at a later time.

13 Q Okay. Is there any -- I guess what I was  
14 wondering was, if there's a way to avoid the  
15 over-collection again, if there was something  
16 done last year as opposed to this year, that  
17 could be rectified this year, to make sure that  
18 the over-collection doesn't happen again, if  
19 there was a specific reason why there was the  
20 over-collection?

21 A (McNamara) In theory, that would be correct.  
22 Our rates are designed to get to an equal  
23 playing field, that the customers are only  
24 paying for the costs that we incurred for the

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[WITNESS PANEL: Gilbertson|McNamara]

1 gas itself.

2 Q Okay. There was some discussion about the  
3 Fixed Price Option, and the Company assumed a  
4 drop in the enrollment. But it also sounded  
5 like you were going to keep the enrollment open  
6 through the end of November?

7 A (McNamara) The end of October, October 31st.

8 Q So, the end of October, the beginning of  
9 November. Okay. So, are the numbers that were  
10 in the testimony still accurate? Nineteen  
11 (19) percent is still the number?

12 A (McNamara) Yes. And that was a five-year  
13 average that we used in the rate.

14 Q Did you use a three-year average or a five-year  
15 average?

16 A (McNamara) Five-year average.

17 Q Okay. And this is a "big picture" question.  
18 You know that the primary reason for the rate  
19 increase was due to overall increase in supply  
20 costs. That's a function of the global cost of  
21 the fuel?

22 A (Gilbertson) Propane, yes, or 40 percent of the  
23 portfolio is not hedged. So, it's subject to  
24 the spot market fluctuations. And even the

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[WITNESS PANEL: Gilbertson|McNamara]

1 Propane Price Stabilization Plan we saw that  
2 they were higher through the summer, propane  
3 costs were higher than they had been in  
4 previous years. So even that seems a little  
5 higher than we would have expected.

6 Q And the 20 percent increase that you referenced  
7 on Bates 010, that would have been even higher  
8 but for the \$150,000 over-collection, which we  
9 talked about a little earlier?

10 A (Gilbertson) Yes.

11 CMSR. GIAIMO: Okay. Thanks. That's  
12 all the questions I have.

13 CHAIRMAN HONIGBERG: My questions  
14 have been answered. I'm interested in  
15 Mr. Sheehan's argument regarding production  
16 costs. And I'm also interested in the status  
17 of things, with respect to the conversion and  
18 the Company's reaction to the Safety Division's  
19 filing from a week or so ago. Which you have,  
20 correct?

21 All right. But, obviously, that's  
22 not for these witnesses.

23 Do you have any follow-up for these  
24 witnesses on redirect?

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[WITNESS PANEL: Gilbertson|McNamara]

1 MR. SHEEHAN: The one thing I omitted  
2 in my direct was for Ms. McNamara to give the  
3 actual rates to be requested and the actual  
4 customer impacts. Those are in Mr. Frink's  
5 testimony.

6 CHAIRMAN HONIGBERG: And there's been  
7 testimony to that effect from your witnesses,  
8 so they have already got that in the record.

9 MR. SHEEHAN: I guess I have nothing  
10 further. Thank you.

11 CHAIRMAN HONIGBERG: Thank you,  
12 ladies. You can return to your seats. Off the  
13 record.

14 *[Brief off-the-record discussion*  
15 *ensued.]*

16 CHAIRMAN HONIGBERG: All right. Why  
17 don't we take a ten-minute break.

18 *(Recess taken at 10:19 a.m.*  
19 *and the hearing resumed at*  
20 *10:39 a.m.)*

21 CHAIRMAN HONIGBERG: Swear in  
22 Mr. Frink please.

23 (Whereupon **Stephen P. Frink** was  
24 duly sworn by the Court

[WITNESS: Frink]

1 Reporter.)

2 CHAIRMAN HONIGBERG: Ms. Fabrizio.

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

5 **STEPHEN P. FRINK, SWORN**

6 **DIRECT EXAMINATION**

7 BY MS. FABRIZIO:

8 Q Mr. Frink, could you please state your name and  
9 position with the Commission.

10 A Stephen Frink. And I'm the Director of the Gas  
11 & Water Division.

12 Q And did you prepare testimony in this matter?

13 A Yes, I did.

14 Q Is your testimony part of the package that we  
15 have marked as "Exhibit 3"?

16 A Yes, it is.

17 Q And if I were to ask you today the questions  
18 that you have answered in your written  
19 testimony, would the answers be the same?

20 A They would.

21 Q Is your testimony accurate? Do you have any  
22 corrections to be made today?

23 A I have one correction on Bates Page 006, on  
24 Line 12. It says "not to changes in energy

[WITNESS: Frink]

1 prices but to the results". I would like to  
2 delete "to the". So, it should read "not to  
3 changes in energy prices but results from".  
4 That's the only correction.

5 Q Okay. Thank you. And do you adopt this  
6 testimony this morning?

7 A I do.

8 Q Could you please provide a summary of your  
9 testimony.

10 A Sure. There is a summary on the final page.  
11 The summary is that --

12 CHAIRMAN HONIGBERG: Mr. Frink, do  
13 you need to add to the summary on the final  
14 page or does that do it for you?

15 WITNESS FRINK: That does not do it  
16 for me.

17 CHAIRMAN HONIGBERG: Okay.

18 WITNESS FRINK: It's the beginning.

19 **CONTINUED BY THE WITNESS:**

20 A So, the summary recommends denying Liberty's  
21 proposed cost of gas and FPO rates. It  
22 recommends approving a cost of gas rate of  
23 1.3802 per therm, which is based on eliminating  
24 the CNG and updating the futures prices to

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[WITNESS: Frink]

1 reflect October 2nd Mont Belvieu prices. To  
2 approve an FPO of \$1.3743 -- well, to approve  
3 an FPO rate of 1.3743 per therm. And I  
4 recommend that Liberty notify customers, FPO  
5 customers, that the actual approved rate for  
6 the FPO is something other than what was in the  
7 FPO letter that was sent out and that they  
8 enrolled in. And the final recommendation  
9 suggests two reconciliations if the Company is  
10 to use CNG. Since the Company is not using  
11 CNG, we can ignore that one. There's no need  
12 for two reconciliations. There will be the  
13 normal "these were our costs for the winter".

14 And that summarizes my recommendations in  
15 my prefiled written testimony.

16 BY MS. FABRIZIO:

17 Q Thank you. And have you spoken with the  
18 Commission's Audit Staff regarding its audit of  
19 the Keene 2017-18 Winter reconciliation?

20 A I did. I spoke to the lead auditor that's  
21 doing that audit. He informs me that he's  
22 reviewed most of the costs, and those are okay.  
23 But there are some outstanding issues primarily  
24 to do with deferred balances, and that he's

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[WITNESS: Frink]

1 waiting on more information from the Company.  
2 The hope is that the Company will get the  
3 responses, the audit responses into the Audit  
4 Staff, and they can complete the audit and  
5 issue a final report within the next couple of  
6 weeks.

7 If they do file the -- well, when they  
8 file the audit report, if there are any  
9 material findings, we'll notify the Commission  
10 and make a recommendation as to whether we feel  
11 it should be addressed in this proceeding or  
12 carry over into next year's cost of gas.

13 Q Thank you. And would you like to respond to  
14 any of the statements or proposals that Liberty  
15 has raised in its testimony, in its prefiled  
16 testimony and in today's testimony, that was  
17 not in your -- in its prefiled direct  
18 testimony, I'm sorry?

19 A Right. Well, one thing I heard that is a  
20 concern for me is that the Company is going to  
21 issue a new FPO letter reflecting my proposed  
22 cost of gas rate and FPO rate. And I don't  
23 think that's necessary. The letter that went  
24 out cited the proposed rates, which it always

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[WITNESS: Frink]

1 does, and it had the premium. So, it's a  
2 2-cent premium on the non-Fixed Price. So,  
3 they calculated the cost of gas rate. And  
4 then, if you want a fixed rate, you pay a  
5 2-cent premium. And people make that decision  
6 based on they want price certainty or to  
7 limit -- eliminate the risk of an increase in  
8 rates. And I don't think that differential --  
9 putting out a letter that reflects an FPO  
10 that's lower than the proposed cost of gas may  
11 influence a lot of people to actually enroll  
12 that wouldn't have otherwise.

13 And I think, based on the information that  
14 they have, I think it's a fair -- their  
15 decision would be appropriate and it wouldn't  
16 change if they had a normal cost of gas rate  
17 with a 2-cent premium. If the normal cost of  
18 gas rate was \$1.35, and the FPO rate was \$1.37,  
19 I think you get the exact same people enrolling  
20 as you will at \$1.40 to \$1.42.

21 By putting out a new FPO letter that has  
22 an FPO rate below the cost of gas rate, I think  
23 you may get a larger number of customers  
24 signing up for that reason. And so, I'm a

[WITNESS: Frink]

1 little concerned with that.

2 I would just recommend, if the Company is  
3 going to do that, that they run it past the  
4 Consumer Affairs Division for their input. And  
5 they might want to rethink that one.

6 I am very concerned with the proposal that  
7 production costs should be included in the cost  
8 of gas. It wasn't requested in their filing.  
9 And in the -- and it was never clear to me in  
10 the rate filing what exactly they were going to  
11 include as production costs in the Keene cost  
12 of gas. So, I was under the impression that  
13 the Keene cost of gas, when they implemented  
14 LNG and CNG, the cost of those facilities would  
15 be what would be reflected in the Keene cost of  
16 gas. The Keene production costs have not  
17 previously been included in the Keene cost of  
18 gas. In a prior cost of gas, there was a good  
19 deal of discussion on that issue. We reached a  
20 settlement. We haven't seen those costs since.

21 And we heard testimony that the production  
22 costs are not in the delivery rates for Liberty  
23 customers. I have no evidence of that. I  
24 can't say if there are production -- Keene

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1 production costs in there or not. We have a  
2 number here of 462,000, Exhibit 5 -- \$482,262  
3 that has been identified as "production costs".  
4 That's a very significant addition, a cost to  
5 add to the cost of gas.

6 So, their Keene plans, they didn't want to  
7 do a detailed business plan, and  
8 understandably, until they had rate  
9 consolidation, because that was expected to  
10 reduce rates. If you take the production costs  
11 that were previously in delivery rates and add  
12 them to the cost of gas, I'm not sure you're  
13 going to get much of a differential or much of  
14 an expansion. I never thought that was the  
15 intent. Like I say, I thought it was, if we  
16 have enough customers, we can do CNG and LNG  
17 and reduce the overall unit costs. They  
18 haven't added customers, and they're proposing  
19 to add almost 500,000 to a COG that's -- that  
20 supply costs were 1.7 million. So, it's a  
21 pretty big hit on customers.

22 I would also say that Mr. Sheehan stated  
23 that the Company had filed testimony in the  
24 rate case on the production costs, and that

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1 they demonstrated that 24-hour manning of the  
2 plant was prudent. I have the order, which is  
3 referenced in my testimony, it's the rate order  
4 in 17-048, Order 26,122, issued on April 27th,  
5 2018.

6 And if you turn to Page 41 of that order,  
7 which I referenced in my testimony, I'll read  
8 it: As for the Keene production costs of  
9 \$148,410, we find that Liberty failed to  
10 justify those costs in this proceeding.  
11 Liberty made many significant enhancements to  
12 address the risk of a similar event and did not  
13 provide evidence that the incremental costs of  
14 manning the plant were reasonable or justified.  
15 Accordingly, we deny recovery of those costs."  
16 And the next sentence begins: "Because we find  
17 around-the-clock staffing of the Keene  
18 production plant is not just and reasonable, we  
19 reject the Company's argument that the current  
20 cost of converting", and it goes on.

21 It sounds to me, from this order, the  
22 Commission reviewed what Liberty had filed and  
23 did not find those costs to be just and  
24 reasonable and denied recovery. And I would

[WITNESS: Frink]

1       rather not reopen that whole investigation.  
2       But, if you were to give them the opportunity,  
3       I think you need to look at what's in delivery  
4       rates. I think you need to put on our Safety  
5       Director to find out what his opinion is as to  
6       what were those added safety from that manning  
7       the plant 24/7 is worth the cost. And I think  
8       you'd want the Company's chief engineer,  
9       whosever in charge of safety, to file  
10      testimony. It's a much bigger thing than what  
11      can be addressed in this Keene cost of gas  
12      proceeding today and for these rates.

13             So, I stand by my recommended rates. And  
14      if you do want to go further and reopen that  
15      discussion, then I think that should be dealt  
16      with in either a separate proceeding or  
17      somewhere down the road.

18             And I'll respond to one question regarding  
19      the unaccounted for. The unaccounted for, I  
20      looked at last year's numbers, it is down  
21      slightly from last year's number. It was 3.26  
22      last year versus 3.24. We've had discussions  
23      on this. At one point, the unaccounted number  
24      years ago was around 7 percent. It was mostly

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1 a matter of the metering. They have improved  
2 the metering. They got it down to where it is  
3 now. I don't know how it compares to the DOT  
4 reports for all gas utilities. It's somewhat  
5 of a unique system in that it's propane/air.  
6 So, I'm not sure that's a reasonable  
7 comparison. But I do know, in the past, the  
8 Commission has been pleased with the progress  
9 they have made in addressing the unaccounted  
10 for. And it's within line with what we've seen  
11 in the past.

12 And that's all I have.

13 MS. FABRIZIO: Thank you. Mr. Frink  
14 is available for cross-examination.

15 CHAIRMAN HONIGBERG: Mr. Buckley.

16 **CROSS-EXAMINATION**

17 BY MR. BUCKLEY:

18 Q Mr. Frink, in reading your testimony, it seemed  
19 to me that the reference to the order that  
20 described at least the 24/7 manning of the  
21 plant costs, it seemed to me that you were  
22 pretty sternly against consideration of those  
23 or recovery of those in the present docket  
24 under the cost of gas?

[WITNESS: Frink]

1 A That is correct. From discussions in technical  
2 sessions and from data responses, and from --  
3 it was my impression, and I put in a report and  
4 I'm testifying that I do not think those are  
5 prudent costs and should not be recovered from  
6 ratepayers.

7 Q And that sentiment, was it informed by some  
8 degree of communication, either informally or  
9 through review of various reports or filings  
10 with the Safety Division of the Commission?

11 A Yes. As a matter of fact, --

12 MR. SHEEHAN: Objection. If we're  
13 going to get Mr. Knepper's in here through  
14 Mr. Frink, which is testimony they chose not to  
15 offer in the rate case, I think that's  
16 inappropriate.

17 CHAIRMAN HONIGBERG: Sustained.

18 BY MR. BUCKLEY:

19 Q So, I've heard you express today on the stand  
20 an openness to further evaluation of the way,  
21 shape, and form that the production costs  
22 themselves might be recovered. Is that  
23 correct?

24 A Yes. As part of the rate case, the Staff's



[WITNESS: Frink]

1 position was that there shouldn't be a  
2 consolidation, there should be a separate rate  
3 case for Keene. We didn't really explore the  
4 revenue deficiency from the Keene operations.  
5 They didn't get the scrutiny, and wasn't -- and  
6 that's why I have some concerns regarding  
7 whether those production costs are in delivery  
8 rates or not. We didn't really get down to  
9 that kind of detail, or what would be in the  
10 cost of gas, the Keene cost of gas rates  
11 regarding production costs.

12 So, on a high level, we argued that, okay,  
13 if you're going to make an expansion in Keene,  
14 and you're going to install CNG and LNG,  
15 there's a lot of costs associated with that.  
16 That should be recovered from Keene customers.  
17 The existing production costs and facilities, I  
18 don't know how that was treated in the -- in  
19 the rate case.

20 Q So, I'm curious what you would see as the most  
21 appropriate venue for such an investigation or  
22 review or what have you?

23 A Well, if the Company had requested production  
24 costs in their filing, we would have addressed

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1       that and that would be part of this review. I  
2       think it's highly unlikely we would have  
3       resolved the issue in the few weeks we have to  
4       actually determine to make a reasoned decision  
5       on that. So, we probably would have carried it  
6       beyond this. But it is fair to look at it in  
7       the cost of gas. But I think the appropriate  
8       place would be in a rate case, where you can  
9       determine what goes in delivery and what goes  
10      in the cost of gas, and set it at that point in  
11      time.

12             As I just stated, we didn't do that in the  
13      last rate case, because we were treating  
14      Keene -- we were looking for the exclusion of  
15      Keene, and that's not what the decision was.  
16      So, those kind of -- that kind of study wasn't  
17      done, that issue wasn't addressed as to exactly  
18      what production costs would be recovered  
19      through the cost of gas, all or any or a  
20      portion thereof, or whether it was in delivery  
21      rates. So, that's -- the appropriate place to  
22      do it is in a rate case. Either in the next  
23      rate case, now that we have consolidated rates,  
24      we will get into that, if it hasn't been

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[WITNESS: Frink]

1 resolved earlier.

2 Q So, and I think I might be mischaracterizing  
3 this, I think I heard from the panel earlier  
4 that a reconciliation proceeding might also be  
5 an appropriate place to address this. Do you  
6 have an opinion on that?

7 A Well, a reconciliation -- if they do a  
8 reconciliation and include production costs,  
9 then that would be in the cost of gas when they  
10 filed that reconciliation. That's -- it was a  
11 couple of years ago that they put production  
12 costs in the reconciliation. That was the  
13 first time that was ever done for Keene. And  
14 we saw it in the reconciliation, did discovery,  
15 the Commissioners saw it, and Commissioner  
16 Scott at the time raised the issue at the  
17 hearing. And we had further discussions with  
18 the Company, Staff filed a report. So, there  
19 was a settlement on that, some of the costs --  
20 production costs were allowed for recovery,  
21 some weren't. That was what the settlement  
22 was.

23 But, basically, the decision was, we'll  
24 address that in the rate case. But then it

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[WITNESS: Frink]

1        didn't really get addressed in the rate case,  
2        because it wasn't really -- it wasn't -- there  
3        wasn't a proposal by the Company in defining  
4        those costs, what they wanted in the -- for  
5        production costs. And again, we were looking  
6        for a separate rate case for Keene. So, that  
7        would have been an issue and their production  
8        costs would have been recovered from the Keene  
9        customers, and we could have dealt with it  
10       there.

11    Q    So, based on the prior history of it having  
12        been initially proposed to be addressed in a  
13        reconciliation, and then pushed towards a rate  
14        case, you think that it would probably be  
15        better to address, rather than in a  
16        reconciliation proceeding, in the next rate  
17        case?

18    A    Absolutely. If the decision is that they're  
19        going to include production costs in the cost  
20        of gas now, before they installed any CNG or  
21        LNG facilities, then I think it would make  
22        sense to actually either keep this one open to  
23        do that or open a -- next year's cost of gas or  
24        have a separate investigation into that feature

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[WITNESS: Frink]

1 alone, because we don't want to see it in a  
2 reconciliation that comes in in September, at  
3 the beginning of September, and all the -- it  
4 has to be -- there has to be discovery issued  
5 in the process, and testimony, all that, that  
6 the cost of gas just doesn't allow adequate  
7 time to do that. So, we can, if the Commission  
8 so desired, they could open an investigation,  
9 they could keep this open. They could open  
10 next year's cost of gas at an earlier date just  
11 to address that issue. There are various ways  
12 to address it.

13 I just don't see how we can address it at  
14 this point in time, before the rates are  
15 effective November 1. So, there's a lot of  
16 work that needs to be done on this.

17 Q And if I could just close the loop on bill  
18 impacts for the average residential customer, I  
19 know this has already, to some extent, have  
20 been addressed, but just to sort of put a  
21 period on the end of that sentence.

22 In your testimony you put forth the actual  
23 average bill impacts for the Non-Fixed Price  
24 Option residential heating customers, is that

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[WITNESS: Frink]

1 correct?

2 A That is correct.

3 Q And would it be accurate to say that, on Bates  
4 024, Line 32, it describes the difference in  
5 the cost of gas specifically from the prior  
6 year?

7 A Yes. That's correct.

8 Q And that difference is a negative \$26.24?

9 A Yes. That's what it says. \$22.65 for the COG  
10 difference from the previous year. But that is  
11 for the -- that is for the summer period. You  
12 need to look at the winter period, which is,  
13 you go across the top, it's Column (7). So, if  
14 you look at Row 32, Column 7, you'll see that  
15 the seasonal cost of gas difference from last  
16 year would be a decrease of -- would be a \$26  
17 decrease in the gas cost, or a 4.3 percent  
18 decrease.

19 Q And as far as total bill, after incorporating  
20 the change in distribution rates and the  
21 customer charge?

22 A Right. Line 34.

23 Q And that's \$204.37, a negative figure?

24 A Right. A Keene customer, factoring in the

{DG 18-145} [REDACTED - For PUBLIC Use] {10-16-18}

[WITNESS: Frink]

1 reduction in their delivery rates, they're now  
2 being charged the LDAC and they're being  
3 charged their own cost of gas, those three  
4 items, at the new rates, in the proposed cost  
5 of gas rate, my proposed cost of gas rate, that  
6 would be a total bill of 945 for this coming  
7 winter, compared to a bill of \$1,150 from last  
8 winter. So, that's correct. It would be  
9 almost a \$200 decrease for the typical Keene  
10 residential heating customer.

11 Q And it would have been slightly more if we had  
12 included or the -- if we had gone with the  
13 Company's original Petition, including the  
14 costs associated with the CNG, is that correct?  
15 Or, it would have been a slightly less of a  
16 decrease?

17 A There would be less of a savings, because using  
18 CNG would have raised the Keene customer supply  
19 costs.

20 MR. BUCKLEY: Great. Thank you, Mr.  
21 Frink. No further questions.

22 CHAIRMAN HONIGBERG: Mr. Sheehan.

23 MR. SHEEHAN: Thank you.

24 BY MR. SHEEHAN:

{DG 18-145} [REDACTED - For PUBLIC Use] {10-16-18}

[WITNESS: Frink]

1 Q Let's start right where you left off. The  
2 customer savings, based on the distribution  
3 rate change, is about \$200 for the winter  
4 season?

5 A That's all three pieces.

6 Q But, if you look at just the distribution  
7 piece, I believe, --

8 A If you look at --

9 Q -- Line 23, is like \$203 or \$204 for the winter  
10 season.

11 A Base Delivery Total, okay. So, the Base  
12 Delivery Total is now, for this year, will be  
13 329. And in the prior year, on Line 10, it was  
14 536. So, about a \$200 difference, yes.

15 Q Okay. So, independent of the cost of gas, the  
16 consolidation is saving \$200 for the season?

17 A Correct.

18 Q Okay. In your testimony, your recommendation  
19 for removing the CNG was based on price?

20 A Yes.

21 Q You understand that the Commission has approved  
22 delivery of CNG in Keene?

23 A I am not sure where that stands. I know there  
24 was a -- I believe we're waiting on a

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[WITNESS: Frink]

1 declaratory ruling. And I believe there's -- I  
2 know there's been a report from Safety that it  
3 was contingent upon.

4 Q Right. And I know it's not in front of you,  
5 the order in 17-068 from last October, the  
6 declaratory judgment proceeding, authorized the  
7 Company to serve CNG and LNG, and conditioned  
8 turning it on, if you will, on satisfying the  
9 Safety Division, correct?

10 A That's correct, yes.

11 Q So, if we had finished the process with the  
12 Safety Division, we could have turned on CNG  
13 this fall?

14 A Yes.

15 Q And that would have been done, and once you do  
16 convert customers to CNG, you can't serve them  
17 with propane, correct?

18 A That's correct.

19 Q So, the Commission has already made the  
20 decision that in the long run CNG is  
21 appropriate for these customers, and we will  
22 approve serving them with CNG?

23 A They determined that you could, that you were  
24 legally within your --

{DG 18-145} [REDACTED - For PUBLIC Use] {10-16-18}

[WITNESS: Frink]

1 Q Okay.

2 A -- franchise rights to provide CNG or LNG, in  
3 addition to propane/air. But the rate order  
4 actually says "To do so, you're going to have  
5 to demonstrate that it's economic."

6 Q Correct.

7 A So, there were a lot of conditions in the order  
8 on that. But, yes.

9 Q All right. So, let's go to those. Do you have  
10 the order in front of you from the rate case?

11 A I do.

12 Q You were looking at Page 41. Turn back to Page  
13 38, 39. The very bottom of 38 --

14 A Okay.

15 Q -- starts with: "Therefore, we will permit the  
16 consolidation of Keene Division distribution  
17 rates with those of EnergyNorth, subject to the  
18 following condition" -- "conditions designed to  
19 protect EnergyNorth's distribution customers  
20 from potential over-capitalization that could  
21 lead to cross subsidization." Do you see that?

22 A Yes.

23 Q And then there's conditions 1 through 8?

24 A Correct.

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[WITNESS: Frink]

1 Q Condition 3 talks about what the Keene cost of  
2 gas will look like after consolidation. And it  
3 says: "In the case of Keene, the revenue  
4 requirement to be considered in this analysis  
5 would include both production costs and  
6 distribution costs, with production costs  
7 recovered in the separate Keene cost of gas  
8 rates." Do you see that?

9 A I do.

10 Q So, the Commission has approved production  
11 costs in the cost of gas for Keene?

12 A Well, it has. I'm not -- it's unclear to me  
13 whether, in referring to "direct costs of the  
14 production facilities", if they're referring to  
15 the production -- the CNG/LNG production  
16 facilities.

17 But, you're right, it just says  
18 "production facilities". So, you could  
19 interpret it to mean the existing Keene  
20 propane/air facilities and all the costs  
21 associated with that.

22 Q And they listed there, in the rest of Paragraph  
23 3, all of the costs that will comprise the  
24 Keene cost of gas after consolidation?

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[WITNESS: Frink]

1 A Looks that way.

2 Q Okay. Do you agree with me that, to run the  
3 blower part of the propane system requires more  
4 production costs than not running the blower  
5 system?

6 A I don't agree with you.

7 Q Okay. And what's the basis of your statement  
8 that there isn't some labor-related production  
9 costs for running the blower system?

10 A Because you could run the blower system without  
11 the -- if you're going to be running the  
12 propane/air plant, whether you have CNG/LNG or  
13 not for some time, you are running it now at a  
14 higher level to the extent where you have to  
15 run the blowers. When you run the blowers,  
16 it's my understanding that you bring -- you man  
17 the plant 24/7. And it's that incremental cost  
18 that is related to the blowers. And it's  
19 Staff's position that you do not need to have  
20 to man the plant 24/7 when you're running the  
21 blowers.

22 Q Did you hear the Company's panel divide  
23 production costs into three buckets: Mixing  
24 costs, eight hours a day, which we admit is a

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[WITNESS: Frink]

1 shorthand for "regular", and then the extra  
2 hours per day to comprise 24/7? Did you hear  
3 that?

4 A I did.

5 Q Do you disagree that those are the three  
6 buckets that comprise production costs?

7 A No. I don't disagree with that.

8 Q So, there is some component of production  
9 costs, some labor component far less than 24  
10 hours that we will incur simply because we're  
11 turning the blowers on, and the maintenance and  
12 review and the checkout of that system that is  
13 required?

14 A No. You're manning the plant for eight hours a  
15 day under the old policy, seven days a week.  
16 And whether you run the blowers or not, I  
17 believe you man the plant during working hours.

18 Q Do you know that or are you guessing?

19 A I'm guessing. But I don't -- that's why I  
20 think there would need to be an investigation  
21 on this.

22 Q Okay. And so, for manning the plant eight  
23 hours a day, shouldn't those be production  
24 costs that are included in the Keene cost of

[WITNESS: Frink]

1 gas?

2 A Well, as I said, the production costs, what I  
3 had envisioned was that production costs were  
4 related to CNG and LNG, that was always the  
5 topic of the discussion, other than that one  
6 time it was put in a reconciliation. And as  
7 part of that reconciliation, we agreed that  
8 there was a settlement that you wouldn't do  
9 that in the next cost of gas.

10 CHAIRMAN HONIGBERG: Mr. Sheehan, ask  
11 your question again.

12 MR. SHEEHAN: Sure.

13 BY MR. SHEEHAN:

14 Q I'm not sure I remember it exactly. But isn't  
15 it your understanding that there were some  
16 hours, labor hours necessary to run the propane  
17 system regardless of CNG?

18 A Oh, yes. There is.

19 Q Okay. And that those were already -- those  
20 should be included in the production costs that  
21 are part of this cost of gas?

22 A Only if it's not already included in the  
23 delivery rates.

24 Q And did you hear Ms. McNamara state very

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[WITNESS: Frink]

1 clearly "these production costs for Keene are  
2 not in distribution rates"?

3 A I did hear that.

4 Q Do you have any basis to challenge that  
5 statement?

6 A No, because I haven't seen that -- that was the  
7 first time I heard that, so I haven't had a  
8 chance to do any discovery, but I would  
9 certainly explore that.

10 Q In Paragraph 3, on Page 39, where it lists what  
11 the costs that should be in the cost of gas, it  
12 does describe propane purchases. So, my  
13 question is, to the extent we're going forward  
14 with Keene, there's a recognition that the  
15 financial showing we have to make includes, of  
16 course, continuing the Keene propane system  
17 until it is converted some years down the road,  
18 correct?

19 A Yes. But I would just like to add, the filing  
20 did not include any production costs.

21 Q This filing did not?

22 A Right.

23 Q Because we were going to switch to CNG and  
24 incur just the -- the less production costs,

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[WITNESS: Frink]

1 right?

2 A Right, which weren't included. There were no  
3 production costs.

4 Q And the reference to the 450 (\$450,000) or  
5 \$80,000 (\$480,000), you understand, as Ms.  
6 McNamara said, that is the fully loaded costs,  
7 with all the burdens and the overheads?

8 A Yes.

9 Q And she told you that the direct costs, which  
10 would be the costs included in cost of gas was,  
11 even including the 24/7, would be about  
12 \$180,000 based on last year?

13 A That is what she said, yes.

14 Q Okay. So, the 400 and something thousand  
15 dollars, although was provided in answer to a  
16 data request, is not the production costs that  
17 would be included in the cost of gas should the  
18 Commission rule as we're requesting?

19 A Well, I went back to line -- Item 3 on the  
20 rates order, it doesn't say -- oh, it does say,  
21 okay, "direct costs". Okay. So, yes, I agree.

22 MR. SHEEHAN: That's all I have.

23 Thank you.

24 CHAIRMAN HONIGBERG: Commissioner



[WITNESS: Frink]

1 Bailey.

2 BY CMSR. BAILEY:

3 Q Mr. Frink, back to Paragraph 3 in the rate  
4 order. Are there production costs associated  
5 with CNG that we were talking about including  
6 in the Keene cost of gas?

7 A There would be production costs with the CNG.  
8 I don't know what those would be. But the  
9 indirect CNG/LNG costs, meaning the cost of the  
10 land, the facilities, would be reflected in the  
11 Keene cost of gas. So, it was always  
12 anticipated that they would purchase land,  
13 they'd put in facilities, and put in mains for  
14 that. Whatever those costs are would be  
15 included in the cost of gas, and they'd get the  
16 depreciation, expense, return, *etcetera*, your  
17 normal base rate type item, but it would just  
18 be recovered through the Keene cost of gas.

19 Q And is there anything in this paragraph that  
20 suggests to you that the production costs for  
21 the 24/7 operation of the blower system would  
22 be included in the Keene cost of gas?

23 A No, there's not.

24 Q Okay. Thanks.

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[WITNESS: Frink]

1 A Well, I stand corrected. Again, to go back to  
2 the line in number 3, where it says "direct  
3 costs of the production facilities", the  
4 Company interprets that to mean, and it could,  
5 that "direct costs of the production  
6 facilities" could include the blower system,  
7 and the extra costs for manning the plant 24/7.  
8 This doesn't say "excluding manning the plant  
9 24/7".

10 Q Okay. Back to the rates. A dollar -- well,  
11 1.3802 per therm, that is less than the actual  
12 cost of gas that was purchased last winter, is  
13 that --

14 A I'd have to look at the reconciliation.

15 Q Well, I thought that's what your rate chart was  
16 showing. That's what I'm confused about.

17 A Oh. Okay.

18 Q So, Bates Page 024 in your testimony.

19 A The costs, Bates Page 024, last year's costs  
20 were -- the cost of gas rates, so, in 2018, the  
21 winter, for a typical residential heating  
22 customer, on Line 14, the cost of gas was \$612.  
23 And this year, at the proposed rate, the cost  
24 of gas is -- my recommended rate is \$586. So,

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1 the overall cost of gas for this winter's  
2 period is less than the cost of gas for last  
3 winter.

4 Q And the cost of gas rate for last winter would  
5 be reflected on Line 13?

6 A That's correct.

7 Q Column (7)?

8 A Yes.

9 Q Okay. So, even the Company's proposed cost of  
10 gas rate was less than last year's actual rate  
11 of \$1.44?

12 A That's correct.

13 Q Okay. I thought I understood this earlier, but  
14 I don't remember. Can you explain to me why  
15 the Fixed Price Option is lower than the  
16 Non-Fixed Price in your recommendation?

17 A That is because the -- when I did my analysis,  
18 I calculated the FPO without the CNG. So, I  
19 stripped out the CNG from the original filing  
20 and calculated what the FPO rate -- what the  
21 average -- what the COG rate should be, and  
22 added two cents to get an FPO rate, the typical  
23 way you do it.

24 I had -- through discovery I asked a data

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1 request asking the Company to do that, and the  
2 Company, in the response, updated the propane  
3 futures prices. So, the propane futures prices  
4 show what the expected prices are for each  
5 month. And so, I used that. And typically, I  
6 wouldn't have done that. But, since it went up  
7 some, and there's always concern that you want  
8 to be able to address over- and  
9 under-recoveries with monthly adjustments. And  
10 if the rates are going up, that shrinks that  
11 25 percent cap that would require a revised  
12 filing.

13 So, because they had gone up, I went ahead  
14 and recommended an FPO -- a cost of gas rate  
15 that reflected the change in the futures  
16 prices. Now we've heard that those -- that  
17 futures prices have come down even below what  
18 the Company had filed. So, in essence, if you  
19 were to use those, that 25 percent cap is  
20 something greater than 25 percent.

21 So, that's why the FPO rate is below the  
22 cost of gas rate in mine, because it would be  
23 two cents higher if I hadn't adjusted for the  
24 futures prices as of October 2nd.

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[WITNESS: Frink]

1 Q I'm still confused. I'm not following that.  
2 The futures prices were higher in October than  
3 they were in September?

4 A Yes.

5 Q And that caused the Fixed Price Option to be  
6 lower?

7 A Right, because the Fixed Price Option locks in  
8 a rate when they make their filing. So, that  
9 rate was based on lower futures prices.  
10 Then --

11 Q Oh. So, you just took their Fixed Price Option  
12 and removed the CNG?

13 A That's what I did to get the FPO rate, yes.

14 Q Oh. Okay. So, why wouldn't it make sense to  
15 take your \$1.38 and add two cents for the Fixed  
16 Price?

17 A Because the Company did not file an economic  
18 dispatch. They did not -- it wasn't a least  
19 cost dispatch. So, if you look at Exhibit 4,  
20 you can see, on Line 24, what the price per  
21 gallon is compared to your other supplies, and  
22 it's significantly higher.

23 Q Right. But -- oh, so, you -- but the original  
24 Fixed Price rate that they proposed was just

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1 two cents higher than the rate that they  
2 proposed for Non-Fixed?

3 A That's how the Fixed Price Option is designed.

4 Q Right. So, if with take the CNG costs out of  
5 the Non-Fixed Price rate, why wouldn't you just  
6 add two cents to that to get to the Fixed  
7 Price?

8 A Because the customers who have enrolled and who  
9 have gotten the letter are protected from  
10 changes, from increases in energy prices that  
11 would kick that rate up above what they have  
12 signed up for.

13 Q Right. But the rate that they signed up for  
14 was about 1.4, wasn't it? So, if you take  
15 1.38 --

16 A Yes. Right. It's \$1.42.

17 Q Right. So, if you take \$1.38 and added two  
18 cents, it would be \$1.40. So, it would still  
19 be less than what they signed up for, but about  
20 the same.

21 A But, again, when a customer gets a letter and  
22 enrolls in the program, fills out the  
23 application and sends in the thing, that is the  
24 rate he's expecting, and that's to protect

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1       against changes in the energy rates. But, if  
2       the energy rates -- and, so, in this case, the  
3       energy rates went up. If the energy rates had  
4       gone down, I wouldn't have changed it. But  
5       this is due to an error on the Company's part,  
6       which is why I believe it's appropriate, and  
7       it's addressed in my testimony, to reduce the  
8       FPO. The customers -- if the Company files an  
9       uneconomic supply plan, whether you're an FPO  
10      customer or cost of gas customers, you  
11      shouldn't pay for that uneconomic dispatch.

12   Q   And the uneconomic dispatch is the CNG?

13   A   Yes.

14   Q   And that's the mistake that you were referring  
15      to that the Company made?

16   A   Right. I don't think the FPO customers should  
17      be bearing that cost. So, that's why I  
18      adjusted the FPO rate. But, on the other hand,  
19      I don't think they should be hit with the  
20      higher futures prices, --

21   Q   I understand it.

22   A   -- or now lower futures prices. They should be  
23      immune to all that.

24                   CMSR. BAILEY: Okay. I get it.

[WITNESS: Frink]

1 Thank you. That's all I have.

2 CHAIRMAN HONIGBERG: Commissioner  
3 Giaimo.

4 BY CMSR. GIAIMO:

5 Q What I think I heard you say is that you think  
6 it makes the most sense to review production  
7 costs in a subsequent rate case, is that  
8 correct?

9 A Yes.

10 Q Do you know when that is or when that might be?

11 A I believe the parties' intention is to file  
12 using a test year of 2019. So, it would be  
13 2020 when we would see a filing.

14 Q Okay. So that, under what you're proposing,  
15 there would be a deferral of the production  
16 costs for what could be two winters?

17 A They can put in whatever they want for deferred  
18 expense to seek recovery. So, that's what I'm  
19 expecting, based on what we heard today.

20 Q And what we also heard today was that it was in  
21 the area of about \$180,000 per year?

22 A Yes.

23 Q So, if they came in with a number in two years  
24 or three years of 360,000 or 540,000, that's

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[WITNESS: Frink]

1 something that we might reasonably see in the  
2 next rate case?

3 A I fully expect they will be using CNG next  
4 winter.

5 Q Okay.

6 A At least that's their plans.

7 Q So, at a minimum, we would probably see at  
8 least the one year?

9 A That would be my expectation, yes.

10 CMSR. GIAIMO: Okay. Thank you.

11 BY CHAIRMAN HONIGBERG:

12 Q I want to return to the production costs for  
13 running the propane system. I understand that  
14 it wasn't included in this filing, and it  
15 wasn't included because they didn't plan to run  
16 it. They planned to use CNG. But, since  
17 they're not, and that's because they're --  
18 there's a lot of reasons why they're not, but  
19 they're not. They are running the propane  
20 system. Is it your position that there is no  
21 amount of production costs associated with  
22 running the propane system that should be  
23 included in the cost of gas rate?

24 A I would, without exploring what was in the

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1 delivery rates, I would be very concerned with  
2 doing that without first reviewing to make sure  
3 that it's not a double recovery of those costs.

4 Q Okay. Assume for a moment that the testimony  
5 that was provided earlier is correct, and that  
6 once it was examined and explored you could be  
7 satisfied that it was true that there's  
8 nothing -- none of the production costs are in  
9 the distribution rates. Would it be acceptable  
10 to include some of what they're incurring as  
11 production costs in the cost of gas rate?

12 A If they were prudent costs, yes.

13 Q Right. And just as an example, you would say  
14 it's imprudent to staff 24/7, but it may be  
15 prudent to staff some number of hours fewer  
16 than 24/7?

17 A Correct.

18 Q And in terms of running the blower, could be  
19 prudent or may not be, depending on  
20 circumstances, what the demand is? Or, do they  
21 have to run the blower some regardless?

22 A They have to run the blower some regardless.  
23 When it gets cold enough, when there's enough  
24 demand on the system. So, if their proposal to

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1       serve the small segment of their system took  
2       off enough load to where the blowers wouldn't  
3       have to kick on. It's only when they reach a  
4       certain level that they need the blowers.

5   Q   And there's a cost to running the blowers that  
6       they think should be included?

7   A   Yes.

8   Q   Okay. Based on the conversation you had with  
9       Commissioner Bailey a moment ago about the  
10      Fixed Price Option, could you go back to your  
11      summary recommendations on Bates Page 008 of  
12      your testimony.

13   A   Okay.

14   Q   The fourth bullet point, which is about the  
15      notification to the Fixed Price Offer  
16      customers. Let me understand what it is you're  
17      recommending. You're recommending charge them  
18      the 1.3743 that's in the line above that, which  
19      is lower than what they signed up for?

20   A   Correct.

21   Q   And send them a letter saying "Great news. The  
22      fixed price you signed up for is actually going  
23      to be lower." Right?

24   A   Exactly.

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[WITNESS: Frink]

1 Q But you are not in favor of extending the  
2 sign-up period for the Fixed Price Option.  
3 Just whoever signed up, they signed up, give  
4 them the favorable price and be done with it?

5 A Correct.

6 CHAIRMAN HONIGBERG: Okay. I think  
7 that's all the questions I had.

8 Ms. Fabrizio, do you have any further  
9 questions for Mr. Frink?

10 MR. DEXTER: Could we have a moment  
11 please --

12 CHAIRMAN HONIGBERG: Sure.

13 MR. DEXTER: -- to talk to the  
14 witness?

15 CHAIRMAN HONIGBERG: Sure.

16 *(Atty. Fabrizio and Atty. Dexter*  
17 *conferring with the witness ).*

18 MS. FABRIZIO: Mr. Chairman, Staff  
19 has no further questions.

20 CHAIRMAN HONIGBERG: All right.  
21 Thank you, Mr. Frink. You can return to your  
22 seat or stay there, if you'd like.

23 Okay. There are no further  
24 witnesses, is that correct?

1                                   [No verbal response.]

2                           CHAIRMAN HONIGBERG: All right.  
3       Without objection, we'll strike ID on  
4       Exhibits 1 through 5.

5                           Is there anything we need to do  
6       before we allow the parties to sum up?

7                                   [No verbal response.]

8                           CHAIRMAN HONIGBERG: All right. I  
9       think we'll go Mr. Buckley, Ms. Fabrizio, then  
10      Mr. Sheehan.

11                           Mr. Buckley.

12                           MR. BUCKLEY: Thank you, Mr.  
13      Chairman.

14                           The Office of the Consumer Advocate  
15      agrees that the rates and recommendations as  
16      set forth in Mr. Frink's testimony and  
17      attachments, subject to the modification he had  
18      provided on the stand, regarding (1) his  
19      recommendation relative to the filing of a  
20      hypothetical reconciliation, and (2) his  
21      reservations regarding the Company's plan to  
22      extend the sign-up period for the Fixed Price  
23      Offer option, are just and reasonable.

24                           Assuming that the Company's

1 statements here today are true, we believe that  
2 some degree of production costs may be  
3 appropriate for inclusion in the cost of gas  
4 during the next reconciliation of that rate.

5 But, as far as the production costs  
6 associated with the 24/7 manning of the plant,  
7 we see the Commission's current position on  
8 that matter as set out in Order Number 26,122  
9 as dispositive of that issue.

10 Thank you.

11 CHAIRMAN HONIGBERG: Ms. Fabrizio.

12 MS. FABRIZIO: Thank you, Mr.  
13 Chairman. Staff recommends approval of the  
14 rates as filed, as adjusted in accordance with  
15 Mr. Frink's recommendation to reach a least  
16 cost option, with the understanding that there  
17 is an audit pending on the 2017-18 actual  
18 costs, and with the understanding that any of  
19 the results of that audit will be reflected in  
20 the subsequent monthly adjustment.

21 And Staff recommends that the Company  
22 not be allowed to recover more than what is  
23 included in Staff's recommendation at Bates  
24 Page 008 of Mr. Frink's testimony, as you have

1 heard today.

2 Thank you.

3 CHAIRMAN HONIGBERG: Mr. Sheehan.

4 MR. SHEEHAN: Thank you. Just  
5 responding to a few comments in the last  
6 questions.

7 I don't think it's necessary to wait  
8 until the next rate case to further address  
9 production costs. I think the Commission's  
10 order in this case is clear that we are  
11 entitled to recover production costs in Keene  
12 cost of gas rates. Obviously, there's some  
13 disagreement of what that means, but I don't  
14 think it requires a full reopening, as  
15 Mr. Frink suggests.

16 I have no concern with the Staff, in  
17 the appropriate proceeding, confirming that we  
18 don't have production costs in distribution  
19 rates, and that's fair. And whether that comes  
20 through a reconciliation or whatever process,  
21 that's fine.

22 And the other comment was are  
23 there -- Commissioner Bailey was asking whether  
24 there are production costs in the CNG costs,

1       and I believe Ms. Gilbertson testified that  
2       there is a demand charge associated with those.  
3       We've got a contract to providing the CNG. And  
4       to the extent there's labor involved in the  
5       CNG, it's built within that demand charge,  
6       which is a fixed yearly charge we pay, in  
7       addition to the commodity price. So, it's  
8       really not quite relevant here, but it's just  
9       to clarify.

10               We're asking this morning that the  
11       Commission approve the rates Mr. Frink has in  
12       his testimony, with the addition of some  
13       production costs. And we don't have a firm  
14       calculation of those. And the first request is  
15       that we get the so-called "normal production  
16       costs", and those would be the hours spent  
17       keeping the propane plant and the blower system  
18       running. The total last year, including 24/7,  
19       was \$180,000. It would be significantly less  
20       than that. It would be subject to audit and  
21       recordkeeping and reconciliation.

22               What I request is that the Commission  
23       authorize that. We will do an estimate, and  
24       we'll share it with Staff, of what we think



1       that will be, so we don't run into an  
2       under-collection, and include that in the  
3       trigger. So, let's say we've got to go up two  
4       cents this month to cover those costs, we'll do  
5       it that way, and at the end we'll do the math  
6       and figure out whether we collected too much or  
7       too little of those costs.

8               CHAIRMAN HONIGBERG: Don't you think  
9       it would be helpful to put the numbers you just  
10      described, but didn't calculate, into the  
11      record of this proceeding?

12             MR. SHEEHAN: It would have been, and  
13      I apologize for not having them. We filed this  
14      case not knowing we would need those numbers,  
15      and with the CNG. No, that's not fair. We  
16      should have anticipated that. You're right.  
17      Because we're going to run -- I'm talking  
18      myself in circles.

19             CHAIRMAN HONIGBERG: I hate it when  
20      that happens.

21             MR. SHEEHAN: There is -- frankly,  
22      there's a small amount of production costs.  
23      The mixing costs are *de minimus*. Should we  
24      have included them? Yes. That's not going to

1       move the needle at all. There is extra costs  
2       when the blowers go on. Those we did not  
3       include, because we did not -- putting aside  
4       the 24/7, we did not include those because we  
5       were planning on not running the blowers.

6               So, those are the bulk of what's now  
7       what the Staff recommends is unrecovered  
8       production costs.

9               CHAIRMAN HONIGBERG: But you knew  
10       that Mr. Frink had a problem with it, once he  
11       submitted his testimony.

12              MR. SHEEHAN: And the answer to that,  
13       Commissioner, is last winter, as I understand  
14       it, we did not track them that carefully to  
15       know what was normal production costs, what was  
16       abnormal. Because remember, again, before the  
17       back-and-forth in that cost of gas, these were  
18       in distribution rates. And we carved them out  
19       of distribution rates. And through the  
20       settlement, there was a back-and-forth when  
21       this all came to light. So, we don't have a  
22       history that "to run the blowers cost X hours a  
23       week". It was never kept track of before,  
24       because they were in distribution rates. And

1 in this last year, when we were manning it, we  
2 didn't segregate between them because someone  
3 was there 24/7.

4 So, that would be a task this winter.  
5 We are going to run it 24/7. The marching  
6 orders to the Keene Division is "Keep very  
7 careful tabs on what is normal and what is  
8 24/7, so we can account for them."

9 We do ask that you approve the 24/7  
10 as well. I agree with the comments and the  
11 questions that we were rejected in the rate  
12 case. We're not disputing that. Mr. Frink  
13 read the right quotation on Page 41, and  
14 Commissioner Bailey repeated that. We are, in  
15 effect, asking you to reconsider that.

16 And the question that came up earlier  
17 today on what's in the record, I was able to  
18 pull the references to the rate case where we  
19 did put on that evidence. Exhibit 55 is --

20 CHAIRMAN HONIGBERG: Give  
21 Commissioner Bailey a moment, because she's got  
22 her laptop next to us, --

23 MR. SHEEHAN: Sure.

24 CHAIRMAN HONIGBERG: -- and she's

1 going to pull up what you want to reference.

2 MR. SHEEHAN: The first two I'm going  
3 to reference are less important. So, I'll --  
4 55 is a data response where we describe the  
5 December 15 -- December 19, 2015 incident.  
6 That's not totally pertinent.

7 Exhibit 77 is a data request where we  
8 describe incidents at the plant since then.  
9 There were a couple hiccups with the blower  
10 system. That's 77.

11 Exhibit 78, and unfortunately,  
12 there's a story to Exhibit 78, it's not in the  
13 docketbook. Exhibit 78 was a binder, if you  
14 will, that we prepared late in the hearing of  
15 evidence just of this nature, of the work we  
16 did on the plant, the opinions of our staff as  
17 to what was fixed, what was good, and their  
18 concerns that we were in good shape, but not  
19 perfect share.

20 If you'll recall, Mr. Mullen walked  
21 through that binder reading into the record a  
22 gist of a bunch of those data responses. They  
23 were marked as "Exhibit 78". Staff objected,  
24 OCA did not object. And the Commission said it

1 would rule on it later. The order did not  
2 close the loop on that. So, in docketbook,  
3 it's still under advisement.

4 So, if you look in Day 6 transcript,  
5 Page 247 is the beginning of Mr. Mullen's --  
6 the exchange between Mr. Mullen and me walking  
7 through those documents, you get a pretty good  
8 idea of what's in them.

9 And the very beginning of the Day 7  
10 transcript is the marking of the exhibit and  
11 the objection by the Staff. And the  
12 Commission's, I think at the very end of that  
13 transcript, Pages 127 and 128, is where the  
14 Commission is accepting all the other exhibits  
15 except for this one. So, that's where it is in  
16 the record.

17 And we are going to staff it 24/7  
18 this year. The people that run the plant again  
19 are more or less confident, but we have enough  
20 unease that we are staffing it 24/7. And for  
21 all the obvious reasons, we can't have anything  
22 happen in Keene. And that's why we're doing  
23 it. So, we ask that you approve those costs.

24 And as a back-of-the-envelope number,

1 if you add the full \$180,000 to Keene rates,  
2 it's about 45, 50 bucks for the winter season.  
3 So, it's a big number, I would suggest not a  
4 huge number. So, that's what we request.

5 Thank you.

6 CMSR. BAILEY: Forty-five or fifty  
7 dollars for the winter per customer?

8 MR. SHEEHAN: For a residential  
9 customer, yes.

10 CMSR. BAILEY: Okay. And can you  
11 confirm for me that Mr. Brouillard never  
12 testified about the prudence of this 24/7  
13 operation, right?

14 MR. SHEEHAN: You're correct in that  
15 regard. And what I didn't find just now  
16 looking back is why it came up late in the rate  
17 case. It clearly came up late.

18 CHAIRMAN HONIGBERG: I have a pretty  
19 distinct memory about why it didn't come up, is  
20 because neither Mr. Brouillard, nor any other  
21 witness, had provided the kind of testimony  
22 that one would have expected to try to justify  
23 the 24/7 staffing and the way the production  
24 costs were being handled. And you and I had a

1 discussion on the record, you know, "if you  
2 want to get this in, you're going to have to  
3 figure out some way to do it." And the way  
4 that you thought you might be able to do it was  
5 to have Mr. Mullen read a bunch of data  
6 responses, or summarize them, I don't now  
7 recall exactly how verbatim he did it. But  
8 that's how we got where we were. And I had  
9 forgotten, until we look in the docketbook and  
10 see, as you note, that that exhibit is still  
11 under advisement.

12 So, I did ask you earlier to just  
13 talk, it may not be directly relevant to what  
14 we're doing here, but it's on the same subject  
15 matter, with respect to the Company's reaction  
16 or response to what the Safety Division has  
17 produced.

18 MR. SHEEHAN: Sure. And one other  
19 thing I forgot. On the issue of the customer  
20 notice, this notice on the FPO is set to go out  
21 tomorrow. We have no issues offering a new  
22 rate and having more customers sign up. I  
23 heard what Mr. Frink said, but it doesn't cause  
24 us problems if a whole bunch more decide to

1 take advantage.

2 So, I'm not sure how the -- we'll  
3 talk to Staff again, but that's our plan. And  
4 if the Commissioners on the spot have a  
5 knee-jerk reaction against it, we will  
6 certainly listen and maybe delay it a day or  
7 two, I don't know if we can.

8 CHAIRMAN HONIGBERG: Yes. I think,  
9 without our approval, you probably can't send  
10 that letter out.

11 MR. SHEEHAN: We send the FPO letter  
12 out ahead of time anyway.

13 CHAIRMAN HONIGBERG: You send it as  
14 part of a process, which is well established,  
15 but this would be new.

16 *(Atty. Sheehan conferring with*  
17 *Mr. Simek.)*

18 MR. SHEEHAN: Yes. What David is  
19 just saying is we will send saying "the  
20 proposed rate is X, if you want to sign up."  
21 But we had to do it soon, obviously, to get it  
22 in place before November 1. That's the issue.  
23 And as you know, it's a process to get those  
24 letters out, a number of days.



1 CHAIRMAN HONIGBERG: Yes. You're  
2 going to need to wait. You're going to need to  
3 hold off on that.

4 MR. SHEEHAN: Okay.

5 CHAIRMAN HONIGBERG: And we'll figure  
6 out some way, if we're not ready to issue a  
7 final order on this, some way to notify you  
8 about the Fixed Price Option. Because I heard  
9 what Mr. Frink said, I heard what your  
10 witnesses said. There didn't seem to be a lot  
11 of cross-examination of either on that topic.  
12 So, I think it's just in our -- it's on our  
13 desk now to decide what the best way to do that  
14 is.

15 MR. SHEEHAN: Okay.

16 CHAIRMAN HONIGBERG: All right. So,  
17 that was the issue you forgot. And now --

18 MR. SHEEHAN: So, on the CNG,  
19 obviously, when we made this filing, we were  
20 still hoping to get the report in time to  
21 respond and get the CNG facility up and  
22 running. We ran out of time. The sequence to  
23 get it done for a winter safely is line up  
24 contractors to do the conversions. It is the

1       Monadnock Marketplace. It's not a lot of  
2       customers, but it's a lot of units, heaters,  
3       refrigerators, etcetera. And we couldn't  
4       reserve the contractors for October without  
5       knowing. They're now all booked. And if you  
6       run into cold weather, and we're doing  
7       conversions in cold weather, if there's a  
8       glitch, we have customers who don't have heat.

9               So, rather than rush through it, and  
10       this is assuming that whatever process is left  
11       that couldn't happen quick enough. So, we  
12       simply ran out of time to safely do it this  
13       winter. So, we backed off. We don't plan to  
14       do it this winter. We'll do it in the spring  
15       and summer at an appropriate schedule.

16               The process, as I understand it is,  
17       and it's the order -- the October order in 068,  
18       is, I have it here, the last clause in the  
19       order is "Liberty shall not flow any gas", and  
20       I'm paraphrasing, "until the Safety Division  
21       has found the required plans and reports  
22       adequate and completed its physical  
23       inspection."

24               Our understanding was the report

1 found deficiencies. We will respond to them.  
2 And if the Safety Division says "okay", that's  
3 the end of the process. We didn't foresee any  
4 further formal process with the Commission.

5 So, we are now diving into what the  
6 Safety Division wrote, and with the panic  
7 button off. We're not going to slow it down,  
8 but we're not going to rush it. We'll give the  
9 Safety Division a comprehensive response. Most  
10 of what's in his report we knew was coming, and  
11 we had fixed already.

12 There are a few things that we will  
13 change in our policies that he's recommended,  
14 and he'll have that. Presumably, we'll get his  
15 okay. And the next thing we'll be ready to do  
16 the conversions in the Marketplace.

17 CHAIRMAN HONIGBERG: All right.  
18 Thank you. Thank you for that update.

19 All right. I don't believe there's  
20 anything else we need to do today then. With  
21 that, we will close the record, take the matter  
22 under advisement, and issue an order as quickly  
23 as we can, and deal with the notice regarding  
24 Fixed Price Option maybe before then. Thank

1           you all.   We are adjourned.

2                           *(Whereupon the hearing was*  
3                           *adjourned at 11:46 a.m.)*