

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 20-105

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

SUPPLEMENTAL DIRECT TESTIMONY

OF

FRANCISCO C. DAFONTE,

WILLIAM R. KILLEEN,

AND

STEVEN E. MULLEN

November 20, 2020



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1 **I. INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. (FD) My name is Francisco C. DaFonte. I am Vice President, Regulated Infrastructure
4 Development – Gas, of Liberty Utilities Service Corp., which provides services to Liberty
5 Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or the “Company”). My
6 business address is 15 Buttrick Road, Londonderry, New Hampshire.

7 (WK) My name is William R. (Bill) Killeen. I am Director, Energy Procurement, of
8 Liberty Utilities (Canada) Corp., the indirect parent company of EnergyNorth. My
9 business address is 354 Davis Road, Oakville, Ontario, Canada.

10 (SM) My name is Steven E. Mullen. I am Director, Rates and Regulatory Affairs, of
11 Liberty Utilities Service Corp. My business address is 15 Buttrick Road, Londonderry,
12 New Hampshire.

13 **Q. On whose behalf are you submitting this Supplemental Direct Testimony?**

14 A. We are submitting this joint Supplemental Direct Testimony before the New Hampshire
15 Public Utilities Commission (the “Commission”) on behalf of EnergyNorth.

16 **Q. Mr. DaFonte, please summarize your educational background and your business and**
17 **professional experience.**

18 A. I attended the University of Massachusetts Amherst where I majored in Mathematics with
19 a concentration in Computer Science. In 1985, I was hired by Commonwealth Gas
20 Company (now NSTAR Gas Company), where I was employed primarily as a supervisor

1 in gas dispatch and gas supply planning for nine years. In 1994, I joined Bay State Gas
2 Company (now Columbia Gas of Massachusetts) where I held various positions including
3 Director of Gas Control and Director of Energy Supply Services. In 2011, I was hired as
4 the Director of Energy Procurement by Liberty Energy (NH) and promoted to Senior
5 Director in July 2013 and Vice President in July 2014. In November 2016, I became Vice
6 President, Regulated Infrastructure Development – Gas, of Liberty Utilities.

7 **Q. Mr. Killeen, please summarize your educational and professional background.**

8 A. I earned a Bachelor of Engineering Science (Chemical) degree from the University of
9 Western Ontario (now Western University) in 1985. I also earned a Master's degree in
10 Business Administration from the Ivey School of Business at Western University in 1989.

11 I have 30 years of professional experience in the energy and utilities industries in the areas
12 of regulation, supply, operations, and customer service. I have worked at natural gas
13 utilities and electric utilities, as well as in consulting, marketing, and government positions.
14 Early in my career, I was employed by Union Gas Limited, a major natural gas utility
15 serving over 1.4 million customers in Ontario, Canada, for twelve years in varying
16 capacities, including regulatory and supply. Prior to joining Liberty Utilities in February
17 2014, I was employed by Enersource Hydro Mississauga Inc., a major electric utility
18 serving the City of Mississauga, Ontario, for three years as Manager, Regulatory Affairs.
19 In between my employment at these two large utilities, I was employed at various other
20 companies, always retaining responsibility for oversight of regulatory affairs and supply,
21 typically in Ontario or eastern Canada. These companies included Engage Energy Canada

1 Inc., Direct Energy as Manager, Regulatory Affairs, and a consulting company, ECNG
2 Energy LP, as Director, Supply and Regulatory Affairs for eight years. Following ECNG,
3 I spent a brief tenure within the Ministry of Energy of the Ontario Government.

4 **Q. Mr. Mullen, did you previously sponsor Direct Testimony in this docket on July 31,**
5 **2020?**

6 A. Yes. That testimony sets forth my educational background and professional qualifications.

7 **Q. What is the purpose of your Supplemental Direct Testimony?**

8 A. The purpose of our Supplemental Direct Testimony is to seek Commission approval for
9 recovery of the costs incurred to investigate, evaluate, and assess the future development
10 of the Granite Bridge Project as part of EnergyNorth's current rate case proceeding.
11 Specifically, EnergyNorth is seeking to recover approximately \$7.5 million of core
12 development costs incurred from 2016 into 2020 associated with the Company's
13 investigation and analysis of the Granite Bridge Project (the "Granite Bridge Project
14 Costs"), as these costs were necessary to assess and pursue the least-cost resource
15 alternative to meet the natural gas demand needs of EnergyNorth's customers in
16 accordance with the Company's Commission-approved resource planning standards and
17 decision-making process.¹

¹ The Commission most recently reviewed and approved the Company's resource planning process and the results of that process in Docket No. DG 14-380 related to the Company's firm transportation agreement regarding the Northeast Energy Direct ("NED") Project. *See*, Order No. 25,822 (Oct. 2, 2015).

1 **Q. Why is the Company seeking authority to recover the Granite Bridge Project Costs**
2 **in this rate case proceeding?**

3 A. EnergyNorth is following the guidance provided in the Commission's October 6, 2020,
4 order issued in Docket No. DG 17-198. With respect to the Company's request for
5 approval to recover the Granite Bridge Project Costs, Order No. 26,409 stated: "Requests
6 for authority to recover capital project and supply planning costs are appropriately
7 reviewed in a full rate case."² Order No. 26,409 was issued subsequent to the Company's
8 July 31, 2020, initial filing in this rate case proceeding. Therefore, the Company is
9 providing this joint Supplemental Direct Testimony to present the Company's rationale
10 and support for recovery of the Granite Bridge Project Costs.

11 **II. EXECUTIVE SUMMARY**

12 **Q. Why did the Company incur costs to investigate, evaluate, and assess the development**
13 **of the Granite Bridge Project?**

14 A. As detailed in Section III, several key developments and events in recent years led to the
15 Company's decision to investigate, analyze, and pursue the development of the Granite
16 Bridge Project, which resulted in the incurrence of reasonable and prudent development
17 costs. The motivation for that decision was to pursue the least-cost resource alternative to
18 meet the demand needs of EnergyNorth's customers, and to fulfill the Company's
19 obligation to provide safe and reliable natural gas service.

² Order No. 26,409 (Oct. 6, 2020) in Docket No. DG 17-198, at 13.

1 Since the 2012 acquisition of EnergyNorth by Liberty Energy Utilities (New Hampshire)
2 Corp. (“Liberty”), the Company has continued to experience growth in customers and
3 overall natural gas demand and, as a result, EnergyNorth determined it necessary to acquire
4 additional gas supply and pipeline capacity to serve that demand.³ The Company relies on
5 a single feed from Tennessee Gas Pipeline Company, LLC (“TGP”) for the delivery of gas
6 supply to its service territory in southern and central New Hampshire. In 2014–2015, the
7 Company sought and received Commission approval for a precedent agreement with TGP
8 for capacity on the NED Project,⁴ which would have provided EnergyNorth a second
9 pipeline feed and diversified its upstream delivery infrastructure. However, TGP cancelled
10 the NED Project in 2016.⁵ After the cancellation of the NED Project, the Company
11 initiated due diligence on the only two viable options to meet its customers’ projected
12 demand requirements, which were a contract for incremental capacity on the existing TGP
13 Concord Lateral or a Company-sponsored supply and capacity project.

14 In late 2017, based on extensive quantitative and qualitative analysis of the best available
15 information at that time, EnergyNorth announced plans to develop the Granite Bridge
16 Project, comprised of the Granite Bridge Pipeline (as a second feed to the Company’s

³ The Commission Staff has acknowledged this circumstance, stating: “[W]e nevertheless do find sound the Company’s conclusion that its needs for the next five years require additional capacity to support its gas-supply requirements. *Specifically, we find increased pipeline capacity to be necessary*” Revised Testimony of The Liberty Consulting Group (“Liberty Consulting”) on behalf of Staff submitted in Docket No. DG 17-198, September 20, 2019, at Bates 010 (emphasis added).

⁴ See, Order No. 25,822 (Oct. 2, 2015) in Docket No. DG 14-380.

⁵ See, Tennessee Gas Pipeline, LLC, Notice of Withdrawal of Certificate Application, FERC Docket No. CP16-21-000, May 23, 2016.

1 service territory) and the Granite Bridge LNG Facility (the primary source of supply for
2 the Granite Bridge Pipeline). The Company filed for Commission approval of its natural
3 gas supply strategy, which included the Granite Bridge Project as the least-cost option, in
4 Docket No. DG 17-198.⁶ During the course of that proceeding (*i.e.*, over the 2018 to 2020
5 timeframe),⁷ the Company continued to evaluate and pursue the two resource options.
6 Specifically, the Company conducted significant engineering design and other
7 development work necessary to refine the capital costs for the Granite Bridge Project and
8 to support a final determination that the Granite Bridge Project was the least-cost, long-
9 term solution for customers. When the Company's resource portfolio with the Granite
10 Bridge Project initially demonstrated a lower cost than the resource portfolio with the
11 proposed capital costs and indicative rates from TGP, the Company continued to incur
12 investigative and evaluation costs to refine the cost projections for the Granite Bridge
13 Project to further validate the decision on resource selection.

14 In refining the cost estimates for the Granite Bridge Project while continuing to pursue
15 both resource options, the Company assured its ability to meet the resource needs of
16 customers on a timely basis. The Company's pursuit of the Granite Bridge Project
17 demonstrated to TGP and other market participants EnergyNorth's commitment to identify

⁶ See, Petition to Approve Firm Supply and Transportation Agreements and the Granite Bridge Project submitted in Docket No. DG 17-198 on December 21, 2017.

⁷ As part of that docket, the Company engaged with Commission Staff, the Office of Consumer Advocate ("OCA"), and other intervenors through the discovery process, intervenor discussions, and numerous technical sessions. Through that engagement process, EnergyNorth also conducted additional analyses as requested by intervenors and submitted certain updates to its analyses through the discovery process, Supplemental Direct Testimony filed on March 15, 2019, and Second Supplemental Direct Testimony filed on July 31, 2020.

1 the least-cost supply and capacity alternative. This approach positioned the Company to
2 continue discussions with TGP regarding service and price options from a position of
3 strength, and created negotiating leverage for EnergyNorth that better enabled the
4 Company to negotiate and execute a new contract with TGP on favorable terms.
5 Specifically, on July 14, 2020, the Company entered into a firm transportation agreement
6 (“FT-A”) with TGP for 40,000 Dth per day of capacity from the Dracut, Massachusetts,
7 receipt point to the Londonderry, New Hampshire, delivery point (the “TGP Contract”) at
8 a significantly lower rate than the indicative rates initially provided by TGP from 2016
9 through early 2019. Through its negotiations with TGP, EnergyNorth ultimately received
10 a proposal for significantly lower rates in late 2019, and through continued negotiations
11 into 2020 was able to secure the lowest possible filed rate under TGP’s Federal Energy
12 Regulatory Commission (“FERC”) approved tariff. The TGP Contract provided a capacity
13 alternative at a lower cost than the Granite Bridge Project. Therefore, consistent with its
14 Commission-approved resource planning process, the Company suspended all
15 development activity associated with the Granite Bridge Project as the revised TGP option
16 emerged as the least-cost option, and, after the TGP Contract was signed, the Company
17 decided to cancel the project and withdraw its request for approval of the Granite Bridge
18 Project.

19 **Q. Please summarize the total costs incurred to develop the Granite Bridge Project.**

20 A. Over the 2016 to 2020 timeframe when the Company was investigating and analyzing the
21 two available resource options to meet customers’ needs (*i.e.*, a capacity contract with TGP

1 or the Granite Bridge Project), the Company incurred a total of approximately \$9.1 million
2 in development costs associated with the Granite Bridge Project. As discussed in Section
3 IV, the vast majority of those costs were incurred during 2018 and 2019 prior to securing
4 the low rate associated with the TGP Contract and when the cost of the TGP alternative
5 was higher than the estimated cost to develop the Granite Bridge Project.

6 **Q. Is EnergyNorth seeking to recover the full \$9.1 million of development costs**
7 **associated with the Granite Bridge Project?**

8 A. No. As noted earlier and further outlined in Section IV, the Company has conducted a
9 detailed review of the costs incurred over the 2016 to 2020 period and has used certain
10 guiding principles to determine the specific costs for which it seeks recovery. Based on
11 that analysis, the Company seeks to recover approximately \$7.5 million of the total \$9.1
12 million, which consists of core development costs associated with the engineering design,
13 environmental assessments, and other analysis and development work for the Granite
14 Bridge Project. The Company is not seeking recovery of the Allowance for Funds Used
15 During Construction (“AFUDC”), costs incurred for public outreach, and legal and
16 miscellaneous costs related to the planned New Hampshire Site Evaluation Committee
17 (“SEC”) filing for the Granite Bridge Project. Lastly, there are no carrying charges
18 included in the Company’s request.

1 **Q. Please summarize the Company's proposed mechanism to recover the Granite Bridge**
2 **Project Costs from customers.**

3 A. As described in Section IV, the Company proposes to recover the approved Granite Bridge
4 Project Costs through a reconciling charge collected through the Local Distribution
5 Adjustment Clause ("LDAC") over a period of five years, which does not affect the
6 revenue requirement requested in this docket. That is, the Company would calculate and
7 propose in the cost of gas proceeding following an order in this docket, an appropriate per-
8 therm charge allowing for the recovery of the \$7.5 million from all customers over a five-
9 year period. That charge would be reconciled in each year's cost of gas filing to ensure
10 recovery of precisely the approved amount.

11 **Q. Please explain why the costs associated with the analysis and development of the**
12 **Granite Bridge Project should be recovered from EnergyNorth's customers.**

13 A. As detailed in Section V, the Granite Bridge Project Costs should be recovered from
14 customers for several reasons. First, these costs were necessary to evaluate and
15 demonstrate the feasibility of an alternative to the Company's sole delivery pipeline, the
16 TGP Concord Lateral. From 2016 until late 2019, the rates offered by TGP for a new
17 capacity contract were substantially higher than the expected costs of the Granite Bridge
18 Project, making the Granite Bridge Project the clear lower cost alternative. Second, the
19 work that gave rise to the Granite Bridge Project Costs strongly positioned the Company
20 in its negotiations with TGP and other market participants, as it indicated EnergyNorth's
21 ability and willingness to solve the Company's resource constraints through a means other

1 than contracting with TGP. The pursuit of the Granite Bridge Project positioned the
2 Company to continue the years-long discussions with TGP and benefit from the
3 significantly lower pricing ultimately offered by TGP for capacity on the TGP Concord
4 Lateral. EnergyNorth's work to investigate and analyze the viability and feasibility of the
5 Granite Bridge Project was instrumental and critical in achieving the current, highly
6 beneficial outcome for EnergyNorth's customers. Third, EnergyNorth's customers will
7 receive the benefit associated with the Company's pursuit of the Company-sponsored
8 development option, in that the customers are the direct and sole beneficiaries of the
9 significant cost savings associated with the TGP Contract. As such, the Company should
10 be allowed to recover the costs to achieve that benefit. Fourth, the Company's request to
11 recover these necessary and prudently incurred costs is consistent with the payment of a
12 termination or exit fee associated with a third-party precedent agreement for pipeline
13 capacity, which have been allowed for recovery. Finally, allowing recovery of the Granite
14 Bridge Project Costs will incentivize EnergyNorth and other utilities to continue seeking
15 the least-cost option for customers regardless of whether that option is sponsored by the
16 Company or a third-party.

17 **III. BACKGROUND**

18 **Q. Please provide relevant context and background for the Company's resource**
19 **decisions.**

20 **A.** EnergyNorth has experienced a significant increase in natural gas customers and associated
21 demand since Liberty's acquisition of EnergyNorth. The Company has successfully

1 focused on meeting the energy needs of the residents and businesses in New Hampshire by
2 providing natural gas as a fuel choice for various end-use applications and, therefore, the
3 Company has experienced -- and continues to experience -- an increase in natural gas
4 demand.⁸ Over the 2011/12 to 2019/20 split-years,⁹ annual demand has increased at a
5 compound annual growth rate of approximately 2.4% per year. Figure 1 below depicts, as
6 load duration curves,¹⁰ the actual natural gas demand in 2011/12 relative to the projected
7 demand for 2020/21.¹¹

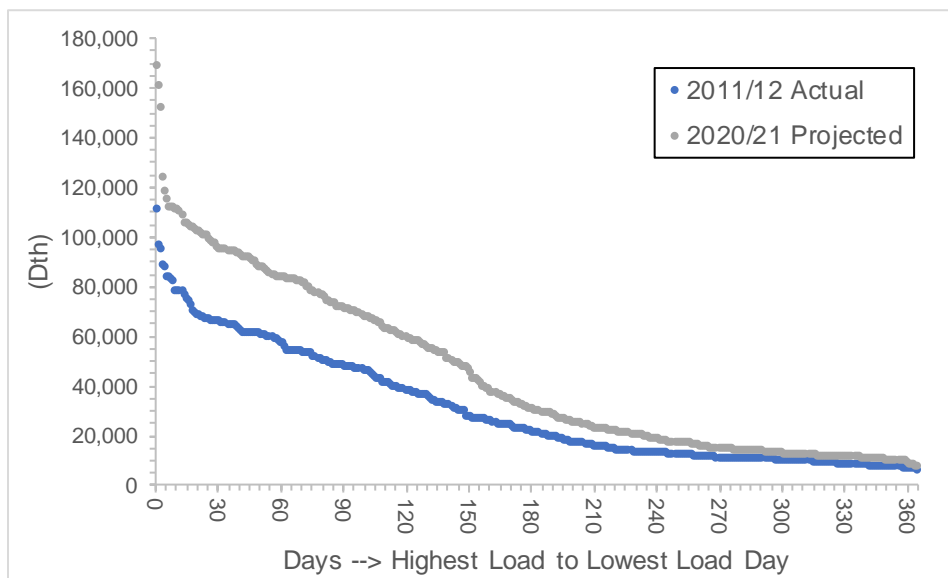
⁸ The Company has submitted natural gas demand forecasts in Docket Nos. DG 13-313, DG 14-380, DG 15-494, DG 17-152, and DG 17-198. While the Company's demand forecasts may vary across those dockets, the Company has consistently projected demand for natural gas to increase over the various forecast periods.

⁹ The split-year is defined as the twelve months from November through October.

¹⁰ The load duration curves were developed by re-sorting the daily demand requirements by highest load day to lowest load day for each of the specified years.

¹¹ The projected demand for 2020/21 is consistent with the demand forecast submitted in the Company's most recent Least Cost Integrated Resource Plan in Docket No. DG 17-152.

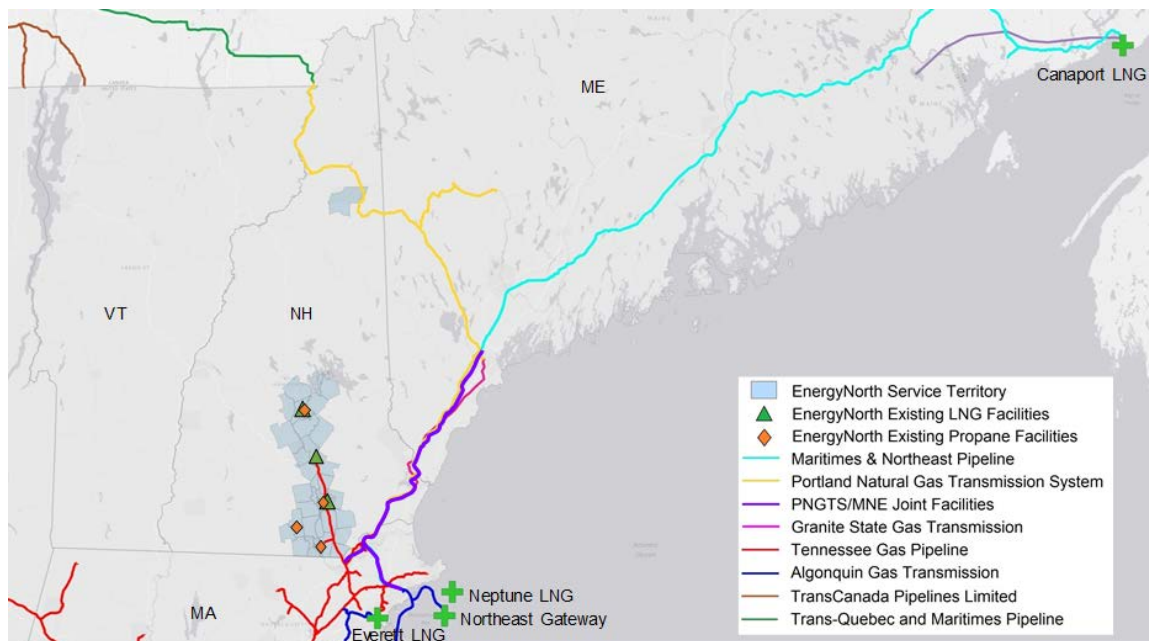
Figure 1: EnergyNorth Actual and Projected Natural Gas Demand



To meet customers' demand requirements, the Company's current resource portfolio is comprised of the following resources: (1) long-haul and short-haul transportation capacity; (2) underground storage; and (3) on-system LNG and propane facilities. As discussed above, and as illustrated in Figure 2 below, the Company's existing service territory is served exclusively by the TGP Concord Lateral.¹²

¹² Exceptions to this statement are the City of Berlin, which is served by PNGTS, and the City of Keene, which receives propane and compressed natural gas via truck deliveries.

Figure 2: EnergyNorth Service Territory and Infrastructure Map¹³



This sole reliance on the TGP Concord Lateral for the deliveries of pipeline gas supplies means that any upstream gas supply option is limited to those that can access this lateral. Given this deliverability limitation on the Concord Lateral, EnergyNorth determined it necessary to identify and analyze available gas supply and pipeline capacity alternatives to meet the growing demand requirements of its customers.

Q. What actions did the Company take to meet the forecasted demand requirements of its customers?

A. In Docket No. DG 14-380, EnergyNorth requested and received Commission approval in late 2015 for a 20-year precedent agreement with TGP for 115,000 Dth per day of firm

¹³ Source: S&P Global Market Intelligence [modified by ScottMadden, Inc.].

1 transportation capacity on the proposed NED Project.¹⁴ This would have provided a second
2 pipeline feed into the west end of the Company's distribution system and diversified its
3 upstream delivery infrastructure. However, the NED Project was cancelled by TGP in May
4 2016.¹⁵ After the cancellation of the NED Project, EnergyNorth conducted a rigorous
5 evaluation of reasonably available resource options in the marketplace to meet its demand
6 requirements using the Commission-approved resource planning standards.

7 Specifically, over the 2016 to 2017 timeframe, the Company identified, reviewed, and
8 evaluated the only two available and viable options for incremental capacity to meet its
9 customers' demand requirements: a contract for incremental capacity on the TGP Concord
10 Lateral or a Company-sponsored capacity and supply project. The TGP Concord Lateral
11 was, and continues to be, fully subscribed and, therefore, any requests for TGP to increase
12 capacity and deliverability would have, at a minimum, required TGP to construct
13 incremental facilities on the its Concord Lateral. Thus, the Company had confidential
14 discussions with TGP regarding an expansion of the TGP Concord Lateral and received
15 capital cost estimates and indicative rates in August 2016 and March 2017 for an expansion
16 of approximately 75,000 Dth per day. Those daily indicative rates received from TGP in
17 2016 and 2017 for an expansion of the TGP Concord Lateral ranged from [REDACTED] to [REDACTED]
18 per Dth. The second option, a Company-sponsored project, was the Granite Bridge Project,

¹⁴ See, Order No. 25,822 (Oct. 2, 2015) in Docket No. DG 14-380.

¹⁵ See, Tennessee Gas Pipeline, LLC, Notice of Withdrawal of Certificate Application, FERC Docket No. CP16-21-000, May 23, 2016.

1 which included two components, the Granite Bridge Pipeline as a second delivery feed to
2 the Company's service territory and the Granite Bridge LNG facility as the primary source
3 of supply to the Granite Bridge Pipeline.¹⁶

4 After the Company's extensive quantitative and qualitative analysis, including preliminary
5 engineering cost estimates and work to determine the project's viability, EnergyNorth
6 recommended the Granite Bridge Project as the preferred, least-cost option. The Company
7 then filed its petition in Docket No. DG 17-198 on December 22, 2017, requesting the
8 Commission's affirmation that the Granite Bridge Project was the prudent choice.

9 **Q. Did the Company continue to review and assess the two resource options following**
10 **the initial filing in December 2017 in Docket No. DG 17-198?**

11 A. Yes. After making its initial filing in Docket No. DG 17-198, EnergyNorth continued to
12 review and assess the two resource options to confirm that the Granite Bridge Project
13 remained the preferred option prior to commencement of any construction. Those efforts
14 included public outreach and substantial engineering and environmental work associated
15 with the Granite Bridge Project. In addition to these project-specific efforts, the Company
16 also undertook further analysis associated with the regulatory process in Docket No. DG
17 17-198 (*e.g.*, discovery, intervenor discussions, and numerous technical sessions).

¹⁶ As described in the Company's initial filing in Docket No. DG 17-198, based on conceptual engineering and feasibility studies, the preliminary capital cost estimate for the Granite Bridge Pipeline resulted in an estimated levelized annual cost of approximately \$12.8 million, or unit cost of approximately \$0.47 per Dth per day (which assumed a capacity of 75,000 Dth per day to compare on an "apples-to-apples" basis with the TGP option).

1 **Q. Did the Company’s analysis include the potential mitigation value associated with a**
2 **third-party contract and updating the cost estimates for the Granite Bridge Project?**

3 **A.** Yes, it did. Between 2018 and early 2019, the Company updated its analysis to include:
4 (i) an outline and evaluation of the mitigation value for the Granite Bridge Project and the
5 benefits to the Company’s customers associated with a Memorandum of Understanding
6 (“MOU”) executed on October 3, 2018, between the Company and Calpine Corporation
7 (“Calpine”); and (ii) updated project designs and refined cost estimates for the proposed
8 Granite Bridge Project, which included a 30% engineering design and detailed construction
9 costs estimates from four engineering, procurement, and construction (“EPC”) companies
10 for the Granite Bridge Pipeline, as detailed in the Company’s Supplemental Direct
11 Testimony in Docket No. DG 17-198 filed on March 15, 2019.

12 **Q. Following the March 15, 2019, Supplemental Direct Testimony in Docket No. DG 17-**
13 **198, did the Company continue to have discussions with TGP regarding the options**
14 **available to the Company on the Concord Lateral?**

15 **A.** Yes. In May 2019, TGP confirmed the August 2016 and March 2017 price estimates, and
16 also provided capital costs and daily indicative rates for a lower capacity contract volume
17 of 50,000 Dth per day from two receipt points (CLNG at Everett, Massachusetts, or Dracut,
18 Massachusetts), which ranged from [REDACTED] to [REDACTED] per Dth. Thus, based on the information
19 provided by TGP in 2016, 2017, and again in May 2019, the Granite Bridge Pipeline

1 remained the least-cost delivery option¹⁷ and the Company continued to work on
2 developing the Granite Bridge Project as its best long-term solution to meet customers'
3 needs.

4 **Q. What additional development work was the Company doing on the Granite Bridge**
5 **Project?**

6 A. As disclosed in discovery responses in Docket No. DG 17-198 submitted in May 2019, the
7 Company continued its detailed engineering and other development work to achieve a 70%
8 design level for the Granite Bridge Pipeline and to obtain a Front End Engineering and
9 Design ("FEED") study that would bring the design engineering for the Granite Bridge
10 LNG Facility to a minimum of 30% design. Both the 70% pipeline design and LNG FEED
11 study were expected to be completed by October 2019.

12 **Q. Was the engineering and other development work necessary to support the**
13 **Company's determination of whether the Granite Bridge Project was the least-cost**
14 **option for customers?**

15 A. Yes. The engineering and other development work was necessary to refine the capital cost
16 estimates associated with the Granite Bridge Project and to confirm the Company's
17 determination that the Granite Bridge Project was the least-cost, long-term solution to meet
18 customers' needs. This is also in line with the Revised Testimony of Liberty Consulting

¹⁷ As described in the Company's March 15, 2019, Supplemental Direct Testimony in Docket No. DG 17-198, based on the average of the EPC cost estimates for the Granite Bridge Pipeline, the updated levelized annual cost estimate for the Granite Bridge Project was approximately \$17.6 million, or a unit cost of \$0.64 per Dth per day (assuming a capacity of 75,000 Dth per day to compare to the TGP option).

1 submitted on behalf of Commission Staff in Docket No. DG 17-198 in September 2019,
2 which indicated that more analysis was required to refine the cost estimates. Specifically,
3 with respect to the cost estimate for the Granite Bridge Pipeline, Liberty Consulting stated:
4 “This estimate remains based on a fairly low level of preliminary engineering, specifically,
5 the 30 percent minimum required by the New Hampshire Department of Transportation for
6 a Preliminary Conceptual Feasibility Study.”¹⁸ Liberty Consulting also stated:
7 “Development of more data and analysis about both the Granite Bridge Pipeline and the
8 Concord Lateral alternative is necessary to permit a fully-informed decision between
9 them.”¹⁹

10 **Q. Did the Company conduct additional analyses of the two resource options following**
11 **Staff’s and other parties’ testimony in September 2019 in Docket No. DG 17-198?**

12 A. Yes, the Company continued to analyze and pursue both resource options. On October 16,
13 2019, EnergyNorth announced that the evaluation of the Granite Bridge Pipeline had been
14 completed, representing a 70% design stage, and that the Company was issuing a request
15 for proposals for contractor bids based on that design to further refine the capital cost
16 estimate.²⁰ Shortly before the disclosure, EnergyNorth had again contacted TGP to obtain
17 updated expansion cost estimates. At this point, and for the first time, the Company
18 received from TGP significantly lower capital cost estimates for 25,000 Dth per day,

¹⁸ Revised Testimony of The Liberty Consulting Group submitted on behalf of Staff in Docket No. DG 17-198, September 20, 2019, at Bates 030.

¹⁹ Ibid, at Bates 028–029.

²⁰ See, *Expedited Motion to Extend Date for Filing Rebuttal Testimony* submitted in Docket No. DG 17-198, October 16, 2019.

1 50,000 Dth per day, and 75,000 Dth per day delivery options. These new indicative rates
2 ranged from [REDACTED] to [REDACTED] per Dth. These revised TGP estimates, which were received
3 at the end of October 2019, were significantly lower than the prior estimates provided by
4 TGP in 2016, 2017, and May 2019. Based on an initial assessment of the revised TGP
5 estimates, EnergyNorth determined that the TGP option could be cost competitive with the
6 Granite Bridge Project. Thus, the Company continued to engage with TGP to better
7 understand and further analyze the resource options provided by TGP relative to the
8 Granite Bridge Project.

9 **Q. Subsequent to receiving the revised estimates and rates from TGP in October 2019,**
10 **please summarize the Company's on-going discussions with TGP.**

11 A. EnergyNorth requested additional capital cost and price scenario options from TGP to
12 better understand and further analyze the revised TGP estimates received in late October
13 2019. In response to these requests for alternative scenarios, the Company received
14 additional updated information from TGP in December 2019 and January 2020 that further
15 reduced the cost estimates from those provided in October 2019. Specifically, TGP
16 provided estimates for 25,000 Dth per day and 50,000 Dth per day delivery options with
17 daily indicative rates ranging from [REDACTED] to [REDACTED] per Dth. Based on these even lower
18 estimates, EnergyNorth concluded that, if these TGP options and prices materialized, then
19 the Granite Bridge Pipeline would no longer be the least-cost delivery option. The
20 Company thus suspended most activities associated with the Granite Bridge Project to
21 focus on assessing the TGP options.

1 **Q. Did the Company receive additional information from TGP?**

2 A. Yes. In April 2020, again at the request of EnergyNorth, TGP provided revised information
3 to the Company for various scenarios (*i.e.*, different quantities to be delivered to different
4 metering stations along the TGP Concord Lateral) with lower cost estimates than the
5 revised cost estimates provided to EnergyNorth in December 2019 and January 2020.

6 **Q. Did the Company narrow the options provided by TGP?**

7 A. Yes. To address the high growth areas on the Company's distribution system (*i.e.*, Nashua,
8 Manchester, Londonderry, and surrounding towns), the Company focused on two
9 alternatives provided by TGP in April 2020 that were considered the best options for
10 meeting that demand growth and optimizing the TGP deliveries.

11 **Q. Please describe the two TGP alternatives that the Company evaluated.**

12 A. The first TGP alternative, hereinafter referred to as the "TGP Nashua/Manchester
13 Alternative," consisted of a 40,000 Dth per day contract originating at Dracut and
14 delivering 20,000 Dth per day to the Nashua gate station and 20,000 Dth per day to the
15 Manchester gate station. Under this alternative, TGP would need to "loop" the existing
16 Nashua/Hudson Lateral. That is, in order to deliver the higher quantities of natural gas,
17 TGP would have to construct a new pipeline that would effectively parallel the existing
18 pipeline, which runs through dense neighborhoods. This option resulted in a daily
19 indicative rate of [REDACTED] per Dth for an annual cost of approximately [REDACTED] million.²¹

²¹ Annual cost calculated as 40,000 Dth per day multiplied by the rate of [REDACTED] per Dth, multiplied by 365 days.

1 The second TGP alternative, hereinafter referred to as the “TGP Londonderry Alternative,”
2 consisted of a 40,000 Dth per day contract originating at Dracut and delivering to the
3 Londonderry gate station. Because there was no need for TGP to incur the capital costs to
4 loop the existing Nashua/Hudson Lateral in this alternative, or to engage in any other
5 substantial construction, the daily indicative rate was the lowest possible rate under TGP’s
6 FERC-approved tariff of \$0.14 per Dth, resulting in an annual cost of approximately \$2.0
7 million.²²

8 **Q. Please explain how deliveries from TGP would be optimized.**

9 A. Both the TGP Nashua/Manchester and TGP Londonderry Alternatives would require
10 EnergyNorth to complete certain on-system distribution enhancement projects to optimize
11 deliveries. These on-system enhancement projects would provide an increase in pressure
12 support and additional supply to the parts of the Company’s distribution system that are
13 experiencing high growth.

14 **Q. Does the Company require different levels of investment in on-system distribution**
15 **enhancements under the TGP Nashua/Manchester and TGP Londonderry**
16 **Alternatives?**

17 A. Yes, it does. However, prior to discussing the different levels of on-system investment
18 needed to optimize deliveries under the two TGP alternatives, there are certain common
19 investments across both alternatives. Specifically, under both TGP alternatives, the

²² Annual cost calculated as 40,000 Dth per day multiplied by the rate of \$0.14 per Dth, multiplied by 365 days.

1 Company would need to upgrade the Candia Road Station, which is estimated to cost [REDACTED]
2 million. The Company would also need to uprate a feeder line in Manchester at an
3 estimated cost of [REDACTED] million. For simplicity, the upgrade of the Candia Road Station and
4 the uprate of the feeder line in Manchester, the estimates for which total \$5.5 million, are
5 referred to as the “Common Costs.”

6 The estimated capital costs for the TGP Nashua/Manchester Alternative are as follows:

- 7 • TGP Costs:
 - 8 ○ Nashua/Hudson Lateral Loop: [REDACTED] million
 - 9 ○ Remote Crossover: [REDACTED] million
 - 10 ○ TGP Sub-total: [REDACTED] million
- 11 • Common Costs: \$5.5 million
- 12 • Company On-System Enhancements:
 - 13 ○ Replace feeder line in Nashua: [REDACTED] million
 - 14 ○ Cross Souhegan River: [REDACTED] million
 - 15 ○ Company On-System Enhancements Sub-total: [REDACTED] million

16 Therefore, under the TGP Nashua/Manchester Alternative, TGP estimated [REDACTED] million
17 in capital costs and the Company on-system capital investments are estimated to be [REDACTED]
18 million resulting in a total capital cost estimate for this alternative of \$44.5 million.

1 For the TGP Londonderry Alternative, the Company has the following estimates of capital
2 costs:

- 3 • Common Costs: \$5.5 million
- 4 • Company On-System Enhancements:
 - 5 ○ Granite Ridge Station: [REDACTED] million
 - 6 ○ Budweiser line in Nashua: [REDACTED] million
 - 7 ○ Brown Avenue pipeline and regulator in Manchester: [REDACTED] million
 - 8 ○ Daniel Webster Highway Merrimack station in Manchester: [REDACTED] million
 - 9 ○ Company On-System Enhancements Sub-total: [REDACTED] million

10 In total, the capital cost estimate is \$50.5 million under the TGP Londonderry Alternative.

11 **Q. Please provide the cost impacts to customers associated with the TGP**
12 **Nashua/Manchester and TGP Londonderry Alternatives.**

13 **A.** To compare the cost of service consequences of the estimated capital costs for the two TGP
14 alternatives, the Company calculated the annual cost of service associated with the total
15 capital cost estimates, then levelized those costs so they could be combined with the fixed,
16 annual TGP contract costs. The annual cost of service under the TGP Nashua/Manchester
17 Alternative is approximately \$10.2 million, of which [REDACTED] million represents the TGP
18 annual contract cost²³ and [REDACTED] million is the levelized annual cost associated with the

²³ Annual cost calculated as 40,000 Dth per day multiplied by the rate of [REDACTED] per Dth, multiplied by 365 days.

1 Company's on-system enhancement projects. In the TGP Londonderry Alternative, the
2 annual cost of service is approximately \$6.5 million, with the TGP annual contract cost
3 representing \$2.0 million²⁴ and the Company's levelized annual cost for the on-system
4 investment representing \$4.5 million. Therefore, the annual cost under the TGP
5 Londonderry Alternative is approximately \$3.7 million lower than the annual cost of
6 service associated with the TGP Nashua/Manchester Alternative.

7 **Q. Please summarize the Company's analysis regarding the TGP alternatives and its**
8 **conclusion.**

9 A. As described above, the cost of the TGP Londonderry Alternative is over 30% lower than
10 the TGP Nashua/Manchester Alternative. In addition, the TGP Londonderry Alternative
11 would provide significant qualitative benefits, including: (i) secondary feeds into the
12 Nashua and Manchester distribution systems; (ii) a TGP minimum guaranteed pressure of
13 300 PSI at the Londonderry interconnect (a 200% increase in the TGP minimum
14 guaranteed pressure when compared to the other TGP/EnergyNorth interconnects), which
15 increases on-system pressure at key points on the distribution system; (iii) reductions in
16 flow/stress in certain distribution locations; and (iv) the ability to phase in the on-system
17 facilities, thus spreading out the cost impacts and reducing the risk associated with
18 constructing all the required facilities in a shorter period of time. As a result, EnergyNorth
19 determined that the TGP Londonderry Alternative is the better of the two TGP alternatives.
20 The Company thus executed the TGP Contract for 40,000 Dth per day of capacity from the

²⁴ Annual cost calculated as 40,000 Dth per day multiplied by the rate of \$0.14 per Dth, multiplied by 365 days.

1 Dracut receipt point to the Londonderry delivery point on July 14, 2020. In addition, and
2 consistent with its Commission-approved resource planning process, since the revised TGP
3 option is now the least-cost option, the Company made the decision to cancel the Granite
4 Bridge Project and withdraw its request for approval of the Granite Bridge Project in
5 Docket No. DG 17-198 on July 31, 2020.²⁵

6 **Q. Is EnergyNorth seeking the Commission's approval of the TGP Contract and**
7 **authorization to recover the costs of the on-system distribution enhancement projects**
8 **in this docket?**

9 A. The Company does not seek approval of the TGP Contract in this docket, but will file a
10 separate petition in the near future for this purpose. As for recovering the costs associated
11 with the on-system enhancement projects required to optimize the TGP deliveries, the
12 Company may seek recovery after completion of the projects, either in a step adjustment
13 as part of this docket, or in a future rate case.

14 **IV. CALCULATION OF GRANITE BRIDGE PROJECT COSTS AND PROPOSED**
15 **RECOVERY MECHANISM**

16 **Q. Please summarize the costs incurred by the Company related to the investigation,**
17 **analysis, and development of the Granite Bridge Project and the associated timing of**
18 **those costs.**

19 A. As discussed in Section III above, given the Company's reliance on a single feed from TGP
20 Concord Lateral, EnergyNorth analyzed the only two viable options to meet the projected

²⁵ See, the Company's Second Supplemental Direct Testimony submitted in Docket No. DG 17-198 on July 31, 2020.

1 natural gas demand needs of its customers – a contract for capacity on the Concord Lateral
2 and the Granite Bridge Project. As a result of the Company's efforts to investigate,
3 develop, and analyze the viability of the Granite Bridge Project, EnergyNorth has incurred
4 a total of approximately \$9.1 million in costs over the 2016 to 2020 time period. The vast
5 majority of these costs were incurred during 2018 and 2019, when the Granite Bridge
6 Project remained the least-cost option as compared to the TGP option.

7 **Q. Did the Company review the \$9.1 million in development costs to determine which**
8 **costs should be submitted for recovery in this docket?**

9 A. Yes. The Company reviewed the \$9.1 million in development costs by applying a set of
10 guiding principles. The development costs that met these guiding principles have been
11 submitted for cost recovery in this docket.

12 **Q. Please summarize the guiding principles used by the Company.**

13 A. The Company applied the following four guiding principles in determining which costs
14 should be submitted in this docket for recovery:

- 15 • The costs were core expenditures to assess the viability and feasibility of the
16 Granite Bridge Project as a least-cost resource alternative to meet the natural gas
17 demand needs of EnergyNorth's customers;
- 18 • The costs were directly incurred to develop the feasibility assessment with an
19 appropriate level of detail to support the cost estimate for the Granite Bridge
20 Project;

- 1 • The costs were incurred during the identified period; and
- 2 • The costs were reviewed, verified, and approved for payment by authorized
- 3 personnel.

4 Please note, the supporting documents associated with the development costs were
5 reviewed and confirmed by the Company's accounting and auditing departments for
6 purposes of this filing.

7 **Q. Based on the Company's application of its guiding principles, is the Company seeking**
8 **to recover all of the development costs associated with the Granite Bridge Project?**

9 A. No. The Company has reviewed the development costs for the Granite Bridge Project by
10 cost category. Based on the application of its guiding principles, EnergyNorth has
11 identified the costs most appropriate for recovery, and has excluded other costs to be
12 conservative in its request. The Company does not seek recovery of costs related to public
13 outreach, legal costs associated with the Company's planned filing with the New
14 Hampshire SEC, AFUDC, and other miscellaneous costs related to the Granite Bridge
15 Project. Although these were necessary costs, the Company has focused its request on the
16 portion of costs that were most central to the project development. In addition, there are
17 no carrying charges included in the Company's request.

1 **Q. What portion of the \$9.1 million in development costs is the Company seeking to**
2 **recover?**

3 **A. Based on the guiding principles described above, the costs for which the Company seeks**
4 **recovery are associated with the following cost categories:**

- 5 • Engineering – costs related to developing preliminary designs and analyzing capital
6 cost estimates for the Granite Bridge Pipeline and Granite Bridge LNG Facility
7 (e.g., CHI Engineering Services, and Sanborn, Head & Associates);
- 8 • Environmental – costs related to the environmental assessment, analysis, and
9 compliance associated with the Granite Bridge Project (e.g., VHB Engineering);
- 10 • General consulting costs – fees for outside consulting services (e.g., ScottMadden,
11 Inc.) associated with certain project viability tasks (e.g., review and analysis of TGP
12 rates, review and analysis of SENDOUT® modeling assumptions and results) and
13 regulatory activities including providing evidence in support of the petition for
14 approval of the Granite Bridge Project in Docket No. DG 17-198;
- 15 • Commission-related costs – the costs associated with Commission Staff's
16 consultant, Liberty Consulting, and for the court reporter in Docket No. DG 17-
17 198;
- 18 • Internal labor – costs associated with work conducted by Liberty personnel in
19 support of the viability and feasibility assessment of the Granite Bridge Project;

management of external resources; and conducting and reviewing detailed cost analyses; and

- Land – costs associated with options to purchase the land in Epping for the proposed Granite Bridge LNG Facility, and to acquire easements to locate the metering stations at either end of the proposed Granite Bridge Pipeline in Exeter and Manchester.

In total, as summarized in Table 1 below, the Company is seeking authority to recover approximately \$7.5 million of the development costs associated with the Granite Bridge Project.

Table 1: Granite Bridge Project Costs by Cost Category

Cost Category	Total (\$000)
Engineering	\$3,327
Environmental	\$1,485
General Consulting Costs	\$838
Commission-related Costs	\$268
Internal Labor	\$1,299
Land	\$329
Total	\$7,547

Q. Are the Granite Bridge Project Costs summarized in Table 1 consistent with the guiding principles outlined above?

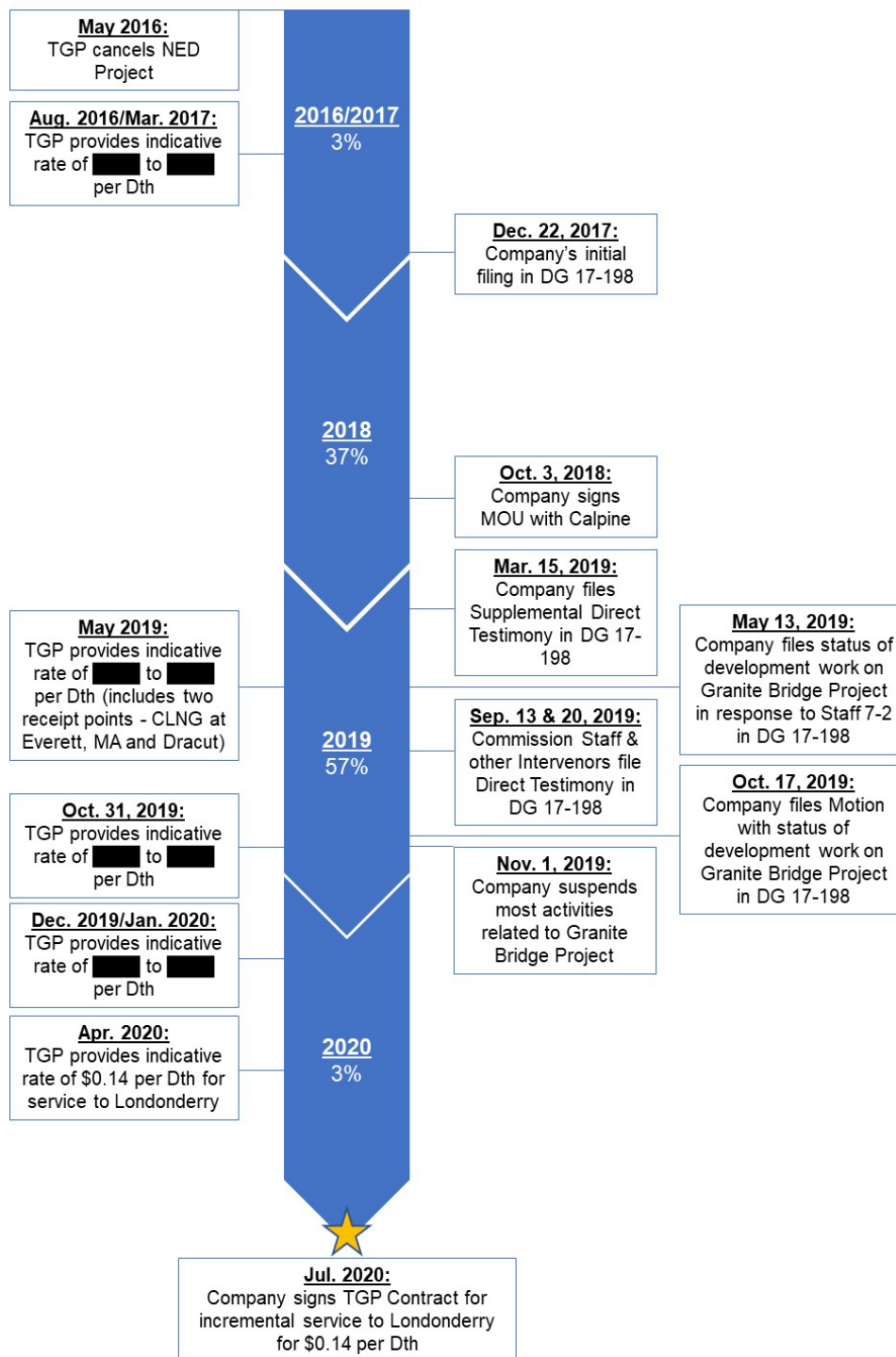
A. Yes. All of the Granite Bridge Project Costs summarized in Table 1 are consistent with the above-stated guiding principles.

1 **Q. Please summarize the Granite Bridge Project Costs by year.**

2 A. To provide context regarding timing of the Granite Bridge Project Costs relative to the
3 indicative rates for a capacity contract on TGP, in Figure 3 the Company provides a
4 timeline with respect to the indicative rates from TGP and the Company's related activities
5 described in Section III. Figure 3 also provides the proportion of costs incurred by the
6 Company for each year relative to the total Granite Bridge Project Costs (\$7.5 million from
7 Table 1). Specifically, as illustrated in Figure 3, the Company incurred approximately 3%,
8 37%, 57%, and 3% of the total \$7.5 million of Granite Bridge Project Costs in 2016/2017,
9 2018, 2019, and 2020, respectively.

1

Figure 3: Timeline of TGP Rates and Granite Bridge Project Costs



2

1 As shown in Figure 3 above, the Company incurred the vast majority, approximately 94%,
2 of the total \$7.5 million in Granite Bridge Project Costs, during the 2018 through 2019
3 period, which was the timeframe in which the TGP estimated rates for service ranged from
4 [REDACTED] to [REDACTED] per Dth. That is, the Company incurred costs to continue its viability
5 assessment and refine the capital cost projections for the Granite Bridge Project as it was
6 the lower cost alternative compared to the TGP option at that time. However, once the
7 TGP indicative rates were significantly reduced, EnergyNorth suspended most activities
8 associated with the Granite Bridge Project to focus on assessing the TGP options.

9 **Q. How does the Company propose to collect the Granite Bridge Project Costs in rates?**

10 A. EnergyNorth proposes to recover the approved Granite Bridge Project Costs through a
11 reconciling charge collected through the Company's LDAC over a period of five years.
12 That is, the Company would calculate and propose, in the cost of gas proceeding following
13 an order in this docket, an appropriate per-therm charge to be recovered from all customers
14 over a five-year period. That charge would be reconciled in each subsequent year's cost
15 of gas filing to ensure recovery of precisely the approved amount.

16 **Q. Given the proposed approach of recovering the identified Granite Bridge Project**
17 **Costs over a five-year period using the Company's LDAC mechanism, please provide**
18 **the cost implication for a typical residential heating customer.**

19 A. Assuming the \$7.5 million in Granite Bridge Project Costs is recovered over a five-year
20 term, which results in an annual value of \$1.5 million, and assuming an annual throughput
21 volume of approximately 176,000,000 therms, the per therm charge to recover the Granite

1 Bridge Project Costs would be \$0.008523. Applying that charge to the 780 therms
2 consumed by a typical residential heating customer results in an annual cost increase of
3 approximately \$6.65, or a 0.6% increase.

4 **Q. Please compare that 0.6% (or \$6.65 per year) increase to the annual savings that same**
5 **customer would receive from the lower rate in the TGP Contract.**

6 A. To calculate the savings associated with the lower rates received from the TGP Contract,
7 the first step is to calculate the cost that customers would have paid using the indicative
8 rate of [REDACTED] per Dth provided by TGP during the 2016 through October 2019 period,
9 which results in an annual cost of [REDACTED] million. The next step is to use the actual rate
10 contracted by the Company in the TGP Contract, which results in an annual cost of \$2.0
11 million. Comparing the cost of [REDACTED] million associated with the initial rate provided by
12 TGP to the contracted cost of \$2.0 million results in an annual savings of [REDACTED] million for
13 each year of the 20-year agreement. Lastly, by dividing the annual savings of [REDACTED] million
14 by the assumed throughput of 176,000,000 therms results in a per therm value of [REDACTED].
15 Applying this calculated per therm value to the typical residential heating customer volume
16 of 780 therms results in an annual savings of [REDACTED]. In the end result, the benefit of [REDACTED]
17 per year for at least 20 years for a typical residential heating customer resulting from the
18 significantly reduced price from TGP overwhelms the \$6.65 cost over only five years to
19 achieve that benefit (*i.e.*, the \$7.5 million of Granite Bridge Project Costs).

1 **V. SUPPORT FOR RECOVERY OF GRANITE BRIDGE PROJECT COSTS**

2 **Q. Please explain why the Granite Bridge Project Costs should be allowed for recovery.**

3 **A.** The Company should be allowed recovery of its necessary and prudently incurred
4 development costs associated with the Granite Bridge Project for several reasons:

- 5 • These costs were necessary to conduct due diligence on the Company-sponsored
6 project as it was one of only two identified resource options that could meet the
7 projected long-term needs of EnergyNorth's customers and, therefore, required
8 various analyses and assessments.
- 9 • Since the Company relies on a single feed from TGP to serve its customers, the
10 pursuit of the Granite Bridge Project as an alternative to incremental capacity on
11 the TGP Concord Lateral strongly positioned the Company in its negotiations with
12 TGP.
- 13 • EnergyNorth's customers are the sole beneficiaries of the cost savings that are a
14 direct result of the substantial due diligence and analysis undertaken by the
15 Company with respect to the Granite Bridge Project.
- 16 • The Company's request to recover the Granite Bridge Project Costs is comparable
17 to how the Company would treat the costs to exit or terminate any other precedent
18 agreement for pipeline capacity.

- Allowing recovery of the Granite Bridge Project Costs will incentivize utilities like EnergyNorth to continue seeking the least-cost option even if that alternative requires the utility to incur project development costs.

Q. Please explain why it was necessary for the Company to conduct its due diligence on the Granite Bridge Project as an option.

A. EnergyNorth is fundamentally obligated to take the necessary steps to pursue safe and reliable gas supply for its customers. As discussed in Section III above, the Company has continued to experience growth associated with new and converting customers resulting in significant increases in load. Indeed, over the 2011/12 to 2019/20 split-years, annual demand has increased at a compound annual growth rate of approximately 2.4% per year.

Since EnergyNorth's system relies on a single feed from TGP for the delivery of natural gas supply to its service territory (*see*, Figure 2 above), and because the Concord Lateral is fully subscribed, the Company explored options to acquire additional gas supply and pipeline capacity to serve its customers' growing needs. As noted by the Company in Docket No. DG 17-198: "Without additional capacity that can deliver incremental natural gas supply into EnergyNorth's service territory in southern and central New Hampshire, the Company will be forced to impose a moratorium."²⁶ As such, and given the cancellation of the NED Project (even though EnergyNorth received approval for a long-term capacity contract), the Company investigated the remaining viable resource options

²⁶ See, the Company's Supplemental Direct Testimony submitted in Docket No. DG 17-198 on March 15, 2019, at Bates 012.

1 to meet long-term forecasted demand. At that time, the options for EnergyNorth were
2 limited to a capacity contract with TGP or a Company-sponsored project.

3 EnergyNorth evaluates and develops viable resource options using Commission-approved
4 resource planning standards and decision-making processes. The Company's objective has
5 always been to develop a gas supply portfolio that provides reliable service to customers
6 at the lowest reasonable cost. The Company also employs a gas supply portfolio strategy
7 that seeks to increase the reliability, flexibility, and diversity of the assets and contracts in
8 the portfolio, thus enabling the Company to respond to changing market and regulatory
9 conditions over both the short- and long-term.

10 As a prudent utility, EnergyNorth needed to assess and analyze the viable resource options,
11 which were a capacity contract with TGP or the development of the Granite Bridge Project.
12 In order to do this, EnergyNorth needed to incur costs as part of its due diligence on various
13 aspects of the Granite Bridge Project, including: developing capital cost estimates;
14 identifying and evaluating the potential location of the components of the Granite Bridge
15 Project; assessing the environmental compliance costs; meeting and engaging with
16 stakeholders; working with various state agencies to ensure compliance and assess
17 feasibility of the Granite Bridge Project (*e.g.*, the New Hampshire Department of
18 Transportation and New Hampshire Division of Historical Resources); conducting various
19 economic analyses of the options and associated resource portfolios; and developing and
20 supporting evidence summarizing the Company's various research and analyses.

1 **Q. Did the Company conduct additional analysis as a result of the regulatory process in**
2 **Docket No. DG 17-198?**

3 A. Yes. As discussed in Docket No. DG 17-198, in addition to the analysis presented in its
4 initial filing, the Company conducted a number of additional SENDOUT® runs and
5 analyses to reflect certain sensitivities as requested by Staff, the OCA, and intervenors
6 through the discovery process.²⁷

7 **Q. From the NED Project cancellation in 2016 through early October 2019, did the**
8 **Company's analysis support the development of the Granite Bridge Project?**

9 A. Yes. Based on the results of the extensive analysis conducted by the Company from the
10 May 2016 cancellation of the NED Project through early October 2019 (when the resource
11 portfolio with the Granite Bridge Project demonstrated a lower cost than the resource
12 portfolio with the proposed capital costs and indicative rates from TGP), the Company
13 concluded that the Granite Bridge Project was the preferred least-cost alternative and
14 continued to refine the cost projections for the Granite Bridge Project to further validate its
15 decision.

16 **Q. Did the Company continue to incur development costs associated with the Granite**
17 **Bridge Project once it received the lower indicative rate from TGP in October 2019?**

18 A. Once the Company received the lower price signals from TGP in late October 2019, it
19 suspended further development activity on the Granite Bridge Project, thereby minimizing

²⁷ See, the Company's Supplemental Direct Testimony submitted in Docket No. DG 17-198 on March 15, 2019, at Bates 5–6.

1 the level of development costs associated with the Granite Bridge Project and ultimately
2 the costs subject to this request for recovery. The costs incurred after October 2019 relate
3 to required status reports filed with state agencies and closeout costs.

4 **Q. Please discuss how the Granite Bridge Project better positioned the Company in its**
5 **negotiations with TGP.**

6 A. As illustrated in Figure 2 above, the Company is directly connected to the TGP Concord
7 Lateral and, therefore, relies on this single feed to serve its customers. The Company does
8 not have the option to negotiate with a second pipeline company, thus a primary lever in
9 any negotiations with TGP is to develop an on-system project, such as an LNG facility.
10 Absent this lever, EnergyNorth is a captive customer of TGP and there would be little or
11 no pressure on TGP to offer the Company best-effort pricing, an innovative service, or
12 other incentives to enable contract decisions. Thus, incurring the costs necessary to create
13 this leverage was prudent, and the Commission should allow recovery because the
14 Company's due diligence efforts directly reduced costs for customers.

15 **Q. Please summarize the initial discussions with TGP prior to the announcement of the**
16 **Company's proposed Granite Bridge Project.**

17 A. As discussed above, over the 2016 to 2017 period, when the TGP Concord Lateral was
18 fully subscribed, TGP offered incremental capacity to the Company at rates that were well
19 above the FERC-approved recourse rate, the lowest filed rate for capacity.

1 **Q. Did the Company contact other shippers on the TGP Concord Lateral regarding**
2 **options for service?**

3 **A.** Yes, the Company contacted Calpine, which is the other major shipper on the TGP Concord
4 Lateral as the owner of power plant known as the Granite Ridge Energy Center (“GREC”).
5 The discussions with Calpine date as far back as 2016 regarding the potential for Calpine
6 to provide a peaking service to EnergyNorth utilizing Calpine’s contracted capacity on the
7 TGP Concord Lateral.²⁸ As part of those discussions, however, Calpine indicated that it
8 could not provide the Company with a peaking service, but indicated that it may be
9 interested in receiving or contracting for a service from the Company.²⁹ Stated differently,
10 since the other major shipper on the TGP Concord Lateral was **not** interested in providing
11 a service to EnergyNorth, there were no other alternatives available to the Company but
12 for an expansion of the TGP Concord Lateral or a Company-sponsored development.
13 Thus, the Company began to analyze the viability and feasibility of a Company-sponsored
14 project as an alternative to the TGP expansion option. Based on preliminary cost estimates
15 for the Granite Bridge Project, the Company filed for approval of the Granite Bridge
16 Project in Docket No. DG 17-198 in December 2017 as the preferred, least-cost alternative
17 to meet customers’ long-term needs.

²⁸ Based on a review of TGP’s index of customers, the TGP capacity to serve Calpine’s GREC in Londonderry, New Hampshire, is under contract for 130,000 Dth per day at negotiated rates with an effective date of October 7, 2001, and contract end date of October 6, 2021.

²⁹ In fact, after further discussions with Calpine, the Company executed an MOU with Calpine on October 3, 2018, which outlined the natural gas supply service to be provided by the integrated Granite Bridge Project (*i.e.*, Granite Bridge Pipeline and Granite Bridge LNG Facility) to Calpine’s GREC.

1 **Q. Did the Company supplement its December 2017 filing in March 2019?**

2 A. Yes. EnergyNorth submitted additional information in the March 15, 2019, Supplemental
3 Direct Testimony in Docket No. DG 17-198, which detailed the various engineering and
4 environmental-related activities undertaken over the 2018 to early 2019 period to further
5 the Company's analysis of the Granite Bridge Project. As concluded in that filing, the
6 Granite Bridge Project continued to be the preferred, least-cost option based on the
7 information available at that time.

8 **Q. Please explain how the Company's continued evaluation and analysis of the Granite**
9 **Bridge Project resulted in lower rates from TGP.**

10 A. The significant engineering, environmental, economic analysis, and other development
11 work associated with the Granite Bridge Project strongly positioned the Company in its
12 negotiations with TGP as it indicated EnergyNorth's ability and willingness to solve the
13 Company's resource constraints by a means other than contracting with TGP. The pursuit
14 of the Granite Bridge Project provided the Company with leverage in its discussions with
15 TGP and yielded benefits in the form of significantly lower pricing from TGP for capacity
16 on the Concord Lateral that TGP eventually provided.

17 **Q. Please quantify the difference in the annual cost associated with the initial indicative**
18 **rates provided by TGP during the 2016/2017 period to the rate outlined in the TGP**
19 **Contract, assuming a contract service level of 40,000 Dth.**

20 A. To quantify the annual cost savings associated with the reduction in the TGP pricing, the
21 Company used indicative daily rates of [REDACTED] and [REDACTED] per Dth to represent the range of

price signals provided by TGP over the 2016/2017 period, and assumed a contract volume of 40,000 Dth per day. The resultant *annual* cost, under the aforementioned indicative rate and volume assumptions, ranged from [REDACTED] million to [REDACTED] million. However, using the \$0.14 per Dth per day recourse rate in the TGP Contract executed by the Company in July 2020 results in an annual cost of approximately \$2.0 million. In other words, the reduction in the indicative daily rate signals from TGP of [REDACTED] and [REDACTED] per Dth to the contract rate of \$0.14 per Dth (a decrease of over [REDACTED]) results in an *annual* cost savings of approximately [REDACTED] million to [REDACTED] million for customers.

Q. Why is it appropriate for the Company to be able to recover the Granite Bridge Project Costs?

A. As noted above, the rate in the executed TGP Contract is over [REDACTED] lower than the previously provided indicative rates, thus saving customers hundreds of millions of dollars (approximately [REDACTED] million to [REDACTED] million) over the 20-year term. EnergyNorth's customers are the direct and sole beneficiaries of these significant cost savings. Customers will receive the substantial benefit that arose from EnergyNorth's pursuit of the Company-sponsored development option, which led to the lower TGP rates, and, as such, it is appropriate for the Company to recover the costs to achieve that benefit.

Q. Is the request to recover the Granite Bridge Project Costs comparable to how the Company would treat the costs to exit or terminate any other gas supply option?

A. Yes. If the Company had signed a precedent agreement for pipeline capacity in lieu of pursuing the Granite Bridge Project and, subsequent to that decision, another gas supply

1 option was identified as the preferred option, then the Company would have evaluated its
2 alternatives and the cost implications to customers. Typically, precedent agreements for
3 pipeline capacity have certain clauses that allow the customer to terminate the contract but
4 with a cost consequence, usually paying a pro rata share of development costs incurred by
5 the pipeline company prior to receiving the customer's termination notice, or an exit fee,
6 that approximates those costs. Under this scenario, the Company would compare the cost
7 of the gas supply option that was subject to the precedent agreement to the combined cost
8 of terminating the precedent agreement and the expected cost of the new alternative. If the
9 cost of the new alternative combined with the termination cost outlined in the precedent
10 agreement was lower than the original alternative, the prudent course of action would be
11 to incur the termination cost and request approval to recover those costs from customers.

12 In other words, regardless of the resource arrangement (*e.g.*, contract with a third-party,
13 contract with an affiliate, or asset under development), if the Company and its customers
14 are better positioned by a new option, then the Company would terminate its existing
15 precedent agreement or suspend asset development, incur the cost of that termination (exit
16 fees or development costs), and commit to the new alternative. As such, recovery of the
17 contract termination or asset development costs from customers who benefited from the
18 Company's decision to pursue a lower cost alternative gas supply option is reasonable.

1 **Q. Is there a prior situation in New Hampshire where a local distribution company**
2 **(“LDC”) recovered an exit fee from customers associated with canceling an**
3 **arrangement for a gas supply resource because of the availability of a new resource?**

4 A. Yes, Northern Utilities Inc. (“Northern”) recovered certain costs associated with
5 terminating an arrangement with its affiliate Granite State Gas Transmission (“GSGT”) for
6 service from a proposed LNG facility.

7 **Q. Please summarize the circumstances associated with the Northern and GSGT**
8 **arrangement and recovery of an exit fee.**

9 A. In August 1996, the Commission approved Northern’s precedent agreement with GSGT
10 for capacity associated with a proposed 2 Bcf LNG facility near Wells, Maine (“Wells
11 LNG”). In May 1998, GSGT received authorization from the FERC to construct and
12 operate the Wells LNG facility. In February 1999, Northern provided notice to GSGT
13 requesting that it be released from the contract obligations associated with Wells LNG
14 because Northern had received new gas supply proposals that were less expensive than the
15 arrangement with GSGT. In February 1999, GSGT agreed to release Northern from its
16 obligation pending an approval from FERC for an exit fee associated with Northern’s
17 decision. In March 1999, GSGT filed at the FERC for recovery from Northern of Wells
18 LNG project development costs equal to \$11.6 million. In August 1999, the parties to the
19 proceeding, including Northern, GSGT, the Commission Staff, and the OCA, submitted a
20 settlement agreement to the FERC. The settlement agreement addressed certain issues
21 including: (i) identification of the recoverable project costs as \$6.95 million, which

1 excluded amounts related to AFUDC; (ii) identification of the total collections of \$8.34
2 million, which reflected the recoverable project costs plus carrying costs; (iii) setting a
3 recovery period of seven years; and (iv) determining that any benefit associated with the
4 land remained with GSGT shareholders.

5 **Q. Please discuss the similarities of the Northern/GSGT settlement and the Company's**
6 **proposed recovery of Granite Bridge Project Costs.**

7 A. The Northern/GSGT settlement and the Company's proposed recovery of Granite Bridge
8 Project Costs have similarities including: (i) the Wells LNG facility and the Granite Bridge
9 Project were proposed to provide more reliable and flexible service to LDC customers; (ii)
10 although Northern had a commitment to Wells LNG, and EnergyNorth incurred costs for
11 the Granite Bridge Project, in each circumstance gas supply options continued to be
12 reviewed by the LDC; (iii) in both situations, a better alternative was later identified that
13 was lower cost than the initial resource identified and pursued by the LDC; (iv) both
14 Northern and EnergyNorth exited or terminated project development to take advantage of
15 new gas supply alternatives; (v) the cost to terminate the initial resource (*i.e.*, exit fee from
16 GSGT or investigative costs for Granite Bridge Project) when added to the cost of the
17 preferred alternative were lower than the cost of the initial resource; and (vi) the customers
18 of the LDC were the beneficiary of the lower cost resource.

1 **Q. Please discuss why it is important for the Commission to allow recovery of the Granite**
2 **Bridge Project Costs.**

3 A. Similar to the Northern/GSGT circumstances discussed above, EnergyNorth continued to
4 analyze and pursue the least-cost option even after the Company filed for approval of the
5 Granite Bridge Project, which ultimately resulted in a lower cost solution for customers
6 through the TGP Contract. Allowing recovery of the costs associated with the development
7 of the Granite Bridge Project (which is similar to the recovery of the Northern contract
8 termination costs) incentivizes utilities to continue seeking the least-cost option that may
9 arise even after the utility has identified a different opportunity or alternative. The
10 Commission should encourage EnergyNorth (and all utilities) to behave similarly by
11 allowing recovery of such prudently incurred costs.

12 **Q. Are you familiar with the statute that excludes from base rates the costs associated**
13 **with construction work in progress?**

14 A. We are generally aware that RSA 378:30-a addresses the costs associated with construction
15 work in progress (“CWIP”) and is known as the “Anti-CWIP statute.”

16 **Q. Are the Granite Bridge Project Costs associated with construction-related activity?**

17 A. No, they are not. The Granite Bridge Project was never under construction nor is there any
18 completed or uncompleted physical plant associated with the Granite Bridge Project. RSA
19 378:30-a is thus not applicable. As discussed in detail above, the costs for which the
20 Company seeks recovery were in the nature of investigating, analyzing, and working
21 toward the future development of the Granite Bridge Project.

1 **VI. CONCLUSIONS AND RECOMMENDATION**

2 **Q. Please summarize your conclusions and recommendation.**

3 A. EnergyNorth recommends that Commission approve the Company's request to recover a
4 portion of the necessary and prudently incurred development costs associated with the
5 Granite Bridge Project. The Company's proposed Granite Bridge Project was designed for
6 the sole purpose of serving the natural gas demand of customers in New Hampshire with
7 the least-cost alternative. The work of analyzing the viability of the Granite Bridge Project
8 was instrumental and critical in achieving the significantly lower pricing from TGP for
9 capacity on the TGP Concord Lateral, which is a highly beneficial outcome for
10 EnergyNorth's customers. As discussed above, the \$7.5 million of Granite Bridge Project
11 Costs will, in effect, be paid back in the first year compared to the TGP indicative rates
12 provided during the 2016 through early October 2019 time period. If these types of costs
13 are disallowed for recovery, EnergyNorth and its customers would be placed at a
14 significant disadvantage in future contract negotiation with TGP and would likely result in
15 higher costs for customers. Lastly, should the Company not be allowed to recover these
16 costs it would result in asymmetrical risk, whereby the Company incurred costs to
17 investigate and propose the Granite Bridge Project, yet the customers benefited from that
18 expenditure. This would result in a disincentive for the Company to pursue such a strategy
19 in the future, potentially leading to higher costs for its customers.

20 **Q. Does this conclude your Supplemental Direct Testimony?**

21 A. Yes, it does.