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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 26, 2022 - 9:01 a.m.
21 South Fruit Street
Suite 10
Concord, NH

REDACTED
For PUBLIC Use

RE: DG 21-127
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES: Petition to Approve
Special Contract with Granite
Ridge Energy, LLC.

PRESENT: Chairman Daniel C. Goldner, Presiding
Commissioner Carleton B. Simpson

Tracey Russo, Clerk

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

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
(Regulatory Support Division)

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

*** * R E D A C T E D - For PUBLIC Use * ***

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1	Direct Testimony of of William R. Killeen, with Attachments (06-25-21) {CONFIDENTIAL VERSION}	<i>premarked</i>
2	Direct Testimony of William R. Killeen, with Attachments (06-25-21) <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
3	Supplemental Direct Testimony of Deborah M. Gilbertson, with Attachments (08-27-21)	<i>premarked</i>
4	Liberty's Responses to the Commission's Record Requests PUC RR-1 through PUC RR-4 (11-19-21)	<i>premarked</i>
5	Department of Energy letter supporting Commission approval of the Special Contract (09-30-21)	<i>premarked</i>
6 (a & b)	Responses to Commission Record Requests, PUC RR 2-1 through PUC RR 2-10. Excel attachments marked " Exhibit 6a " [Revenue Req. Model] and " Exhibit 6b " [Depreciation Sch.] (04-29-22) {CONFIDENTIAL VERSION}	<i>premarked</i>
7 (a & b)	Responses to Commission Record Requests, PUC RR 2-1 through PUC RR 2-10. Excel attachments marked " Exhibit 7a " [Revenue Req. Model] and " Exhibit 7b " [Depreciation Sch.] (04-29-22) <i>[Redacted - For PUBLIC Use]</i>	<i>premarked</i>
8	RESERVED FOR RECORD REQUEST (See Pages 48 & 83)	WITHDRAWN (at Page 96)

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning, everyone. I'm Commissioner Goldner. I'm joined today by Commissioner Simpson.

We're here today for a hearing in Docket DG 21-127 regarding Liberty Utilities' Petition to Approve a Special Contract with Granite Ridge Energy, LLC.

Let's take appearances, beginning with the Company.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas) Corp. Behind me are two folks that I don't think you've met. Josh Tilbury is our new Director of Energy Procurement. He leads Debbie's team. And Tatiana Earhart is Debbie Gilbertson's counterpart in the Midwest. She's here to watch.

CHAIRMAN GOLDNER: Very good. Very good. And we'll move to the New Hampshire Department of Energy.

MR. DEXTER: Good morning, Commissioners. Paul Dexter, appearing on behalf of the Department of Energy.

1 CHAIRMAN GOLDNER: Very good.

2 Exhibits 1 through 7b have been
3 prefiled and premarked for identification. Any
4 material identified as "confidential" in the
5 filings will be treated as confidential during
6 the regular hearing. We are planning to have a
7 brief confidential hearing, to make sure the
8 Commission understands the precise transaction.
9 It should just take a few minutes. And I think,
10 with everyone here, I don't think we'll have to
11 do anything differently, we can just proceed on.

12 Are there any other preliminary
13 matters, before we have the witness sworn in?

14 MR. SHEEHAN: Yes. The Company did
15 file a Motion for Confidential Treatment at the
16 outset of this docket to address the terms that
17 were marked in the initial filings. The primary
18 confidential terms is the amount of the demand
19 charge. And, in some of the record requests, we
20 had that number, we had numbers that flowed from
21 that number that we've marked as "confidential".
22 So, we'd ask that the Commission ultimately rule
23 on that Motion.

24 CHAIRMAN GOLDNER: Okay. Very good.

1 Does the Department of Energy have any concerns?

2 MR. DEXTER: No, we have no objection
3 to the Motion. I do intend to ask questions that
4 will reference the confidential material today.
5 So, I'm not sure if you'd like me to alert you
6 before I ask the question or how we'll handle
7 that, but I --

8 CHAIRMAN GOLDNER: No, I don't know the
9 best way to handle it. But I'm thinking that we
10 can go through all of the nonconfidential
11 material first, go into confidential session, and
12 then we can -- you can begin then, Mr. Dexter.

13 MR. DEXTER: Okay.

14 CHAIRMAN GOLDNER: Would that be
15 acceptable?

16 MR. DEXTER: Yes.

17 CHAIRMAN GOLDNER: Okay. Okay. Very
18 good.

19 Anything else before we have the
20 witnesses sworn in?

21 MR. SHEEHAN: The only other thing was
22 I had planned to do five minutes with
23 Ms. Gilbertson to lay the context. If that would
24 be okay with the Commission, I would do that?

[WITNESS: Gilbertson]

1 CHAIRMAN GOLDNER: Okay. Of course.
2 That sounds good.

3 All right. Okay. Well, let's proceed
4 with the witness. Mr. Patnaude, would you please
5 swear in the witness.

6 (Whereupon **Deborah M. Gilbertson** was
7 duly sworn by the Court Reporter.)

8 CHAIRMAN GOLDNER: Okay. Sorry. Let's
9 go to direct examination, beginning with the
10 Company.

11 MR. SHEEHAN: Thank you.

12 **DEBORAH M. GILBERTSON, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. SHEEHAN:

15 Q Ms. Gilbertson, could you please identify
16 yourself and describe your title with Liberty?

17 A My name is Deborah Gilbertson. I am the Senior
18 Manager of Energy Procurement with Liberty
19 Utilities.

20 Q And how long have you been in that or a similar
21 role with Liberty?

22 A With Liberty? I guess, since 2012, about ten
23 years.

24 Q Okay. Turning your attention first to Exhibits 1

[WITNESS: Gilbertson]

1 and 2, which is the confidential and redacted
2 Testimony of William Killeen. It's my
3 understanding, Ms. Gilbertson, that you intend to
4 adopt Mr. Killeen's testimony here this morning,
5 is that correct?

6 A Yes, it is.

7 Q Mr. Killeen had the good luck of retiring last
8 summer, is that correct?

9 A Yes, he did.

10 Q Do you have any changes or corrections to the
11 Killeen testimony, Exhibits 1 and 2?

12 A No.

13 Q And do you adopt that as your sworn testimony
14 here this morning?

15 A Yes.

16 Q Turn your attention to Exhibit 3, which is the
17 Supplemental Testimony of Deborah Gilbertson.
18 And I assume you prepared that testimony
19 yourself, is that correct?

20 A Yes.

21 Q And the purpose of that testimony was to support
22 the Company's and Granite Ridge's, for lack of a
23 better word, temporary contract until the
24 underlying contract was approved, is that

[WITNESS: Gilbertson]

1 correct?

2 A That is correct.

3 Q Do you have any changes to that testimony?

4 A No.

5 Q And do you adopt that testimony as your sworn
6 testimony here today?

7 A Yes.

8 Q And the remaining exhibits are responses to
9 record requests and the Department of Energy's
10 letter.

11 So, Ms. Gilbertson, let's spend a
12 couple minutes just setting the table for today's
13 hearing.

14 The contract at issue here governs a
15 pipeline that Liberty owns, is that correct?

16 A That is.

17 Q Could you describe that pipeline?

18 A Yes. It's a 2.7 mile high pressure lateral that
19 connects the Tennessee Gas pipeline to the
20 Granite Ridge facility.

21 Q And the Granite Ridge facility is what?

22 A It is a power plant.

23 Q And that power plant is located right next to the
24 airport, is that correct?

[WITNESS: Gilbertson]

1 A I think it is, yes.

2 Q And the contract we have before the Commission
3 today is essentially a modified renewal of an
4 existing contract, is that correct?

5 A It is a modified new contract, yes.

6 Q And the prior contract was signed 20 something
7 years ago, is that right?

8 A Yes.

9 Q And is it your understanding that that contract
10 was signed -- that that contract facilitated the
11 construction of the pipeline itself?

12 A Yes, it did.

13 Q And do you know who built the pipeline?

14 A I believe it was maybe KeySpan.

15 Q It was one of Liberty's --

16 A It was National -- oh, I'm sorry.

17 Q It was one of Liberty's predecessors?

18 A That's correct.

19 Q As opposed to some other entity, it was the
20 utility itself?

21 A Yes, it was.

22 Q Okay. And is it your understanding that Liberty
23 owns that pipeline?

24 A Yes.

[WITNESS: Gilbertson]

1 Q And are there any other customers on that
2 pipeline?

3 A No.

4 Q Have there ever been any other customers?

5 A No.

6 Q The original contract, from 2001, sets the terms
7 for Granite Ridge, now Granite Ridge, to
8 transport gas across the Liberty pipeline. Is
9 that a fair statement?

10 A Yes, it is.

11 Q So, we now have the new contract before the
12 Commission between Liberty and Granite Ridge.
13 What was the impetus to get a new contract?

14 A Because, well, there's a couple of things. First
15 of all, Liberty is not the meter operator at the
16 Tennessee gate station. The meter operator is
17 Granite Ridge, which means they have a separate
18 balancing agreement with Tennessee.

19 The second item that changes is that
20 the -- Liberty is precluded from tapping into
21 that lateral to serve other customers. And, with
22 the approval of the Tennessee contract, the
23 40,000, there are on-system enhancements that
24 should be done in order to fully utilize that

[WITNESS: Gilbertson]

1 40,000. And one of those enhancements is to tap
2 into that lateral, so that the Company can bring
3 gas to Manchester and Nashua using the 40,000
4 contract on Tennessee.

5 Q So, you said one issue is that Granite Ridge is
6 the meter operator of the meter between the
7 Tennessee pipeline and the -- what we call the
8 "Granite Ridge Lateral", is that correct?

9 A Yes.

10 Q And, if Liberty is to tap into the lateral in the
11 future, what significance would it be that
12 Granite Ridge was the meter operator, rather than
13 Liberty?

14 A Because Granite Ridge balances any gas that goes
15 to that meter station with Tennessee. Liberty
16 only has a balancing agreement for all of the
17 other gate stations, but not the
18 Londonderry/Granite Ridge meter. So,
19 essentially, any gas that goes to that meter that
20 Liberty sends is not theirs anymore. It would go
21 to Granite Ridge, and it would be balanced
22 between Granite Ridge and Tennessee.

23 If Liberty is the meter operator, that
24 meter station becomes part of the balancing for

[WITNESS: Gilbertson]

1 all of Liberty. So, any gas that's sent to that
2 meter station is part of Liberty's balancing
3 agreement with Tennessee, after this contract is
4 approved.

5 Does that make sense?

6 Q And a "balancing agreement", as I understand it,
7 is to make sure that the amount of gas for
8 whoever, whether it is Liberty or Granite Ridge,
9 asks for they actually use. And, if they don't,
10 there are provisions for, if they ask for too
11 much gas, and they don't use it all, or, if they
12 don't ask for enough gas and they need to get
13 more, this balancing agreement sort of addresses
14 those situations, is that fair?

15 A That's right.

16 Q And, if Liberty is the meter operator for that
17 meter, you mentioned we are the meter operator
18 for all the other interconnects with the lateral,
19 is that right?

20 A Uh-huh. Yes.

21 Q So, would that allow Liberty to, if too much gas
22 was coming to Londonderry, we could send some of
23 it back down to Nashua, for example? Is that the
24 flexibility it allows, or something else?

[WITNESS: Gilbertson]

1 A Well, the balancing agreement is the difference
2 between gas that's brought to the gates and gas
3 that's consumed. There's always an imbalance.
4 It's never perfect. So, you schedule gas. And
5 sometimes you schedule too much gas, so, you're
6 long. And sometimes you schedule too little gas,
7 so, you're short. But the customers always
8 consume what they consume. And the balancing
9 agreement is that, at the end of the day, and at
10 the end of the month, Tennessee will cash you out
11 with some average -- some fixed price.

12 But, because that gate station
13 currently resides with Granite Ridge, they're not
14 going to include our gas. They will balance
15 Granite Ridge with our gas.

16 So, essentially, we can't bring our gas
17 there until -- we can't bring our gas firmly to
18 that gate station until we're the meter operator,
19 or else it's not credited to us.

20 Q So, in your world, there's a significant benefit
21 to being the meter operator, especially once we
22 tap into it for distribution purposes?

23 A Yes. It's not only -- it's the difference
24 between bringing the gas there firm, which means

[WITNESS: Gilbertson]

1 it can't get cut in cold temperatures by
2 Tennessee, or bring -- if we had to bring the gas
3 to another gate, it would be nonfirm, because
4 that Tennessee contract, the 40,000, has firm
5 receipt at Dracut and firm delivery at the
6 Granite Ridge Station. Anything in between that
7 is now would be considered "secondary", it
8 wouldn't be firm. So, we couldn't just bring our
9 gas to another gate. It doesn't work that way.
10 Q And this meter operator provision was not part of
11 the older agreement, as you say?
12 A That's correct.
13 Q Granite Ridge and the Granite Ridge predecessors
14 were the meter operator?
15 A That's right.
16 Q The other thing you mentioned was the ability to
17 tap into the contract. I do believe the old
18 contract allowed us to tap into it, but it would
19 require some process with Granite Ridge, to get
20 their permission, etcetera. Is that your
21 understanding?
22 A They would have to approve it, yes.
23 Q Okay. And, so, when the -- strike that. So, the
24 new contract does have a provision that Liberty

[WITNESS: Gilbertson]

1 is the meter operator, as you just described?

2 A Yes, it does.

3 Q It does specifically allow Liberty to tap into
4 the lateral?

5 A Yes.

6 Q And there was also a slight change in the price,
7 is that correct?

8 A That's correct.

9 Q It sounds like the Commission would prefer a
10 separate confidential section. So, without
11 saying numbers, how did the price change from the
12 older contract to the newer one?

13 A It was a little higher. The demand charges would
14 be a little bit higher. And the escalator would
15 be a fixed percentage, rather than a floating
16 percentage based on something else.

17 Q The cost of the pipeline that -- the construction
18 cost back in 2001, do you know what that number
19 was? And that's not confidential.

20 A The cost of the --

21 Q Construction.

22 A I think it was in the \$7 million range.

23 MR. SHEEHAN: Okay. I can point the
24 Commission's attention to one of the attachments,

[WITNESS: Gilbertson]

1 and I'll get the number in a minute. The one
2 with the depreciation schedule actually has the
3 cost at 7 million and change.

4 BY MR. SHEEHAN:

5 Q Has the Company received more than \$7 million in
6 demand charges since 2021 [2001?]?

7 A Yes.

8 Q What happens to any money the Company receives
9 above -- let me strike that. Although the
10 Company has received more than the 7 million, the
11 pipeline is not fully depreciated. Is that your
12 understanding?

13 A That is my understanding, yes.

14 Q So, we have a revenue requirement for the
15 pipeline that requires X dollars a year. The
16 Company has received well in excess of that
17 amount every year since this went into service,
18 is that correct?

19 A Yes. That's my understanding.

20 Q And, even though we have received more than the
21 7 million, we still have a number of years to
22 depreciate. So, the Company will still be
23 keeping, for lack of a better word, the revenue
24 requirement into the future?

[WITNESS: Gilbertson]

1 A Yes.

2 Q And the excess amount just goes to lower rates
3 for all other customers, is that your
4 understanding?

5 A That is my understanding, yes.

6 Q So, to the extent the pricing on the new contract
7 is slightly higher, that's a net benefit to the
8 customers as well, is that correct?

9 A Yes.

10 Q And I guess the last topic, and I'm sure there
11 are many bits and pieces we'll get through
12 through the balance of the hearing, but this was
13 prompted by one of the record requests from the
14 Commission.

15 The old contract required a small
16 percentage to be -- of the demand charges to be
17 set aside for the MGP, the Manufactured Gas
18 Environmental Remediation Costs, do you recall
19 that?

20 A Yes, I do.

21 Q And the new contract does not have that
22 provision, is that correct?

23 A That is correct.

24 Q Is it your understanding that, under the old

[WITNESS: Gilbertson]

1 contract, of the dollars we received, we were
2 putting aside that small amount, I think it was
3 1.75 percent, and that was to, in effect, help
4 pay for the costs that are usually collected in
5 the LDAC, is that right?

6 A That's my understanding, yes.

7 Q Okay. And that 1.75 percent would ultimately
8 reduce customer cost or reduce the LDAC rate by
9 that amount, so customers would pay a little less
10 in the LDAC?

11 A Yes.

12 Q And, by not including it in this contract, that
13 1.75 percent would just be part of the demand
14 charges that the Company collects and reduces
15 distribution rates?

16 A Correct.

17 Q Okay. So that --

18 A So, either way.

19 Q And that was the thinking of not including it, as
20 customers benefit the same either way, is that
21 fair?

22 A Yes.

23 MR. SHEEHAN: Those are all the
24 questions I have. Thank you.

[WITNESS: Gilbertson]

1 CHAIRMAN GOLDNER: Thank you. And
2 we'll move to Attorney Dexter for
3 cross-examination.

4 MR. DEXTER: Thank you, Mr. Chairman.

5 I have some prepared questions, but I'd
6 like to start with some follow-up on what we just
7 heard. There's three topics I want to touch on.

8 **CROSS-EXAMINATION**

9 BY MR. DEXTER:

10 Q The first has to do with meter operator and
11 imbalancing. Ms. Gilbertson, you described, I
12 think, that Liberty, being the meter operator at
13 this Londonderry gate station, will provide
14 additional flexibility to the Company.

15 I want to ask you, are there any
16 drawbacks to now becoming the meter operator of
17 this gate station, from Liberty's perspective and
18 Liberty's customers' perspective?

19 A It will not affect the customers.

20 Q Now, will Liberty be responsible for imbalances
21 that are caused by the power plant?

22 A No.

23 Q And why is that, if you're the -- if, you,
24 Liberty, is now the meter operator?

[WITNESS: Gilbertson]

1 A Because we're going to keep them completely
2 separate. If the power plant is long, the gas
3 will be left on the pipe. If the power plant is
4 short, then the power plant will be short. And
5 we will keep them completely separated.

6 Q Separated from what?

7 A So, we would balance all the other gate stations.
8 We would balance Liberty's gas with EnergyNorth,
9 and we would keep Granite Ridge separate. So
10 that, normally, when we balance EnergyNorth,
11 we -- if the Company is short, we will pull gas
12 out of storage. If the Company is long, we will
13 tuck a little gas into storage.

14 For the power plant, we won't do that.
15 They will balance the same way they balance today
16 with Tennessee, only Liberty will facilitate that
17 balancing.

18 Q So, there are charges associated with imbalances,
19 correct, from the interstate pipeline, is that
20 true?

21 A Yes.

22 Q And those charges are charged to the
23 transportation entity, which, up until now, has
24 been Granite Ridge, with respect to the gas used

[WITNESS: Gilbertson]

1 by the power plant, correct?

2 A Yes.

3 Q So, if there are imbalance charges from
4 Tennessee, would those imbalance charges now be
5 charged to Liberty?

6 A And Liberty would turn around and bill them back
7 to Granite Ridge. Yes.

8 Q So, is there a provision in the contract that
9 allows that?

10 A Yes. It says it in many places, that Liberty is
11 not responsible for balancing over and above any
12 supplies that are brought to the gate.

13 Q And can balance charges be credits as well,
14 depending on long or short?

15 A Yes. Yes.

16 Q And what would happen in an instance where there
17 was money due to the power plant?

18 A It would go back to the power plant.

19 Q Okay. Will any of those charges or credits that
20 you talked about find their way into Liberty's
21 cost of gas?

22 A No.

23 Q Okay. Okay. In response to a question from
24 Attorney Sheehan, I think you were asked

[WITNESS: Gilbertson]

1 something about whether or not the demand charges
2 have met -- have exceeded -- let me rephrase
3 that. I believe you were asked whether or not
4 the demand charges were sufficient since the
5 beginning, 2000, to cover the revenue requirement
6 of the pipeline. Do you recall that question?

7 A Yes, I do.

8 Q And I believe you answered that the answer was
9 "yes". That, in each year, to your knowledge,
10 the demand charges have exceeded the revenue
11 requirement?

12 A Yes.

13 Q Now, my understanding, from looking through the
14 materials, was that, for the years prior to
15 Liberty's ownership, which I believe was July of
16 2012, that you don't have information about the
17 revenues and expenses of the pipeline. Have I
18 missed something or do you have that information?

19 A I don't believe we have the information prior to
20 Liberty purchasing EnergyNorth from National
21 Grid. I don't believe we have any of that.

22 Q Right. And that's why I was curious about your
23 answer that said "from the beginning, 2000, you
24 knew that the revenue requirement had been met by

[WITNESS: Gilbertson]

1 the demand charges."

2 So, I'm just -- I'm confused by that.

3 So, I guess I'm asking, do you know before

4 Liberty's ownership or do you not?

5 A I believe there were numbers on the books, when
6 Liberty bought the lateral and EnergyNorth, that
7 suggested that this was -- that the lateral was
8 paid for.

9 Q Okay.

10 A It was a starting place. And that starting place
11 indicated that, over the years, it had been paid
12 for fully.

13 Q Okay. And, thirdly, you had mentioned a couple
14 of times, in response to questions from Attorney
15 Sheehan, about how any excess dollars that are
16 produced from this arrangement in excess of the
17 revenue requirement for the pipeline get
18 "returned to all customers".

19 How does that happen? Does that happen
20 through the cost of gas or through the LDAC or
21 through base rates? What's your understanding of
22 that?

23 A I don't exactly know how it goes back to the
24 customers, I just know it does, because I'm not

[WITNESS: Gilbertson]

1 in Regulatory and Rates.

2 So, we could take a record request on
3 how exactly it's applied. But my understanding
4 is that anything above the service requirement,
5 it goes right directly to customers.

6 Q Okay. So, I shouldn't ask you questions about
7 what's in rate base and what revenues are
8 accounted for in base rate cases, that would be
9 outside your field?

10 A It would be. You could ask, but I could -- I
11 would have to just go back and get you an answer.

12 Q Okay. Well, let's see how the hearing goes, and
13 maybe that will be taken care of.

14 So, as I said, I have some prepared
15 questions. I want to move to those now.

16 So, first of all, I want you to tell
17 the Commission, and maybe you touched on this,
18 what's actually before them for approval. It
19 sounds to me like it's a new contract, with an
20 amendment? Do I have that right?

21 A It is a new contract, with some -- which is very
22 similar to the old contract, with the exception
23 of a couple of items, which we've already touched
24 upon. One of them is the meter operator. One of

[WITNESS: Gilbertson]

1 them is the demand charge and the fixed
2 escalator. And the other is the tapping into the
3 lateral.

4 Q Okay. So, that's the underlying contract. But
5 your testimony, which I think is Exhibit 3, talks
6 about a contract amendment having to do with the
7 effective date, is that right?

8 A Yes.

9 Q So, is that amendment before the Commission here
10 as well?

11 A That -- yes. That we're going month-to-month,
12 until we get the result of this hearing.

13 Q Okay. So, you're looking for approval of those
14 two things?

15 A Well, we already got approval, I think, of the
16 going month-to-month, which is the other year --
17 the other testimony. Because that's what we're
18 doing right now.

19 Maybe Mike can help me.

20 MR. SHEEHAN: If I could jump in? We
21 did file an amendment to the contract allowing
22 the month-to-month, which the Commission approved
23 in September, Order 26,518. So, that's been
24 approved.

[WITNESS: Gilbertson]

1 I think the lingering piece from that
2 would be a new start date of the new contract,
3 would be the only real change that's still part
4 of it, comes out of that amendment.

5 MR. DEXTER: Okay. Thanks.

6 BY MR. DEXTER:

7 Q And the new contract is for five years, is that
8 right?

9 A Yes. Five years.

10 Q And is that subject to extension or renewal or
11 anything like that?

12 A Yes. They have two opportunities to extend for
13 five additional years.

14 Q Okay. Do you have any expectation at this point
15 whether or not Granite Ridge would exercise that
16 right?

17 A I would think they would.

18 Q Okay. And you mentioned, I believe, that the
19 demand charges change, they increased in this new
20 contract, correct?

21 A I believe they did, yes.

22 Q Was that price, new price, subject to negotiation
23 between Liberty and Granite Ridge?

24 A Yes.

[WITNESS: Gilbertson]

1 Q And is there any corporate affiliation between
2 Liberty and Granite Ridge?

3 A Not to my knowledge.

4 Q So, you would consider those negotiations to be
5 arm's-length?

6 A Yes.

7 Q Okay. In the old contract, there was reference
8 to a "peaking agreement", and that peaking
9 agreement is not in the new contract, correct?

10 A That's correct.

11 Q Do you know why that is? Was it something that
12 just was no longer relevant or was Liberty not
13 interested or was Granite Ridge not interested?
14 If you can't, say, that's fine.

15 A No. It wasn't relevant. It wasn't -- we never
16 had that. Liberty never had a peaking agreement
17 with Granite Ridge.

18 Q Do you know what the arrangement -- what the
19 general nature of that peaking agreement was?

20 A I do not.

21 Q You mentioned that the price was subject to
22 negotiation. I would imagine that Granite Ridge
23 would have the right to pay the tariff rate, if
24 you weren't able to negotiate a new contract, is

[WITNESS: Gilbertson]

1 that true?

2 A They would have the right, but it would -- I
3 think it would preclude them from operating.

4 Q Okay. And, in the new contract, did the
5 volumes -- transportation volumes change?

6 A No.

7 Q And would you consider Granite Ridge to be a
8 large customer on Liberty's system?

9 A Yes, very large.

10 Q And, when you say "very large", can you put into
11 perspective how big a customer Granite Ridge is,
12 as compared to, say, some other large Liberty
13 customers?

14 A They're bigger than all the customers, all put
15 together. They're bigger than Liberty. They're
16 bigger than EnergyNorth. So, right now, they're
17 flowing a lot, and we're flowing a very little.
18 So, they're every bit as big as we are, as big as
19 Liberty is -- EnergyNorth, I should say.

20 Q And, when you say "big", they use more gas at the
21 power plant, or have the ability to use more gas
22 at the power plant than all of other
23 EnergyNorth's customers combined?

24 A Yes.

[WITNESS: Gilbertson]

1 Q So, there was a record request from the Bench
2 that asked to compare, to run Granite Ridge's
3 volumes through the tariff, and to calculate what
4 the revenue would be under the tariff rate. And
5 I wanted to point you to that. I think it's
6 confidential. So, we don't need to give the
7 number, but are you familiar with that response?

8 A Yes, I am.

9 Q That's part of Exhibit 6, I believe. Let me see
10 if I can find it. So, that is part of Exhibit 6.
11 It appears on Bates 012. And it's in response to
12 Record Request 2-9. You're the respondent. It's
13 dated "April 29th". Do you have that in front of
14 you?

15 A I do. Yes.

16 Q So, I'm looking at Page 2, and I have some grayed
17 out columns, which are confidential, I believe,
18 and some columns that aren't grayed out.

19 A Uh-huh.

20 Q So, the first column talks about "Therms". Now,
21 do you know if these are the therms that the
22 power plant actually used for those months, from
23 April 2021 to March 2022?

24 A Yes, they were.

[WITNESS: Gilbertson]

1 Q So, those are actual. And those are blacked out,
2 so we won't say what they are. And, on the
3 right-hand column is the "Demand Charge" for
4 those various months, totaled up at the bottom.
5 And there is a dollar figure there that we won't
6 mention, because it's confidential. Those are
7 actual revenues from Granite Ridge, is that
8 correct?

9 A That's correct.

10 Q And the middle column is not blacked out. And I
11 understand that the middle column would represent
12 the amount of revenue that would come in through
13 the tariff, if the customer were to pay the
14 tariff rate, is that true?

15 A Yes.

16 Q And that number is "\$52,950,744". Is that right?

17 A That's correct. Yes.

18 Q Okay. So, in your opinion, I think you said this
19 earlier, but I just want to make it -- I want to
20 make it clear, in your opinion, if Granite Ridge
21 were required to pay the tariff rate, and pay
22 Liberty fifty \$52 million, \$53 million a year,
23 they would not agree to that, is that right?

24 A That's what I would think, yes.

[WITNESS: Gilbertson]

1 Q And they produce electricity that has to compete
2 in the electricity market in New England, is that
3 right?

4 A Yes.

5 Q And, given the comparison between this middle
6 column of 53 million, and the right-hand column
7 of actual revenue, which is confidential, given
8 the difference between those two numbers, do you
9 think that Granite Ridge would be able to compete
10 in the electric market if they were to pay the
11 tariff rate?

12 A I do not.

13 Q So, I'd like to go to Exhibit 5 for a minute.
14 Exhibit 5 is a letter that I submitted to the
15 Commission on behalf of the Department of Energy
16 back in September, where the Department of Energy
17 expressed support for the proposed contract. And
18 there were five points that we -- five items that
19 we pointed to as reasons for our support. And I
20 just want to run through those with you now and
21 explore those a little bit with the information
22 that's now in the record.

23 So, the first point that was in that
24 letter says that "the Special Contract

[WITNESS: Gilbertson]

1 essentially continues a transportation contract
2 that was approved by the Commission...back in
3 2001." Do you agree that's basically true?

4 A Yes, I do.

5 Q And that's because the volumes of the contract
6 are the same, and the price, although slightly
7 different, is within the ballpark of what was in
8 place back in 2001, is that right?

9 A That is true. Yes.

10 Q Okay. The second point that we, at the
11 Department of Energy, pointed to was that "the
12 Special Contract provides Liberty with additional
13 flexibility concerning the lateral", in that this
14 contract will allow you "to serve other
15 customers", and that you would "use this
16 flexibility to optimize the additional capacity
17 [that you] recently [acquired] from Tennessee",
18 and that you would use that gas to serve "other
19 customers in Manchester and Nashua". Is that all
20 accurate, in your opinion?

21 A Yes. That's true.

22 Q Okay. And can you -- is there anything that you
23 can add to this question of flexibility? In
24 other words, like how many taps do you think will

[WITNESS: Gilbertson]

1 go into this lateral, and where will it be used,
2 or anything like that?

3 A I don't know the specifics. I do know a couple
4 of the enhancement projects that are being
5 considered. But I don't know exactly where on
6 the lateral the tap would be.

7 Q And I think I heard you say earlier, and maybe I
8 didn't get this right, that the 40,000 dekatherms
9 per day from Tennessee will be delivered to
10 Londonderry? Is that right?

11 A Yes. It will be delivered at the Granite Ridge
12 meter. Yes.

13 Q Okay. So, in fact, you will need to use this
14 flexibility, and you will need to tap into this
15 pipeline, otherwise, you won't be able to use the
16 40,000 a day from Tennessee. Is that correct?

17 A Right, because we don't really need it there. We
18 need it in Manchester and Nashua.

19 Q Okay. Do you know the timeframe for those
20 expansions into Manchester and Nashua?

21 A I don't know the timeframes, no.

22 Q Okay.

23 A I know they're starting.

24 Q And the costs for those expansions are not part

[WITNESS: Gilbertson]

1 of this contract or part of this proceeding, is
2 that right?

3 A I don't know the cost.

4 Q Okay. So, the third point that we made in our
5 letter last September says "The demand
6 charges...will be adjusted upward annually for
7 inflation." Do you agree with that?

8 A Yes.

9 Q Now, I don't know if this clause is confidential
10 at all, but you did mention something about "this
11 inflation clause being fixed, whereas, in the
12 past, it floated." Is that what you said in
13 response to questions --

14 A I did.

15 Q -- from Attorney Sheehan?

16 A Yes.

17 MR. SHEEHAN: It is not confidential.

18 MR. DEXTER: It's not confidential.

19 MR. SHEEHAN: It's on Bates 017 of the
20 initial filing.

21 MR. DEXTER: Okay.

22 BY MR. DEXTER:

23 Q So, the initial contract, the old contract, then
24 did have a price escalation clause, is that

[WITNESS: Gilbertson]

1 right?

2 A Yes.

3 Q Okay. Then, why is this one favorable, versus
4 the old one?

5 A The old one -- they're very similar, they're very
6 close. This is just fixed, I think, maybe just
7 for ease, it's just easier. The other one was
8 floated above and below the fixed one that we've
9 come to agree on. But they were -- it's very
10 similar.

11 Q Okay. So, when you say it's "fixed", is it a
12 percentage?

13 A Yes.

14 Q And what's the percentage?

15 A Can I say it? Two percent.

16 Q So, this will escalate 2 percent per year?

17 A Yes.

18 Q Irrespective of what's going on in the inflation
19 market?

20 A Yes.

21 Q Okay. Okay. Now, the next paragraph in my
22 letter of September 2021 says "Liberty states
23 that the demand charges collected under the 2021
24 Contract have far exceeded the original cost of

[WITNESS: Gilbertson]

1 the lateral to serve Granite Ridge and the
2 revenues from the 2021 Contract will exceed
3 Granite's [Liberty's?] cost to provide service to
4 Granite Ridge." Do you agree with that?

5 A Yes.

6 Q Okay. And I wanted to explore some numbers
7 behind that, just to get behind that statement.
8 And, in order to do that, I need to go to what I
9 believe is Exhibit 6. It's an Excel sheet that
10 was submitted. Which I'm going to try to open
11 up.

12 A Is it "a" or "b"?

13 MR. SHEEHAN: It's 6b or 7b.

14 BY MR. DEXTER:

15 Q Okay. So, I'm in that spreadsheet now. There's
16 a tab called "Benefit Cost Model". Do you have
17 that in front of you?

18 A Yes.

19 Q Okay. And this benefit-cost analysis starts in
20 2012, which is the year Liberty acquired
21 EnergyNorth, correct?

22 A Yes.

23 Q And the -- sorry. And, so, I wanted to skip
24 2012, because that looks like a half year, and

[WITNESS: Gilbertson]

1 just look at a ten-year period from 2013 to 2022.
2 And I wanted to focus on Line --

3 MR. DEXTER: Well, Mr. Chairman, I
4 think this would be more effective if I could
5 actually refer to the numbers. Is there a way we
6 can go into a confidential session?

7 CHAIRMAN GOLDNER: There is. Just
8 trying to think what the easiest way is, rather
9 than dropping in and dropping out of
10 confidential. Do you want to wait till you
11 finish your nonconfidential, and then go into
12 confidential, and then we can just go through
13 Commissioner questions at the same time?

14 MR. DEXTER: Sure. I have one more
15 nonconfidential question, which was the last
16 point in our letter. The fourth point in the
17 letter does get into the numbers, and that's what
18 I wanted to bring out in actual numbers.

19 So, why don't I drop to the last point,
20 and then come back to this, and then I'll be
21 finished.

22 CHAIRMAN GOLDNER: Perfect. I think,
23 if it works for everybody, we can go to
24 Commissioner questions on nonconfidential, and

[WITNESS: Gilbertson]

1 then begin with you again, Mr. Dexter, on the
2 confidential piece once we go into confidential
3 session. The Bench has questions on the same
4 spreadsheet.

5 MR. DEXTER: Okay.

6 CHAIRMAN GOLDNER: But you might be
7 covering them already.

8 MR. DEXTER: Okay. Well, if that's the
9 case, then I'll just drop down, I'll go back to
10 the letter. I have one question on the fifth
11 point, and then I will be done with
12 nonconfidential questions.

13 BY MR. DEXTER:

14 Q So, the fifth point in my letter of September of
15 2021 said "No new investments by Liberty are
16 needed to provide service to Granite Ridge under
17 the 2021 Contract." Do you agree with that
18 statement?

19 A Yes.

20 Q And why is that? Why are there no new
21 investments needed?

22 A Because we're just going to flow their gas to
23 them. That's not going to change.

24 Q They're going to use the existing pipeline?

[WITNESS: Gilbertson]

1 A Yes.

2 Q And there's no new metering or take stations or
3 gate stations or any other pressure things that
4 need to be --

5 A Not to them, no.

6 MR. DEXTER: Okay. Okay. And we
7 already talked about other new customers that
8 might get added.

9 Well, I believe that's all the
10 questions I had then on the nonconfidential
11 materials, Mr. Chairman.

12 CHAIRMAN GOLDNER: Okay. Thank you.

13 So, we'll move to Commissioner Simpson.
14 Then, I'll have a few questions. And then, we'll
15 go into a confidential session, if that's okay
16 with everybody?

17 *[No verbal response.]*

18 CHAIRMAN GOLDNER: Okay. Commissioner
19 Simpson.

20 CMSR. SIMPSON: Thank you, Mr.
21 Chairman.

22 So, I'd ask Attorney Sheehan, I think
23 you mentioned you have a couple of colleagues
24 behind you today. Can you just reiterate who

[WITNESS: Gilbertson]

1 they are?

2 MR. SHEEHAN: Sure. Josh Tilbury is
3 the Director of Energy Procurement nationwide for
4 Liberty, and leads Debbie Gilbertson's team. And
5 Tatiana Earhart is Ms. Gilbertson's counterpart
6 in Missouri for the mid-states.

7 CMSR. SIMPSON: And is -- I'm sorry,
8 Josh --

9 MR. SHEEHAN: -- Tilbury.

10 CMSR. SIMPSON: -- Tilbury, is
11 Mr. Tilbury Mr. Killeen's replacement, if you
12 will?

13 MR. SHEEHAN: Effectively, yes.

14 CMSR. SIMPSON: Okay. Very good.
15 Thank you for that. And you said your other
16 colleague, Ms. --

17 MR. SHEEHAN: -- Earhart.

18 CMSR. SIMPSON: -- Earhart, she is from
19 the central part of the country?

20 MR. SHEEHAN: Correct.

21 CMSR. SIMPSON: Kansas City?

22 MS. EARHART: Joplin.

23 CMSR. SIMPSON: Excellent. Well,
24 welcome to New Hampshire. Thank you.

[WITNESS: Gilbertson]

1 So, thanks for being here,
2 Ms. Gilbertson. How are you today?

3 BY CMSR. SIMPSON:

4 Q So, I'm wondering, just to take a step back, with
5 respect to the negotiation of these updated terms
6 with Granite Ridge.

7 Explain to me the Company's thought
8 process in seeking the contractual changes that
9 are proposed before us today, with respect to the
10 original agreement?

11 A The changes being the meter operator, which we've
12 talked about.

13 Q Uh-huh.

14 A Liberty would need to have that meter station
15 under their operating balancing agreements with
16 Tennessee. They don't have that today.

17 Q Uh-huh.

18 A The other point is tapping into the Londonderry
19 Lateral, to bring gas to Nashua and Manchester,
20 where it's needed. The original contract didn't
21 allow for that without permission.

22 And the demand charge escalator is now
23 a fixed percentage of 2 percent, --

24 Q Uh-huh.

[WITNESS: Gilbertson]

1 A -- rather than being tied to the GDP. Which was
2 historically, as I looked back, it was sometimes
3 in, you know, the 1.3 range or the 2.09 range.
4 It was very close, they hovered closely to the
5 2 percent. I think it was just maybe easier or
6 just -- I wasn't part of the negotiation.

7 Q Uh-huh.

8 A But, looking at the numbers, it just seems like
9 it was -- it's very, very close.

10 Q Okay. So, on the first issue, the meter
11 operator, is there any physical plant or asset
12 transfer involved with that, or all of the
13 infrastructure EnergyNorth already owned, and
14 it's just purely a control element?

15 A That's right.

16 Q And that control will provide EnergyNorth with
17 more flexibility?

18 A Yes.

19 Q In the future?

20 A Yes.

21 Q Okay. And then, with respect to the second
22 point, you said that the changes proposed here,
23 with respect to the pipeline, will allow the
24 Company to deliver more gas to Nashua and

[WITNESS: Gilbertson]

1 Manchester. Did I get that right?

2 A Yes.

3 Q So, explain that to me. So, this pipeline taps
4 off of the Concord Lateral and it serves the
5 plant. How does that provide more ability for
6 you to serve customers in that area, in those
7 other areas?

8 A So, those are the areas that are the congested
9 areas, we have lots of customers and pressure
10 issues. And, given that this is a high pressure
11 line, bringing gas through that lateral, and
12 tapping in and bringing it to those other
13 stations will provide not only more gas, but more
14 pressure, which is needed by the Company.

15 Q And do you think or would you expect that the
16 Company might be able to add customers through
17 this added flexibility?

18 A Yes.

19 Q And explain that a little bit more for me. How
20 is that the case?

21 A So, prior to obtaining the permission to sign on
22 for that 40,000 contract with Tennessee, the
23 Company fell short of resources to supply, or
24 they were going to be falling short, having

[WITNESS: Gilbertson]

1 enough resources to supply customers on a cold
2 day, a design day. So, getting that contract,
3 that 40,000, although it wasn't perfect, and
4 modifications need to be done, the Company could
5 now meet the needs of the design day demand, by
6 utilizing that additional 40,000.

7 Q And, under your current operating paradigm, would
8 you say that you're -- that the Company is at a
9 point where it's unclear whether you may be able
10 to add additional customers in those areas where
11 you forecast some added demand?

12 A Without tapping in, I think, to the line, I mean,
13 we could bring it to Londonderry, but we don't
14 need it in Londonderry. Or, we could try to
15 bounce it off of that meter, but then it wouldn't
16 be firm, and it could get cut by Tennessee.

17 I'm not 100 percent sure what -- say
18 that -- please ask the question again.

19 Q So, the added flexibility provided by more
20 control over the lateral, you're mentioning here
21 that the Company is seeking in this proposal, I'm
22 thinking generally, more broadly, across your
23 system. And how does that flexibility provide
24 benefits holistically to your customers, perhaps

[WITNESS: Gilbertson]

1 through added customer growth for EnergyNorth in
2 other areas of the state?

3 A Yes.

4 Q How do those benefits flow to all customers, when
5 you're able to add customers through the added
6 flexibility?

7 A So, if we could bring the gas to where it needs
8 to be, that's, number one, more gas. Number two,
9 it's more pressure. And we're currently below
10 the -- a little bit below the -- we're well
11 within our ability to serve all the customers on
12 a design day with the 40,000. Without tapping
13 in, we'd have to -- we'd have to do some juggling
14 of gas. It wouldn't be easy, let's put it that
15 way. And I'm not even sure it would work,
16 because we could get cut.

17 Q Okay. Thank you. Then, with respect to the
18 changes pertaining to the peaking agreement, can
19 you restate that for us in the current contract?

20 A There was no peaking agreement when Liberty took
21 over that contract. So, we don't -- I don't know
22 anything about the peaking agreement. And I
23 don't think -- I'm pretty sure Granite Ridge
24 doesn't have any peaking to provide, because they

[WITNESS: Gilbertson]

1 were interested in joining us with the Granite
2 Bridge Project. So, they don't have extra gas to
3 give to us.

4 Q So, since your time, you're not aware of any
5 peaking agreement --

6 A I am --

7 Q -- with respect to --

8 A I have no knowledge of the peaking agreement.

9 Q Okay. Thank you. And we had issued some record
10 requests, some of which the Company had
11 information and was responsive to, other areas
12 the replies were that you didn't have records
13 going back, effectively, prior to your --
14 Liberty's acquisition of EnergyNorth. Is that a
15 fair overview?

16 A Yes. That's my understanding, yes.

17 Q Okay. So, that was prior to 2012, you have no
18 effective data or access to data with respect to
19 AES/Granite Ridge?

20 A No. That would be National Grid.

21 Q Okay. Did you seek provision of any information
22 from National Grid?

23 A I did not. I don't know if the Regulatory team
24 did. I did not.

[WITNESS: Gilbertson]

1 Q Okay. And you didn't review any prior dockets
2 that might have provided some insight?

3 A Just the old contract, but nothing other than
4 that.

5 CMSR. SIMPSON: Okay. All right.
6 Thank you.

7 At this time, I don't have any
8 further questions for the public session, Mr.
9 Chairman.

10 CHAIRMAN GOLDNER: Okay. Thank you. I
11 just have a few, before we go into confidential
12 session.

13 First, before we go there, I would
14 amplify Attorney Dexter's request for how the net
15 benefit, you know, from the lateral, shows up on
16 customer bills. So, we'll make that a record
17 request. So, Record Request Number 1. That's, I
18 think, important for everyone to know.

19 ***[Record request noted.]***

20 CHAIRMAN GOLDNER: And then, just a
21 couple of questions, before we go to
22 confidential.

23 BY CHAIRMAN GOLDNER:

24 Q So, my first question is, given the physical size

[WITNESS: Gilbertson]

1 of the pipe, of the lateral, how much can it
2 deliver? What's it's max capacity, given its
3 physical size, for a 24-hour or, you know, day
4 period?

5 A 130,000 dekatherms a day.

6 Q Okay. And I noted that the contract is also
7 130,000 dekatherms a day. So, I'm just trying to
8 understand how the Company could utilize the
9 lateral, if Granite Ridge called for 100 percent,
10 you would have no capacity left? Or, does it
11 work differently than that?

12 A I honestly don't know. I don't know the answer
13 to that.

14 CHAIRMAN GOLDNER: Hmm. Attorney
15 Sheehan, do you have any recommendation what --
16 I'm just trying to determine the utility of the
17 pipe. If you've contracted for 130,000 -- if
18 Granite Ridge has contracted for 130,000
19 dekatherms a day, and that's the maximum capacity
20 of the pipe, then it doesn't really have any
21 utility beyond that for other customers. Do you
22 have a recommendation?

23 MR. SHEEHAN: Yes. And I'll find the
24 language. It's "primary" versus "secondary".

[WITNESS: Gilbertson]

1 The 40,000 is primary, the 130 is secondary. So,
2 if the power plant wants 130, and we're using 30,
3 they don't get it all. They get what's secondary
4 to Liberty.

5 CHAIRMAN GOLDNER: Okay. Very helpful.
6 Thank you. That's what I was looking for.

7 I think -- yes, I think the Company
8 forecasted 35,000 dekatherms a day for Manchester
9 and Nashua. So, just, Mr. Sheehan, to follow
10 your math to the nth degree. So, if you needed
11 35,000 a day, and the pipeline held 130, then
12 Granite Ridge would only get 95? It works like
13 that?

14 MR. SHEEHAN: That's correct.

15 CHAIRMAN GOLDNER: Okay. Thank you.

16 BY CHAIRMAN GOLDNER:

17 Q Next question is, in Exhibit 4, there is a
18 reconciliation. There's a discussion of this
19 deferral account, and this 1.75 percent of
20 revenues towards environmental remediation,
21 etcetera. And I was sort of unable to follow the
22 math.

23 Is the -- I assume that's some kind of
24 reserve account that where it's holding a bunch

[WITNESS: Gilbertson]

1 of funds that have been piled up over the years.
2 And I'm wondering, in this transaction, in
3 this -- in the ruling that you're looking for
4 from the Commission, is there any adjustment to
5 that deferral account that the Company is looking
6 for?

7 MR. SHEEHAN: I'm sorry, that was the
8 environmental --

9 CHAIRMAN GOLDNER: Remediation, right.
10 So, it looks like, over time, there has been a
11 buildup of monies in that account for
12 environmental remediation that was never spent.
13 And then, now we've got a new contract. So, it
14 seems like we would clear out an old deferral
15 account, or I'm just wondering how the Company
16 plans to deal with that?

17 MR. SHEEHAN: Yes. I don't know if we
18 actually are holding them. The thought behind
19 that, back in 2020 -- 2001 was, just to pick a
20 number, say, 100,000 a year is coming out of
21 this. That would simply go to the requirement
22 under the LDAC for the environmental costs and
23 reduce it by 100.

24 And, so, now, to the extent that 100 is

[WITNESS: Gilbertson]

1 not specifically called out for in this contract,
2 that 100,000 would just be part of distribution
3 rates, and it lowers all customer bills, because
4 that's 100,000 in revenue that they don't have to
5 pay when we do the rate case revenue calculation.

6 So, I can confirm, I don't think we're
7 holding all that money aside. I think we've been
8 parking as it comes in, and then applying it to
9 the LDAC each year. But I can confirm that.

10 CHAIRMAN GOLDNER: Okay. Thank you.
11 So, you're doing sort of an annual
12 reconciliation. So, money comes in, money goes
13 out, on an annual basis. So, this environmental
14 remediation is not something that's held over
15 decades or something like this, in case there's a
16 big event. It's just, you know, if there's
17 remediation required that year, then the money is
18 spent.

19 MR. SHEEHAN: And, as part of the LDAC,
20 you'll see one component is the environmental,
21 which is Ms. Casey's testimony. And, under her
22 supervision, we're spending money to clean up
23 these old sites. And it varies year to year.
24 And the LDAC gets adjusted each year, because

[WITNESS: Gilbertson]

1 this year we spent a lot or this year we spent a
2 little, and these funds simply offset those
3 costs.

4 CHAIRMAN GOLDNER: Okay. Thank you.
5 And then, I was sort of puzzled in terms of --
6 there was conflicting information, at least as I
7 understood it, in the record requests. So, maybe
8 I'll just put it in the form of a question.

9 How does the Company plan to deal with
10 this 1.75 percent environmental remediation
11 moving forward? Is it -- because I understand
12 that it's not going to be in the LDAC, can you
13 give us the Company's position?

14 MR. SHEEHAN: Sure. So, just using
15 simple numbers, the revenue requirement for the
16 pipe, because we're still depreciating it, it's
17 500,000 a year. The revenue from the contract is
18 a million a year. So, once the million dollars
19 comes in, the Company pays itself the 500, which
20 is for the construction, plus a return, and now
21 we have 500,000 in revenue.

22 When we had the 1.75 percent, we carve
23 off a little bit of that 500 and put it into the
24 LDAC to make the LDAC go down a little bit. And

[WITNESS: Gilbertson]

1 the rest of the 500 is revenues that, when you do
2 a rate case, we don't have to collect those
3 revenues from customers. That's how they benefit
4 customers.

5 What we're saying now is, that exercise
6 would benefit customers the full 500, whether
7 it's 1.75 percent here and the balance there, now
8 it's all on the distribution side. So, it's more
9 of a simplification.

10 My guess, and it's just that, is that,
11 in 2001, the environmental remediation was --
12 there was a lot going on, there were some big
13 numbers there. I do know, in the past, we've had
14 some massive cleanups that were tens of millions
15 of dollars. So, maybe that was the thinking,
16 "let's send some money in that direction." But
17 that's just a guess.

18 But, at the end of the day, customers
19 are paying both distribution rates, which are a
20 half million dollars lower because of this, and
21 the LDAC, which would have been a few thousand.
22 So, it comes out in the wash, is why we decided
23 to keep it out.

24 CHAIRMAN GOLDNER: Okay. And the

[WITNESS: Gilbertson]

1 reason I asked, and we can wait till we get to a
2 confidential session, but, on Line 4 of 6a, which
3 is confidential, so I won't talk about the
4 number, but it's a nonzero number from 2022 on.
5 So, I couldn't quite -- yes, I think I was maybe
6 still confused. But we can maybe wait for a
7 confidential session. I would have expected that
8 to be "zero".

9 MR. SHEEHAN: Oh, I see.

10 CHAIRMAN GOLDNER: Yes. So, maybe we
11 can come back to that in a confidential session
12 and just talk about the exact numbers.

13 Okay. So, we'll come back to that.
14 Let me see if there's anything else, before we
15 move to a confidential session.

16 BY CHAIRMAN GOLDNER:

17 Q Yes. A final question is, when upon acquisition,
18 Liberty valued the pipeline at some asset value,
19 I don't know if it's confidential or not, so I
20 won't say it. How was that asset arrived at?
21 There seems to be some confusion or there seems
22 to be some -- I'm not quite grasping what Liberty
23 had and didn't have upon acquisition, what
24 numbers they had available or not.

[WITNESS: Gilbertson]

1 So, I just would like to understand how
2 the asset value was determined that you put on
3 the books when you purchased the Company in 2012?

4 MR. SHEEHAN: My understanding is,
5 again, some records come over, some don't. And
6 the asset value came over, and that's that
7 \$7 million figure, and it's a different bucket of
8 info that came over. And I can't pull the number
9 that we said we didn't have available, but it was
10 a different kind of number that we didn't have
11 available.

12 So, when we -- when we acquired the
13 Company from Grid, all of our assets had a value
14 that were depreciating. Obviously, that's a
15 central number for any transaction. So, that
16 7 million came over, and that is the construction
17 costs that was incurred in roughly 2001.

18 CHAIRMAN GOLDNER: Okay. Thank you.
19 Yes. I'll wait to go to confidential session to
20 ask more questions. Because it's on your
21 spreadsheet, on Tab 1, there's many things that
22 are blacked out. But, when you go to some of the
23 subtabs, it's not blacked out. So, I want to be
24 respectful of the fact that those may be intended

[WITNESS: Gilbertson]

1 to be confidential. So, I'll hold my additional
2 questions till then.

3 Okay. Anything else that we should
4 discuss, before we move to confidential session?

5 *[No verbal response.]*

6 CHAIRMAN GOLDNER: No? Okay. So,
7 Mr. Patnaude, if we could go into a confidential
8 session.

9 ***[Suspension of public session.]***

10 (Pages 58 through 77 contain
11 information that is deemed to be
12 **CONFIDENTIAL and PROPRIETARY** and are
13 therefore provided under separate cover
14 so designated.)

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[WITNESS: Gilbertson]

1 **[PUBLIC SESSION RESUMES]**

2 CHAIRMAN GOLDNER: And back onto the
3 regular record. And maybe what I'll do, in an
4 attempt to be fair, is to turn to you, Attorney
5 Dexter, to see if there is anything else that you
6 have, before we finalize the Commissioner
7 questions, if any?

8 MR. DEXTER: In terms of additional
9 questions?

10 CHAIRMAN GOLDNER: Yes.

11 MR. DEXTER: No. No additional
12 questions. Thank you.

13 CHAIRMAN GOLDNER: Okay. Commissioner
14 Simpson, any additional questions?

15 BY CMSR. SIMPSON:

16 Q I think I just want to clarify what the Company
17 is working on. It sounds like there's some
18 construction that's either planned or ongoing.
19 Can you clarify that for me?

20 A Yes. Actually, in the DG 21-008 docket, there
21 was some descriptions of what was -- what the
22 enhancements would be. There was a Staff TS 1-4
23 that I actually jotted down a few notes of what
24 was going to take place.

[WITNESS: Gilbertson]

1 So, some of the enhancements are --
2 there's a Brown Avenue pipeline and regulator.
3 And there's a Daniel Webster Highway Merrimack
4 Station. And then, the largest change would be
5 the Budweiser line, and that's in Nashua. And
6 that would be the biggest, the biggest change,
7 the biggest lateral, and that brings about 1,100
8 dekatherms an hour.

9 So, all tolled, it's about 35,000 a day
10 additional capacity to Manchester and Nashua,
11 once these enhancements are finished and
12 complete.

13 Q And those enhancements are physical plant in the
14 ground from the Londonderry Lateral, to other
15 parts of the EnergyNorth system?

16 A Yes.

17 Q And that is where you're providing extra capacity
18 support for some of those more
19 capacity-constrained areas?

20 A Correct.

21 CMSR. SIMPSON: Okay. Thank you. I
22 don't have any further questions, Mr. Chairman.

23 CHAIRMAN GOLDNER: Okay. Thank you. I
24 just have one last tactical question.

[WITNESS: Gilbertson]

1 BY CHAIRMAN GOLDNER:

2 Q So, on spreadsheet 6a, the tab called "Revenue
3 Requirement 2022 through 2040", there's a line
4 that's Excel Line 46, Line 30 in the numbered
5 column, on Column A, that talks about "Book
6 Depreciation", and there's a flat number across
7 the spreadsheet, 78K, it's not confidential. How
8 was that number arrived at?

9 A I don't know. I think we might have to take a
10 request on that, unless Mike knows.

11 MR. SHEEHAN: Ms. Menard is suggesting
12 that we look at Lines 9 and 10. And that is the
13 depreciate rate of "1.92 percent", which probably
14 is the 52-year schedule, times the -- times the
15 remaining balance of undepreciated?

16 CHAIRMAN GOLDNER: That's what's funny,
17 it's on a fixed value on Line 2, it's 4.066 on
18 the top, then 1.92 is applied to that number.
19 And it's the same on the other spreadsheet, in
20 the revenue requirement --

21 MR. SHEEHAN: I see.

22 CHAIRMAN GOLDNER: -- for the prior
23 years, 2012-2021, it's the same thing, it's a
24 flat number all the way across, and then it just

[WITNESS: Gilbertson]

1 changes in 2022.

2 I would have thought it would have
3 been -- it would have decreased over time as you
4 accumulated depreciation?

5 MR. SHEEHAN: You're outside of my
6 expertise. I'm sorry.

7 CHAIRMAN GOLDNER: All right.

8 MR. SHEEHAN: I mean, obviously, this
9 will be one piece of a rate case that make sure
10 that all these numbers are right.

11 And I tend to agree with Mr. Dexter
12 that maybe we might have unintended consequences
13 if we mess with it here, about "do we accelerate
14 or not?"

15 But, obviously, the big picture here,
16 as you have already indicated, this is a good
17 deal for customers regardless, so, and which
18 these documents all show, even if the numbers may
19 wiggle a little.

20 CHAIRMAN GOLDNER: Yes. If anything,
21 it would improve the customers' benefit, if that
22 was adjusted. So, okay, I don't have any
23 concerns with that. I'll just highlight, for the
24 Company's benefit, that it looks to me like that

[WITNESS: Gilbertson]

1 book depreciation should decline over time with
2 asset value, the net asset value, as opposed to
3 the gross asset value. That's my opinion.

4 I don't know if Ms. Menard agrees with
5 me or not, but --

6 MR. SHEEHAN: She's telling me it does,
7 for probably the reasons you and I can't quite
8 figure out.

9 CHAIRMAN GOLDNER: All right. Okay.
10 Well, that will be a preview of coming
11 attractions then. We can talk about that another
12 day.

13 Okay. Anything else, Commissioner
14 Simpson, before we -- before we move to redirect?

15 CMSR. SIMPSON: Nothing from me, Mr.
16 Chairman. Thank you.

17 CHAIRMAN GOLDNER: Okay. All right.
18 Attorney Sheehan, let's move to redirect for your
19 witness.

20 MR. SHEEHAN: I actually have none. I
21 think we've covered what needs to be covered
22 today. Thank you.

23 CHAIRMAN GOLDNER: Okay. Very good.
24 All right. Thank you. The witness is released.

1 And, without objection, we will strike
2 ID on Exhibits 1 through 7b and admit them as
3 full exhibits.

4 Pardon me. We'll make Exhibit 8 the
5 record request that we talked about earlier,
6 which is, basically, just how is the money
7 returned to ratepayers that's spun out of this
8 deal.

9 *(Exhibit 8 reserved for the record*
10 *request as noted above.)*

11 CHAIRMAN GOLDNER: So, I think that's
12 fine. Does that cover what you were looking for,
13 Attorney Dexter?

14 MR. DEXTER: Yes. I'm going to
15 probably -- I'm going to go out on a limb here
16 and try to help out on the accumulated
17 depreciation. And, if this isn't helpful, I
18 apologize.

19 CHAIRMAN GOLDNER: Oh, thank you.

20 MR. DEXTER: But it makes sense to me
21 that depreciation expense on this schedule is
22 done -- that it's the same each year. In other
23 words, I understand you depreciate the original
24 value over the life. If you jump down to the

1 rate base calculation, on Excel Line 38, you see
2 that the accumulated book depreciation gets
3 larger every year. And therefore, the rate base
4 is lower every year than it would if you didn't
5 account for that. So, this makes sense to me.

6 However, you did raise a very good
7 question, Mr. Chairman, which is why the original
8 value jumps from the one schedule -- drops from
9 the one schedule to the other? The schedule is
10 labeled "Distribution Circuit Upgrades", I assume
11 that's a typo from an electric spreadsheet, but
12 maybe I'm wrong. It doesn't sound like -- I
13 thought that label would be like "Original cost
14 of pipeline".

15 But I think you raise a very good
16 question, which is why the original cost of the
17 pipeline on the tab "2012 to 2021" is
18 "5,678,898", and yet, on the second tab, it drops
19 to "4,066,331". And I don't know the answer to
20 that question. And I don't think it would change
21 the ultimate analysis. I don't think it would
22 change our recommendation. But it might be
23 something that you would want to get into the
24 record.

1 CHAIRMAN GOLDNER: Okay. Yes. Thank
2 you. I think -- I think that is helpful. I
3 think we have it on the record here today with
4 this discussion, and then we'll address it in the
5 order as well.

6 Because, as you said, I don't think it
7 changes the net transaction. But I do think, and
8 I appreciate, again, the Company providing these
9 spreadsheets. So, even if they're not exactly
10 correct, I think the spirit of what we were
11 trying to accomplish is in there. And I'm sure,
12 as we go through time, we'll get better at this.

13 CMSR. SIMPSON: And the general format
14 is helpful, broadly speaking, as well.

15 MR. SHEEHAN: Okay. And Ms. Menard
16 basically said what Mr. Dexter said is right
17 about the depreciation issue that she raised.

18 CHAIRMAN GOLDNER: Okay.

19 MR. SHEEHAN: Not that he's right, but
20 we agree with it.

21 CHAIRMAN GOLDNER: Thank you. It's
22 always helpful when you start off with a big
23 picture on a spreadsheet, and it kind of gives us
24 an idea of what's going on, and then you have the

1 backup spreadsheets with the underlying detail.
2 It makes it much easier for the Commission to
3 understand what's going on.

4 Okay. Very good. So, let's see. All
5 right. So, we can move to closing arguments,
6 beginning with Attorney Dexter.

7 MR. DEXTER: Thank you, Mr. Chairman.

8 As we said in September of 2021, and I
9 stated a little bit earlier today, the Department
10 of Energy is supportive of approval of the
11 contract as presented by the Company today. We
12 believe it's consistent with the public interest,
13 as required by RSA 378:18. And the reason we
14 believe that is, the primary focus in a special
15 contract, from the Department's perspective, is
16 that it provide a net benefit to customers and
17 not be a drag on other customers.

18 I believe the analysis here shows that
19 this contract has done that in the past, and is
20 projected to continue to do that over the life of
21 the contract. And if, even if the contract were
22 to terminate after five years, if the power plant
23 didn't renew it, I think the witness demonstrated
24 that the original cost of the line has been

1 recovered, and then some, even over ten years,
2 and, if we expanded that to 20 or 25 years, even
3 more so. So, we are confident that this contract
4 provides a net benefit to existing customers.

5 I expect that, when the record request
6 comes in, it will say what Attorney Sheehan said
7 earlier, which was that, when rate cases are
8 done, this pipeline is in rate base, and the
9 revenues from this contract are included in the
10 revenue requirement calculation. So, the
11 starting point of any rate case, the test year,
12 will include these net benefits. And, so,
13 that's, I believe, how they have been returned to
14 customers over the years.

15 With the exception of the roughly
16 \$15,000 that was allocated to the Environmental
17 Response costs back in the 2000 agreement, the
18 Department is not troubled by the fact that that
19 allocation won't go forward. If it were a larger
20 number, then I think we might have some concerns.

21 The environmental, you mentioned the
22 "matching principle", you know, the environmental
23 costs are costs that are collected now to address
24 things that happened in the 1800s. So, there's a

1 huge, you know, intergenerational ratepayer issue
2 there, that was all decided back around 2000 in a
3 generic proceeding that the Commission conducted
4 on this issue. And there's a fairly complicated
5 formula that you'll find in each LDAC each
6 September that tracks the Company's costs in
7 relation to the cleanup that they're doing. And
8 I believe there's some sort of a seven-year
9 smoothing. There's a provision for insurance
10 recoveries. And then, you know, when you get
11 through that formula, the net result is charged
12 to customers, current customers, in the LDAC.

13 I think what Mr. Sheehan said is
14 correct, instead -- and I believe the 15,000 is a
15 very, very small piece of what you might find in
16 the LDAC in any given year for these manufactured
17 gas costs.

18 So, you know, in the interest of
19 simplicity, and the fact that the customers are
20 going to see this \$15,000 one way or the other,
21 it makes sense to the Department not to keep that
22 little arrangement, carry that little arrangement
23 forward into the next -- into the next contract
24 year. So, we're supportive of that, of the

1 contract, even without that allocation.

2 So, in closing, we recommend that the
3 Department approve the contract and allow this
4 arrangement to continue.

5 CHAIRMAN GOLDNER: Okay. Thank you,
6 Attorney Dexter. And we'll move to Attorney
7 Sheehan and the Company for final close.

8 MR. SHEEHAN: Thank you. I'll just hit
9 on a few topics to, if nothing else, provide
10 context.

11 If you look at the orders back in 2000
12 about the peaking arrangement, at that time,
13 Calpine had more capacity than they needed. And
14 so, they offered to us "you can use some of our
15 capacity on peak days." So, that was the
16 arrangement. It did expire, because Calpine
17 ultimately grew into all its capacity and had no
18 more to offer. And, as Ms. Gilbertson referred,
19 in the Granite Bridge docket, we actually signed
20 an MOU with Calpine to take service off of our
21 proposed LNG facility. So, by 2000 and whatever
22 year that was, '15, '16, they were looking for
23 capacity peaking. So, there was certainly no
24 more available for us. And, as she said, that

1 all switched well before Liberty came on the
2 scene.

3 As far as benefits to all customers for
4 this, Ms. Gilbertson is correct about the tap
5 into the line and the enhancements that would
6 flow from that. And there was testimony, and I
7 believe some supplemental testimony, in that
8 21-008 docket, which was the one that approved
9 the Tennessee contract. And the gist of that
10 analysis was, after all our talks with Tennessee
11 over the years, it came down to two of the most
12 favorable options were for Tennessee to upgrade
13 what we call the "Hudson Lateral", that's a
14 Tennessee-owned pipeline that goes sideways from
15 the main pipeline into Hudson/Nashua. That was
16 the most useful of all their options for upgrades
17 that they would do. And, of course, if they did
18 those options, it would increase the price of the
19 40,000.

20 Or, we have Tennessee do no upgrades,
21 and simply let us take some of the 40 -- take the
22 40 in Londonderry, but then we have to do some
23 work to best move that gas around. And that
24 testimony lays out those numbers. And the option

1 that the Commission approved was the least
2 expensive. Yes, we will spend money on those
3 projects, but it's still going to be less than we
4 would have paid to Tennessee in higher demand
5 charges had they done alternate projects.

6 And those projects are basically this:
7 Historically, the Nashua, Manchester, Concord
8 were all stand-alone gas companies before
9 pipelines. They had these manufacturing plants
10 downtown. It's where the gasholder is in
11 Concord, it's where our yard is in Manchester,
12 and our yard is in Nashua. So, all the systems
13 were the big pipes in the middle of towns,
14 spidering out to the remote areas. Now, you have
15 Nashua here and Manchester here, and those small
16 pipes are starting to touch, and they're not big
17 enough where this can help that.

18 And, so, for example, in western
19 Nashua, towards Milford, we're getting pressures
20 so low that we can't add customers. And what
21 this project will do is it will start in
22 Londonderry, right by the Airport, and run a
23 significant pipe along the river down to Nashua,
24 and sort of backfeed Nashua. So, you've got the

1 Hudson line all coming sideways, that pipe coming
2 in from the top, so that helps Nashua greatly.

3 And, similarly, we have an existing
4 line from the pipeline into Manchester, this will
5 be a second one into Manchester as well. And
6 then, in between, Bedford, in that area, has been
7 a big growth area for us. So, again, that, you
8 know, the whole Bedford Village Inn area is all
9 new for us. And, so, this helps feed that as
10 well.

11 So, those are all the projects that
12 will let us best use that 40,000 from that other
13 contract. It's all laid out in that testimony.

14 And we will respond, of course, to the
15 record request. Ms. Menard noticed that, in our
16 last rate case, we had 776,000 of revenue from
17 this contract that went into the formula. So, if
18 you calculate the Company's revenue requirement,
19 what do we need, and you match that up with our
20 revenues, let's say, we need \$50 million, and our
21 revenues are 49, so, our rate case is looking for
22 that extra million. Without this revenue, our
23 revenue would have been 48, so, we'd be looking
24 for 2 million. So, that's the simple math of how

1 this benefits customers, how the money actually
2 goes into their pockets through slightly lower
3 rates.

4 So, with those sort of side issues, we
5 echo what the Department said of the benefits of
6 this contract, how it satisfies the requirements
7 for a special contract. That this nontariff rate
8 is in the public interest, and we ask that you
9 approve it.

10 Thank you.

11 CHAIRMAN GOLDNER: Okay. Thank you.
12 Just one last topic. I should have asked
13 earlier.

14 So, there's, from an implementation
15 date, does the Company and New Hampshire
16 Department of Energy have a preference with the
17 start date? It might be aggressive to get the
18 order out before the end of the week. So, that
19 may be challenging. So, August 1st might be
20 difficult. September 1st would be
21 straightforward. Is there -- does either party
22 have a preference?

23 MR. SHEEHAN: I believe the amended
24 contract triggers the new contract the first of

1 the month following. So, my sense is the dollars
2 aren't that big to matter. And, if it rolls into
3 the next month, it's not a huge issue. So, we
4 wouldn't, and to the extent you may have other
5 priorities, September 1 is fine.

6 CHAIRMAN GOLDNER: The Company has a
7 few other dockets that are urgent. So, we're
8 trying to be respectful of the other dockets.

9 Attorney Dexter, do you have any
10 thoughts on the start date?

11 MR. DEXTER: No. We would agree with
12 Attorney Sheehan. I don't think a one-month
13 change would have a significant financial impact.

14 CHAIRMAN GOLDNER: Okay. Well, we'll
15 endeavor to move as quickly as possible. I just
16 wanted to check that, before we moved on.

17 Is there anything else we need to cover
18 today?

19 MR. SHEEHAN: I guess --

20 CHAIRMAN GOLDNER: Okay.

21 MR. SHEEHAN: I'm getting notes. Do we
22 still need the record request? It will say kind
23 of what I just said, maybe with a few more
24 precise numbers around it. But it simply lowers

1 our revenue deficiency by that 770,000 per year.

2 CHAIRMAN GOLDNER: I think I'm

3 satisfied. Commissioner Simpson?

4 CMSR. SIMPSON: I would ask Attorney
5 Dexter if he --

6 CHAIRMAN GOLDNER: Yes.

7 CMSR. SIMPSON: -- felt compelled to
8 seek a written response?

9 MR. DEXTER: No. I believe Attorney
10 Sheehan, you know, was using somewhat
11 hypothetical numbers, I think. But my
12 understanding, from having been involved in the
13 last rate case, is that, just as Ms. Menard said,
14 the revenues would appear in the revenue section,
15 and the plant would appear in the rate base
16 section, and the revenue requirement calculation
17 would show a net benefit.

18 So, as long as everyone's in agreement
19 on that, I think the record's clear.

20 CMSR. SIMPSON: Thank you. I
21 appreciate that. I would not feel compelled to
22 require a written data response.

23 CHAIRMAN GOLDNER: Attorney Sheehan,
24 so, we'll withdraw the record request, Number 8.

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[Exhibit 8 withdrawn]

CHAIRMAN GOLDNER: I will note that, because this is an inclining improvement to customer rates, that should help the step, but we won't go there today either.

Okay. Very good. If that's everything, we'll take the matter under advisement and issue an order.

We are adjourned. Thank you.

***(Whereupon the hearing was adjourned
at 10:46 a.m.)***