

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DG 11-040

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**JOINT PETITION FOR AUTHORITY TO TRANSFER OWNERSHIP
OF GRANITE STATE ELECTRIC COMPANY
AND ENERGYNORTH NATURAL GAS, INC.
TO LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.**

Pre-Filed Testimony

of

Gregory L. Mann

Timothy M. Connolly

Gorham, Gold, Greenwich & Associates, LLC

"G3 Associates"

Consultants to the Staff of the Public Utilities Commission

October 7, 2011

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

DG 11-040

Joint Petition For Authority To Transfer Ownership Of Granite State Electric Company

And EnergyNorth Natural Gas, Inc.

To Liberty Energy Utilities (New Hampshire) Corp.

Direct Testimony

of

Gorham, Gold, Greenwich & Associates, LLC

“G3 Associates”

I. INTRODUCTION

Q. Dr. Mann, please state your full name, position in the company and business address.

A. My name is Gregory Loyd Mann. I am the Managing Vice President of Gorham|Gold|Greenwich & Associates (“G³ Associates”), headquartered at 11610 Tomahawk Creek Parkway - Suite L, Leawood, Kansas 66211.

Q. Please summarize your educational and professional experience.

A. I have a Bachelor of Arts Degree in Economics and History from Graceland University, a Master of Arts and Doctorate in Economics from the University of

1 Missouri. I have more than 35 years of experience in strategic planning and management
2 of regulated utility companies. My professional experience has included a decade on the
3 staff of the Vice-Chairman of AT&T with responsibility for acquisition planning and
4 integration, divestiture planning and regulatory compliance. I also served as a senior
5 officer for a leading long-distance services provider with responsibility for mergers and
6 acquisitions, strategic market planning and regulatory compliance. As a senior partner in
7 Gorham|Gold|Greenwich & Associates for the past two decades, I have been actively
8 engaged as an advisor to regulated utilities seeking to diversify their business focus,
9 broaden their ownership interest and ensure regulatory compliance in a rapidly changing
10 marketplace. Additionally, I have worked as a policy advisor for a number of state
11 regulatory agencies seeking to ensure their regulatory policies and precepts are consistent
12 with changes in market conditions and public expectations. My professional experience
13 spans both domestic and international markets, issues and regulatory regimes.

14
15 **Q. Have you previously testified before the New Hampshire Public Utilities**
16 **Commission or other regulatory bodies?**

17 A. I have not previously appeared before the New Hampshire Public Utilities
18 Commission; however, over the past 30 years I have appeared before the Illinois
19 Commerce Commission, the California Public Utilities Commission, the Florida Public
20 Service Commission, the Texas Public Utility Commission, the New York State Public
21 Service Commission, the Virginia State Corporation Commission, the Alabama Public
22 Service Commission, the Minnesota Public Utilities Commission, the Wisconsin Public
23 Service Commission, the Montana Public Service Commission, the Arizona Corporation

1 Commission, the Hawaii Public Utilities Commission (to name some state regulatory
2 bodies) on a range of matters. Additionally, I have appeared before the Federal
3 Communications Commission, the United States Senate Sub-Committee on Nuclear
4 Oversight, the Federal Energy Regulatory Commission, the Nuclear Regulatory
5 Commission and a number of regulatory bodies in the United Kingdom and the European
6 Union.

7
8 **Q. Mr. Connolly, please state your full name, position in the company and**
9 **business address.**

10 A. My name is Timothy M. Connolly, I am the Vice President of Regulatory
11 Compliance with Gorham|Gold|Greenwich & Associates, also known as G³ Associates.
12 My business address is 2005 Arbor Avenue, Belmont, California 94002.

13 **Q. Please summarize your educational and professional experience.**

14 A. I have degrees from Creighton University in Omaha, Nebraska, and from the
15 University of Illinois at Chicago majoring in Management and Finance, respectively. I
16 have done post graduate work at the Wharton School, University of Pennsylvania and at
17 Rutgers University School of Economics in Newark, NJ. For the past 19 years I have
18 worked as a consultant to corporations and organizations advising on information
19 systems and technology. I have participated in engagements as an advisor at the
20 executive levels as a project director for implementing technology solutions for specific
21 business issues; and as a project manager for entities entering and leaving lines of
22 business to achieve strategic objectives.

1 Prior to my consulting practice, I was a Director at AT&T's headquarters, where I held a
2 number of positions associated with strategic planning and achieving corporate objectives
3 in restructuring its business units and operations.

4 My current responsibilities with Gorham|Gold|Greenwich & Associates, LLC
5 include engagements where we support state, federal, and other governmental agencies
6 with regulatory oversight of telecommunications, energy, water, transportation, and other
7 infrastructure and work for commercial clients that are subject to such regulatory
8 oversight.

9
10 **Q. Have you previously testified before the New Hampshire Public Utilities**
11 **Commission or other regulatory bodies?**

12 A. I have not previously testified before the New Hampshire Commission. I have
13 testified in 28 other states before regulatory agencies and departments, and at the federal
14 level I have appeared before the Federal Communications Commission, congressional
15 committees, and in judicial proceedings and at both the state and federal level.

16
17 **II. PURPOSE OF THE TESTIMONY**
18

19 **Q. Please describe the purpose of your testimony.**

20 A. The purpose of our joint testimony is to introduce the results of our investigation
21 on behalf of the New Hampshire Public Utilities Commission of Liberty Energy's
22 information technology program and planning. The full text of our investigation is
23 appended to this testimony as Attachment A.

II. Overview of the project

Q. Please describe the work assigned to G³ Associates.

A. The Commission defined its primary interest in the Cogsdale and Dynamics GP-WennSoft products which Liberty intends to deploy to support a variety of front and back office functions and the transfer of data from National Grid systems to Liberty Energy systems. Specifically, we were asked to perform the following tasks:

- Review and assess the systems and functions currently used by National Grid in its New Hampshire operations to provide service to its New Hampshire electric and gas customers, to ensure equivalent systems and functionality will be provided by Liberty Energy.
- Evaluate whether National Grid uses appropriate and sufficient methods to ensure data in various systems are consistent, or whether data reconciliation should be performed prior to transfer of data to Liberty Energy.
- Review and assess Liberty Energy's testing and cut-over readiness processes, including but not limited to a review of the systems testing strategy, plans, test cases and expected outcome of the test cases, conversion of source data, and the testing acceptance criteria along with an analysis of the testing strategy and plans for adequacy, feasibility, and comprehensiveness in addressing all necessary functions moving from National Grid to Liberty Energy, including IT back-up plans.
- Observe selected system and business process acceptance tests, as appropriate, and review the detailed test results for key acceptance criteria.

- 1 • Verify that Liberty Energy is using appropriate and sufficient methods to assure
2 complete and accurate conversion of data from the National Grid systems to the
3 new Liberty Energy systems. This would include but not be limited to verifying
4 that the conversion team is using automated comparative conversion metrics
5 reporting of key count statistics between the National Grid systems and the
6 converted data in the new systems, including meter counts by type, customer
7 counts by type, product counts by product code, and other comparably key
8 statistics.
- 9 • Review Liberty Energy and National Grid plans to transfer necessary data from
10 National Grid to Liberty Energy systems in a reasonable time frame; verify that
11 the plans will provide the expected results; and identify potential delays or
12 failures.
- 13 • Review and evaluate the readiness of Liberty Energy's systems to support all gas
14 and electric operations at cut over, including simulated order activity, as
15 appropriate.
- 16 • Review and evaluate National Grid's support capabilities following the system
17 conversion.
- 18 • Verify that Liberty Energy has performed the steps necessary to confirm accuracy
19 of the data converted from National Grid in advance of cut over. This will
20 include but not be limited to verifying that the conversion team has performed a
21 conversion “audit” to confirm accuracy of data in the final mock conversion in
22 advance of cut over. This audit should involve statistically valid sampling of

1 converted data within the new systems to ensure that data are accurate as designed
2 and required for business operation.

- 3 • Verify that Liberty Energy has taken the necessary steps to produce all reports
4 currently filed by National Grid with the PUC and that those reports are consistent
5 with those currently produced with National Grid.
- 6 • Review the full range of IT systems that National Grid currently has and those
7 that Liberty Energy has proposed implementing to support gas and electric
8 operations in New Hampshire. The list of systems to be reviewed was developed
9 by the consultant in conjunction with Staff, with input from National Grid and
10 Liberty Energy, and includes, but is not limited to, the following:

- 11 • Retail support functions such as billing, customer accounts, collections,
12 accounting;
- 13 • Systems (database software and/or spreadsheet applications) for supply-
14 related contract administration, accounting of supply asset utilization,
15 supplier invoice reconciliations and approvals, and management of natural
16 gas, LNG and LPG storage inventories;
- 17 • System management software (database, CIS, other) of the daily metered
18 and non-daily metered unbundled transportation customer choice program
19 and coordination between the gas supply and customer information
20 systems; and
- 21 • Outage management system and related Internet capabilities.

22
23 **Q. Have you drawn a general conclusion from your investigation?**

1 A. Yes. After extensive research, including through on-site meetings and discovery,
2 and rigorous review with cooperation from the Joint Petitioners, we are disappointed that
3 the Liberty Energy has not made more progress toward implementing the IT systems
4 Granite State Electric and EnergyNorth Gas require for the future and are concerned that
5 the proposed timelines currently drawn to implement the systems are overly optimistic.
6 The systems work needed is difficult, complex, and Liberty Energy has not showed its IT
7 systems competencies to the extent they will be needed for efforts of this magnitude. We
8 believe the Commission must commit to an oversight role in several regards to ensure the
9 public interest is served. However, we have found no facts to support a conclusion that
10 Liberty Energy – with appropriate support from its partners and sufficient time to ensure
11 an orderly transformation – is incapable of effectively executing its information
12 technology program for Granite State Electric and EnergyNorth Gas to the benefit of
13 New Hampshire.

14
15 **Q. Can you amplify on that conclusion?**

16 A. Yes. In the course of our investigation we determined that Liberty Energy has
17 made substantial strides in defining its information technology (IT) requirements and
18 developing plans for IT deployment at Granite State/EnergyNorth. We also determined
19 that Liberty Energy has made notable efforts to secure the commitments of all of the
20 principal parties to its planned deployment; and has adopted an IT provisioning strategy
21 that meets its basic operational needs, exploits proven technologies and realizes benefits
22 not otherwise achievable.

23

1 **Q. Are these achievements sufficient to ensure the overall success of the**
2 **proposed ownership transfer?**

3 No. The ultimate success of Liberty Energy's IT initiative, and the sustainability of the
4 New Hampshire operating units that the initiative is intended to serve, is heavily
5 dependent upon fully dedicated executive leadership able to effectively manage the
6 company's transition activities across all of its current transactions; structured protocols
7 with National Grid that preserves access to historical information retained by National
8 Grid but important to the New Hampshire utility operations; a commitment from National
9 Grid to assist Liberty Energy for whatever time is deemed necessary to successfully
10 execute the transition; and the ability of numerous, non-affiliated third-parties to fully
11 execute critical parts of Liberty's IT provisioning responsibilities.

12
13 **Q. Do you have any recommendation(s) from your investigation that would**
14 **improve the likelihood of success by Liberty Energy?**

15 A. Yes. Based on our work we believe the individuals and institutions potentially
16 affected by any decision to approve this change of control will benefit substantially if
17 Liberty Utilities appoints a fully-dedicated senior executive to be responsible for
18 transition activities associated with all of Liberty Energy's acquisitions; formalizes a data
19 retention agreement with National Grid that ensures the availability of and accessibility to
20 historical data of importance to Granite State and EnergyNorth and of concern to the
21 Commission; immediately commences detailed planning to achieve full implementation
22 of the committed IT plan; substantially strengthens its vendor management processes and

1 protocols to ensure full compliance; and augments its Transition Services Agreement to
2 extend National Grid's commitment beyond the time frame contained in the documents.
3

4 **Q. Do you have any recommendation(s) that would ensure the public's interest**
5 **in the proposed transaction is satisfied?**

6 A. Yes. The ultimate success of this transaction is dependent, in large part, on
7 sustained support from National Grid. The importance of National Grid's role in
8 achieving an efficient and cost-effective transition cannot be overstated.

9 In our opinion, the Commission must exercise the authority available to it to
10 ensure National Grid's expressed intent to support Liberty Energy is met. Presuming the
11 Commission finds this transaction in the public interest, it is in the public's interest to see
12 that this change of control is executed without undue delay or disappointment; the role
13 played by National Grid is crucial to that end.

14 The overarching importance of that goal warrants action on the part of the
15 Commission to ensure National Grid remains committed to supporting Liberty Energy for
16 whatever period of time it takes for it to reach self-sustainability. Therefore, we
17 recommend that the Commission direct National Grid to appoint a fully-dedicated senior
18 executive to be responsible for IT transition activities associated with the transfer of
19 Granite State Electric and Energy North to Liberty Energy; direct Liberty Energy to pay a
20 percentage of all fees earned by National Grid under the Transition Services Agreements
21 to a publicly-administered escrow account until the Commission concludes the
22 transaction is completed; and require National Grid to post a performance bond payable
23 to the State of New Hampshire in the case of non-performance for a period to be

1 determined appropriate by the Commission and in accordance with terms and conditions
2 that reflect the public's interests in the transaction.

3 We believe these measures are sufficient to protect the public's interest in
4 achieving a successful transition from National Grid to Liberty Energy, pose no threat to
5 National Grid's financial integrity or independence and are consistent with the statutory
6 duties, obligations and authority of the New Hampshire Commission.

7 Finally, the Commission should require the Joint Petitioners to support efforts of
8 the Commission Staff (or its appointed representative) that will supervise the systems
9 implementation program of Liberty Energy through the period of its IT systems initiative,
10 including these recommendations, and regularly apprise the Commission of progress in
11 achieving its objectives.

12
13 **Q. Does that conclude your testimony?**

14 **A. Yes.**