

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION



April 16, 2012 - 9:10 a.m.
Concord, New Hampshire

MORNING SESSION ONLY

RE: DG 11-040
NATIONAL GRID USA, et al.:
*Joint Petition for Authority to Transfer
Ownership of Granite State Electric and
EnergyNorth Natural Gas, Inc., to
Liberty Energy Utilities Corp.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: **Reptg. National Grid, et al.:**
Steven V. Camerino, Esq. (McLane, Graf...)
Patrick Taylor, Esq. (McLane, Graf...)
Celia O'Brien, Esq. (Asst. Gen. Counsel)

Reptg. Liberty Energy Utilities N.H.:
Shannon Coleman, Esq. (Asst. Gen. Counsel)

Reptg. Pamela Locke and The Way Home:
Alan Linder, Esq.
New Hampshire Legal Assistance

**Reptg. United Steel Workers Union
Local 12012-3:**
Shawn Sullivan, Esq.

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

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APPEARANCES: (C o n t i n u e d)

Reptg. Residential Ratepayers:

Rorie E. P. Hollenberg, Esq.

Donna McFarland

Scott J. Rubin

Office of Consumer Advocate

Reptg. PUC Staff:

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Steven E. Mullen, Asst. Dir./Electric Div.

Stephen P. Frink, Asst. Dir./Gas & Water Div.

Amanda O. Noonan, Dir./Consumer Affairs Div.

Randall Knepper, Dir./Safety & Security Div.

Gregory Mann (G3 Associates)

Timothy Connolly (G3 Associates)

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I N D E X

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WITNESS PANEL: IAN E. ROBERTSON
DAVID PASIEKA
TIMOTHY F. HORAN

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Welcome. I want to
3 open the hearing in DG 11-040, which is the National
4 Grid/Granite State Electric Company/EnergyNorth Natural
5 Gas and Liberty Energy Utilities Company and Liberty
6 Energy Utilities (New Hampshire) Corporation, Petition for
7 Authority to Transfer Ownership of Granite State Electric
8 and EnergyNorth Natural Gas to Liberty Energy (New
9 Hampshire), and a number of other items that would need to
10 be approved, as well as a transfer involving long-term
11 debt and other commitments.

12 So, let us take appearances please.

13 MR. CAMERINO: Good morning,
14 Commissioners. Steve Camerino and Patrick Taylor, from
15 McLane, Graf, Raulerson & Middleton, on behalf of the
16 Joint Petitioners. And, with us at counsel table are
17 Shannon Coleman, Senior Regulatory Counsel for Liberty
18 Utilities (Canada) and Liberty Energy Utilities (New
19 Hampshire) Corp., and Ceila O'Brien, Assistant General
20 Counsel for National Grid and its affiliates.

21 CHAIRMAN IGNATIUS: Good morning. Thank
22 you. Who do we have next over there?

23 MR. BURLINGAME: Hi. I'm Richard
24 Burlingame, from National Grid USA Service Company.

1 CHAIRMAN IGNATIUS: All right. Other
2 parties that have not yet, heading back here, that are not
3 yet introduced? Or, Mr. Camerino, are other people going
4 to be representing the Company today, any of the companies
5 today?

6 MR. CAMERINO: I think that's it for
7 counsel. And, I believe everybody else on this side of
8 the room is National Grid or Liberty.

9 CHAIRMAN IGNATIUS: It's kind of like a
10 wedding, isn't it?

11 (Laughter.)

12 MR. CAMERINO: We hope so.

13 (Laughter.)

14 CHAIRMAN IGNATIUS: All right. We'll
15 keep that image in mind. Mr. Linder.

16 MR. LINDER: Good morning,
17 Commissioners. My name is Alan Linder. I'm an attorney
18 with New Hampshire Legal Assistance. And, New Hampshire
19 Legal Assistance represents two clients in this
20 proceeding. Seated next to me at the table is Pamela
21 Locke. And, our other client, from The Way Home, is not
22 able to be here today, but will be here on Thursday.

23 And, I was also asked by one of the
24 other parties, Dana Nute, who is representing the

1 Community Action Program, who is one of the signatories to
2 the Settlement Agreement, to extend his apologies that he
3 can't be here today unexpectedly, but he will be here on
4 Thursday. Good morning. And, thank you.

5 CHAIRMAN IGNATIUS: Thank you.

6 MR. SULLIVAN: Good morning,
7 Commissioners. I am Shawn Sullivan. I am counsel for the
8 United Steel Workers Union, Local 12012-3. I'm joined
9 here to my left by Kevin Spottiswood, the Union
10 Chair/President of that group. We're glad to be here.
11 Thank you.

12 CHAIRMAN IGNATIUS: Good morning.

13 MS. HOLLENBERG: Good morning. Rorie
14 Hollenberg, Scott Rubin, and Donna McFarland, here for the
15 Office of Consumer Advocate.

16 MS. FABRIZIO: Good morning. Lynn
17 Fabrizio, on behalf of Commission Staff. And, with me at
18 the table today are Steve Mullen, the Assistant Director
19 of the Electric Division; Steve Frink, Assistant Director
20 of the Gas and Water Division; Amanda Noonan, Director of
21 Consumer Affairs; and Randy Knepper, Director of Safety
22 and Security. And, also at the table are Greg Mann and
23 Tim Connolly, Staff's consultants, G3 Associates.

24 CHAIRMAN IGNATIUS: Good morning. Let

1 me ask about other intervenors, if anyone's aware. The
2 BIA is listed as an intervenor, but wasn't marked as a
3 signatory. Does anyone know if the BIA is planning on
4 participating or has a position?

5 MR. CAMERINO: I spoke with Mr. Licata.
6 I don't believe that he plans to be here.

7 CHAIRMAN IGNATIUS: All right. I also
8 saw that Granite State Hydropower Association was an
9 intervenor and is a signatory. Is anyone here from the
10 Association? Or, does anyone know anything about that
11 one?

12 MS. FABRIZIO: Mr. Moffett indicated
13 that, because his request was incorporated into the
14 Settlement Agreement, he did not see a need to be here at
15 the hearing, and is supportive of the Agreement.

16 CHAIRMAN IGNATIUS: All right. Were
17 there any other intervenors? I think not. There was one
18 that then withdraw. Is that it?

19 (No verbal response)

20 CHAIRMAN IGNATIUS: All right. Are
21 there any other procedural matters, before we begin with
22 evidence?

23 MR. CAMERINO: We had a few. Mr. Taylor
24 was going to briefly address the Motion for Protective

1 Treatment. There were some minor things that we wanted to
2 address there. We premarked some exhibits, and thought we
3 could run through that list. And, then, we thought we
4 would just give the Commission a sense of how we plan to
5 proceed, in terms of witness panels.

6 CHAIRMAN IGNATIUS: All right. Please,
7 Mr. Taylor.

8 MR. TAYLOR: The Joint Petitioners have
9 prepared a Motion for Protective Treatment. But, due to
10 the voluminous nature of the data requests that would have
11 to accompany the motion, pursuant to the Commission rule,
12 we would ask that we be given until Thursday to work out
13 with the Staff and the OCA, and I've spoken with Attorney
14 Fabrizio and Attorney Hollenberg about this, to work out
15 the best way to get them the information that's necessary
16 to accompany the motion. And, so, we'd ask permission to
17 have until Thursday to do that.

18 CHAIRMAN IGNATIUS: All right. Any
19 objection to that?

20 (No verbal response)

21 CHAIRMAN IGNATIUS: Sounds like a
22 workable plan. Obviously, until there's a ruling,
23 everything should be treated confidentially, not revealed,
24 and so that we don't inadvertently release things that

1 haven't yet been ruled on. All right. Mr. Camerino, the
2 exhibits?

3 MR. CAMERINO: So, and this list at the
4 moment just consists of the exhibits that the Joint
5 Petitioners plan to present through their panels. There
6 will also be additional exhibits from the Staff and the
7 Consumer Advocate relating to their testimonies. But, I
8 think, maybe during the lunch break we'll add to the list.

9 So, Exhibit 1 we would ask be marked for
10 identification is the Joint Petition and testimony that
11 were filed in March 2011, consisting of four volumes.
12 Exhibit 2 for identification would be the Settlement
13 Agreement. And, I want to speak to that again in a
14 second. Exhibit 3 will be a organizational chart that
15 shows Algonquin Power & Utilities and its two lines of
16 business. And, I think, probably the best thing to do is
17 to have Mr. Taylor hand these out before we proceed, so
18 that the Commission has them in front of them during the
19 testimony.

20 CHAIRMAN IGNATIUS: That's fine. We'll
21 mark those for identification.

22 (The documents, as described, were
23 herewith marked as **Exhibit 1**, **Exhibit 2**,
24 and **Exhibit 3**, respectively, for

1 identification.)

2 MR. CAMERINO: Exhibit 4, which the
3 Commission already has on file, are the Granite State
4 Electric and EnergyNorth Natural Gas technical statements
5 related to the financing. Exhibit --

6 CHAIRMAN IGNATIUS: Those together?

7 MR. CAMERINO: Yes. They were filed
8 under one cover letter. And, so, I think we should keep
9 them together, maybe we should check with the Clerk.
10 Exhibit 4 was filed under cover letter dated March 14th,
11 2012.

12 Exhibit 5 is a letter from Attorney
13 Coleman, relating to the financing by Granite State. And,
14 that was a letter dated April 2nd, 2012. That's also on
15 file with the Commission. Exhibit 6 will be an
16 organizational chart for Liberty Energy --

17 CHAIRMAN IGNATIUS: Wait a second
18 please. We're getting the numbering --

19 CMSR. HARRINGTON: Yes, you're way ahead
20 of us.

21 MR. CAMERINO: Okay.

22 CHAIRMAN IGNATIUS: So, Mr. Camerino,
23 the April 2nd letter, Liberty Utilities, from Ms. Coleman,
24 is number 5?

1 MR. CAMERINO: That's correct. Okay.
2 Exhibit 6 is the org. chart for Liberty Energy (New
3 Hampshire).

4 CMSR. HARRINGTON: This is 6?

5 MR. TAYLOR: Uh-huh.

6 MR. CAMERINO: Exhibit 7 is an org.
7 chart for the Operations and Engineering Group within
8 Liberty Energy (New Hampshire). Exhibit 8 is the org.
9 chart for the Customer Care Group within Liberty Energy
10 (New Hampshire). And, Exhibit 9 is a chart showing the
11 "Transition Governance Structure", which, for the record,
12 is identical to Figure 2 in the IT Migration Plan that's
13 included in the Settlement, but this is a larger version
14 and will be easier to use during the testimony. And,
15 we're going to -- several of these documents were not
16 previously in the record, and so we want to provide copies
17 to the other parties before we move forward.

18 CHAIRMAN IGNATIUS: And, have parties
19 seen all of these? They all have copies?

20 MR. CAMERINO: Well, we're going to give
21 them copies now. I think they are -- most of the parties
22 are familiar with what these documents are. But maybe we
23 can just give them one second to receive the copies.

24 CHAIRMAN IGNATIUS: That's fine.

1 MR. CAMERINO: And, then, one further
2 note on what's been -- what we've asked to have marked.
3 The Settlement Agreement, after filing it, there were
4 several cleanup items that we noted, either a
5 typographical error or some pages that were missing. And,
6 so, we're working out among the parties how we fix that,
7 whether we just provide a new binder, how we do that. So,
8 if it's appropriate, what we'd like to do is use the
9 document that has been filed with the Commission for
10 reference today, substantively it's adequate, but we are
11 likely to submit a replacement copy as the formal exhibit.

12 CHAIRMAN IGNATIUS: Well, if there's
13 enough changed and you need to do that, I guess that's
14 acceptable. I hate to force all of those extra copies,
15 when we've got -- we all have them and made notes in them,
16 and we don't mind making some changes in our versions,
17 unless it's so extensive that it's just going to be a not
18 useful exercise.

19 MR. CAMERINO: Yes. For purpose of the
20 hearing, the document we have in front of us is adequate,
21 and you don't need to be transposing notes. I think what
22 we're concerned about is having a formal record with all
23 of the corrections, so that, three years from now, when
24 somebody is referring to what the agreement was, that is

1 the record. And, to be honest, I'm looking at the number
2 of the pages in the document and seeing whether there is
3 some way to skin the cat without replacing the whole book,
4 but I fear there may not be.

5 CHAIRMAN IGNATIUS: All right. That's
6 fine.

7 (The documents, as described, were
8 herewith marked as **Exhibit 4** through
9 **Exhibit 9**, respectively, for
10 identification.)

11 CHAIRMAN IGNATIUS: Any other issues
12 related to exhibits at this point? I understand there
13 will be other exhibits yet to come from other
14 participants.

15 (No verbal response)

16 CHAIRMAN IGNATIUS: All right. Seeing
17 none, Mr. Camerino, your plan on how you see this
18 proceeding today?

19 MR. CAMERINO: Okay. And, we've talked
20 to the Staff about this, and to a more limited extent the
21 Consumer Advocate, but haven't had a chance to talk to the
22 other parties. So, our plan is to proceed initially with
23 a panel of Mr. Robertson, Mr. Pasieka, and Mr. Horan
24 jointly. We would go through their three directs, and

1 then make the full panel available for cross-examination.
2 My understanding is that the gentlemen from G3 would then
3 testify on behalf of Staff. We would then shift to two
4 Settlement panels, and their order would probably depend
5 on how quickly the hearing is progressing. One panel
6 would be Mr. Frink, Mr. Mullen, Mr. Eichler, and
7 Mr. Burlingame. And, Mr. Burlingame has not previously
8 filed testimony in this case. So, those four witnesses
9 testifying generally about the Settlement. And, then, the
10 other panel would be Ms. Noonan, Mr. Knepper, Mr. Saad,
11 and Mr. Sherry. And, it's my understanding that the
12 Consumer Advocate or other parties may have witnesses who
13 have brief direct as well after that. But the Company and
14 the Staff would first complete their witnesses.

15 CHAIRMAN IGNATIUS: All right.

16 Ms. Hollenberg.

17 MS. HOLLENBERG: I guess, to the extent,
18 because Mr. Rubin travels from Pennsylvania, that he's
19 able to participate in the first panel on the Settlement
20 Agreement, rather than come back on Thursday, we would
21 appreciate that opportunity. And, we can talk to the
22 parties at noon.

23 CHAIRMAN IGNATIUS: I think that's a
24 good idea. Why don't we see where we are, how things are

1 working. And, anyone who, because these aren't
2 back-to-back and would have to leave and come back again,
3 we don't want to impose that on people, if we don't have
4 to. So, let's see where we are and try and be flexible
5 about that.

6 MR. CAMERINO: And, then, the last
7 procedural item I had is, Attorney O'Brien reminded me,
8 I'm not sure that, when the Chairman was going through the
9 list of intervenors, you may have skipped the
10 International Brotherhood of Electrical Workers. And, if
11 you did, they are a signatory to the Agreement. It's
12 possible that a representative may appear at some point,
13 but they are definitely aware of the proceeding and are
14 supportive of the Settlement.

15 CHAIRMAN IGNATIUS: All right. Thank
16 you. You're right, I did forget about them.

17 Anything further before we begin with
18 testimony?

19 (No verbal response)

20 CHAIRMAN IGNATIUS: All right.
21 Mr. Camerino.

22 MR. CAMERINO: Thank you. The Joint
23 Petitioners call Ian Robertson, David Pasieka, and Tim
24 Horan to testify.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 (Whereupon *Ian E. Robertson,*
2 *David Pasieka,* and *Timothy F. Horan* were
3 duly sworn by the Court Reporter.)

4 **IAN E. ROBERTSON, SWORN**

5 **DAVID PASIEKA, SWORN**

6 **TIMOTHY F. HORAN, SWORN**

7 **DIRECT EXAMINATION**

8 BY MR. CAMERINO:

9 Q. Mr. Robertson, would you state your name and business
10 address for the record please.

11 A. (Robertson) Ian Edward Robertson. My business address
12 is 2845 Bristol Circle, Oakville, Ontario, Canada.

13 Q. And, by whom are you employed and in what capacity?

14 A. (Robertson) I'm employed by a company called "Algonquin
15 Power & Utilities Corp., in the capacity as its Chief
16 Executive Officer.

17 Q. And, you submitted written testimony as part of the
18 Joint Petitioners' initial filing in this case, is that
19 correct?

20 A. (Robertson) I did.

21 Q. And, was that testimony prepared by you or under your
22 direction?

23 A. (Robertson) It was.

24 Q. And, other than things that would naturally change with

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 the passage of time, do you have any corrections or
2 changes that you wish to make to that testimony?

3 A. (Robertson) I do not.

4 Q. And, is it true and correct to the best of your
5 knowledge and belief?

6 A. (Robertson) It is.

7 Q. Let me ask you to start, Mr. Robertson, by providing a
8 brief overview of Algonquin and its business and its
9 history for the Commission please.

10 A. (Robertson) Sure. A good place to start would be
11 Exhibit 3, which provides the high-level overview of
12 Algonquin Power & Utilities Corp. and the businesses
13 that it's in. Algonquin Power & Utilities Corp. got
14 its start back in 1987, when my partners and I began
15 operations as an independent power developer, building
16 small hydro or other IPP projects. And, just
17 parenthetically, we actually have been active in the
18 State of New Hampshire for over ten years, with eight
19 projects here in the state.

20 As you can see from the chart there,
21 there are two basic businesses, lines of business that
22 Algonquin Power & Utilities Corp. is involved in. On
23 the right-hand side of the page are our power
24 subsidiary, as the legacy business, if you will, as it

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 involves ownership and operation of independent power
2 generating stations, such as the ones we have here in
3 New Hampshire, represents right now the preponderance
4 of the earnings for our business. It's about -- it's
5 located about half in Canada/half in the U.S.

6 The other side of the business, and the
7 one which is obviously much more germane to these
8 proceedings, is our investment in rate-regulated
9 utility businesses. And, we have been in the
10 rate-regulated utility business for more than a decade,
11 following the acquisition of our first utility in the
12 State of Arizona. It represents about a third of our
13 business in 2011. But, as you can see from Exhibit 3,
14 is growing to be even more significant within the
15 portfolio.

16 If there's a common theme that runs
17 through both of these businesses, it's that of
18 investment in very long-term, very stable business
19 assets, that produce stable earnings and stable cash
20 flows to be paid out to our shareholders. The value
21 proposition that we offer investors in the Algonquin
22 Power & Utilities Corp. shares, and we are a publicly
23 traded company, is an investment in those, as I said,
24 very stable assets. And, so, a large number of our

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 investors hold their investments in Algonquin Power &
2 Utilities Corp. in their 401ks. So, I think you can
3 get a sense for the type of business proposition that
4 we're looking to deliver. Essentially, it's a modest
5 return for a predictable risk business.

6 Q. Could you describe for the Commission Algonquin's
7 overall capitalization and its financial strength.

8 A. (Robertson) Algonquin Power & Utilities Corp. is -- has
9 approximately \$1.1 billion in total capital.
10 Consistent with the type of businesses that we invest
11 in, we're quite a conservative user of debt, with only
12 about a third of our total capitalization coming in the
13 form of debt. And, that makes us -- I think that's
14 consistent with, as I said, with the businesses that
15 we're in.

16 We do have strong access to the capital
17 markets. Over the past number of years we have grown
18 the business, and raised both money in the equity
19 markets, as well as raising additional debt for
20 investments that we've undertaken.

21 Q. In the Joint Petitioners' initial filing, you talked a
22 little bit about Algonquin's relationship with Emera.
23 What's your understanding of Emera's interest in
24 Algonquin? What role does it play in Algonquin? Could

1 you describe that for the Commission.

2 A. (Robertson) Emera is a relatively large, about \$6
3 billion, so maybe five times our size, power utilities
4 company, headquarters in -- headquartered in Halifax,
5 Nova Scotia, but with significant business interests
6 here in New England, owning Bangor Hydro Electric, as
7 well as Maine Public Service, in addition to a number
8 of transmission lines and other infrastructure
9 investments.

10 Our relationship with Emera started in
11 2009. They are our largest shareholder, holding
12 approximately 7 percent of our business. But, in
13 April of 2011, we entered into a more comprehensive
14 strategic investment agreement. And, under that
15 strategic investment agreement, Emera has the
16 opportunity to invest and hold up to 25 percent of
17 Algonquin. So, certainly, a major shareholder. Their
18 CEO sits on our board. I guess, technically, he's one
19 of my bosses. But, I think, importantly, Emera, as an
20 organization, is very well-respected in the capital
21 markets. And, I think their investment in Algonquin
22 represents an explicit endorsement of both our business
23 strategies in general, and, most particularly, our
24 investment in rate-regulated utilities. And, so, we're

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 very pleased to have the benefit of their counsel
2 through our Board of Directors in our undertakings, and
3 certainly the financial support.

4 Just by way of evidence of that, in the
5 context of the Granite State and EnergyNorth
6 transaction, which was announced, you know,
7 approximately a year or so ago, Emera committed to
8 provide us \$60 million in additional equity earmarked
9 for this transaction, and we'll speak about that a
10 little in a moment.

11 Q. You talked earlier, touched earlier on the point at
12 which Algonquin Power had branched out into the
13 regulated distribution utility business. Could you
14 describe for the Commission how that business fits into
15 the Company's overall business strategy.

16 A. (Robertson) You'll recall from my comments on Exhibit 3
17 that the underlying value proposition of Algonquin is
18 an investment in moderate return and predictable risk
19 businesses. And, I think our investment in
20 rate-regulated and utility business exactly fits that
21 paradigm. I think we -- you can see that
22 rate-regulated utility businesses will grow to
23 represent half of our business in 2012. And,
24 obviously, when Granite State and EnergyNorth, when

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 National Grid made the announcement that they were
2 planning to sell, we looked at these businesses, and
3 felt that they fit in well with that thesis, if you
4 will, of having an opportunity to invest for the
5 extremely long view, for the opportunity to own a
6 business, and, basically, in perpetuity, a business
7 with attractive customer demographics, a well-respected
8 regulatory environment, the opportunity to commit and
9 invest more capital.

10 Q. Would you describe for the Commission Liberty's
11 operating philosophy that it brings to the utilities
12 that it operates and that it plans to bring to the New
13 Hampshire utilities it's seeking to acquire.

14 A. Sure. A good way to get a sense for how do we think of
15 the world is to look at the stated values that Liberty
16 Utilities -- well, we actually plaster it on the wall
17 of all of our offices. They speak to family,
18 community, quality, service, care and responsibility.
19 I think that, if we could put a banner outside of all
20 of our utility offices, it would say "Your local
21 utility is back", and, then, maybe in small letters
22 underneath, "with the resources of a larger utility
23 company".

24 I think what that translates to, and

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 most broadly, is a local focus. A focus on our
2 customers, a focus on our regulators, and a focus on
3 our employees.

4 In terms of the focus on our customers,
5 we believe in customer service as a local undertaking.
6 It's best delivered by people who have common
7 experiences with the customers that they're serving.
8 For example, we believe that our -- the walk-in centers
9 should be reopened, so that our customers can deal with
10 us in a way that meets with their objectives.

11 With respect to regulators, we believe
12 that local focus takes the form of a fully empowered
13 president, if you will, located here in New Hampshire,
14 who has the authority and mandate to manage this
15 business in a way that meets the needs of those
16 customers, delivering reliable cost-effective service,
17 interfacing with the regulators on a -- as a frequent
18 basis as necessary.

19 And, lastly, with respect to our
20 employees, it's about repatriating jobs here to the
21 State of New Hampshire. Under our proposition, 60 or
22 so jobs will be moved back to the state. And, that all
23 comes down to empowering the organization locally.
24 And, so, I think there's, I think, a sense of how that

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 local focus touches those three important constituent
2 groups.

3 Q. Could you summarize for the --

4 MS. HOLLENBERG: Excuse me. May I just
5 have a moment off the record to confer with counsel just
6 for a moment please?

7 CHAIRMAN IGNATIUS: All right.

8 (Atty. Hollenberg conferring Atty.
9 Camerino, Atty. Taylor, Atty. O'Brien,
10 Atty. Coleman, and Atty. Fabrizio.)

11 CHAIRMAN IGNATIUS: We're back on the
12 record.

13 MR. CAMERINO: Yes. Apologies. Two
14 things. First is, actually, at the outset I forgot to
15 mention that the Company has a cost of gas hearing that is
16 going to be occurring simultaneously. So, Mr. Taylor is
17 going to have to leave at one point. And, so, if he
18 leaves, it's not that he's not interested in this
19 proceeding.

20 The other thing is, we did have a brief
21 chance to confer. And, I apologize, but, if we could take
22 a 15-minute break so that the parties could talk, I think
23 that would be useful?

24 CHAIRMAN IGNATIUS: All right. Why

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 don't we try to return here at about five of 10:00.

2 Realistically, we'll resume at 10:00, --

3 (Laughter.)

4 CHAIRMAN IGNATIUS: -- but let's try and
5 get settled a little before. Thank you.

6 (Whereupon a recess was taken at 9:41
7 a.m. and the hearing resumed at 10:01
8 a.m.)

9 CHAIRMAN IGNATIUS: Mr. Camerino.

10 MR. CAMERINO: Ready to proceed. Thank
11 you.

12 BY MR. CAMERINO:

13 Q. Mr. Robertson, I want to return to you, a few more
14 questions. The purchase price for these two utilities
15 is \$285 million. Could you summarize for the
16 Commission the sources of that financing for Liberty?

17 A. (Robertson) Sure. Of the \$285 million, Liberty intends
18 to finance approximately 55 percent of that investment
19 by way of equity, 45 percent by the way of debt. Of
20 the 55 percent of equity, the proceeds of a stock sale
21 that was undertaken by a local power utilities corp. in
22 October of last year, together with the commitment I
23 referenced earlier from Emera, satisfies the equity
24 requirement. And, so, all of the funds are already, if

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1 you will, in the bank and earmarked for it. Of the
2 debt portion, we are currently in the process and have
3 retained JP Morgan to act as agent on our behalf to
4 raise that debt financing in the private placement
5 utility debt marketplace.

6 Q. And, when Liberty Utilities raises that debt, it plans
7 to loan it to the utilities?

8 A. (Robertson) That is correct.

9 Q. And, the terms and conditions of that financing, the
10 borrowings by the two utilities, are those accurately
11 described in the technical statements submitted by
12 Mr. Bronicheski and the subsequent letter by Attorney
13 Coleman that we've marked for identification as
14 "Exhibits 4" and "5"?

15 A. (Robertson) Yes.

16 Q. Thank you. You talked a little bit earlier, Mr.
17 Robertson, about why this transaction is good for
18 customers, in terms of the local focus and customer
19 service. Could you just briefly describe for the
20 Commission why the transaction is good for New
21 Hampshire more generally.

22 A. (Robertson) Sure. I think there would be three reasons
23 that I'd articulate to a broad question like that.
24 First is a local organization, focused on customers, on

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 the regulators, on its field personnel. You know, in
2 some respects, think of EnergyNorth of yesteryear.
3 And, then, yesteryear isn't actually even that long
4 ago, ten years ago. So, a local utility serving New
5 Hampshire customers, regulators, and employees.

6 Second of all, quite a substantial, at
7 least from our perspective, return of jobs to the State
8 of New Hampshire. As a fully functioning, stand-alone
9 utility, all of the functions, engineering, customer
10 service, IT, management, billing, are all functions
11 that will now be performed in the State of New
12 Hampshire by New Hampshire employees for New Hampshire
13 customers.

14 And, then, lastly, and I think this is
15 perhaps, you know, and I don't mean this in any bad way
16 to National Grid, but Liberty Utilities, in the State
17 of New Hampshire, this is a very meaningful investment
18 for us. And, you know, it will represent 30 percent of
19 the business of Liberty Utilities. And, as I said,
20 without denigrating National Grid, this is 2 percent of
21 their portfolio. So, I think New Hampshire will enjoy
22 the focus of a capable, managerially and financially
23 anyway, organization focused on a business which is
24 strategic for us. And, so, I think there are three

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1 reasons that I think the transaction is good for New
2 Hampshire.

3 Q. Thank you, Mr. Robertson. Mr. Pasieka, I'm going to
4 turn to you now, and ask you, would you just, for the
5 record, provide your name and business address.

6 A. (Pasieka) Yes. My name is David Pasieka. I reside at
7 2865 Bristol Circle, Oakville, Ontario, Canada.

8 Q. And, by whom are you employed and in what capacity?

9 A. (Pasieka) Liberty Utilities (Canada), as its President.

10 Q. And, what are your responsibilities on behalf of
11 Liberty Utilities?

12 A. (Pasieka) I have the overall accountability for the
13 successful transition of this transaction.

14 Q. Okay. And, you filed prefiled testimony with the
15 original filing by the Companies in this case, one of
16 them was jointly with Mr. Horan and the other, I
17 believe, was on your own. Are you familiar with those
18 testimonies?

19 A. (Pasieka) I am.

20 Q. Were they prepared by you or under your direction?

21 A. (Pasieka) Yes, they were.

22 Q. And, other than things that would have changed with the
23 passage of time, do you have any corrections or changes
24 at this time?

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1 A. (Pasieka) No, I do not.

2 Q. And, so, that testimony is true and correct to the best
3 of your knowledge and belief?

4 A. (Pasieka) Absolutely.

5 Q. And, Mr. Horan, would you state your name and business
6 address.

7 A. (Horan) Timothy Francis Horan, 280 Melrose Street,
8 Providence, Rhode Island.

9 Q. And, by whom are you employed and in what capacity?

10 A. (Horan) I'm employed by National Grid as the
11 jurisdictional President for New Hampshire and Rhode
12 Island.

13 Q. What are your responsibilities on behalf of National
14 Grid?

15 A. (Horan) My responsibilities include all operational and
16 financial aspects of the retail electric and gas
17 utilities within those respective states.

18 Q. And, with regard to this particular transaction, what
19 has your role been and what are your responsibilities?

20 A. (Horan) I'm a lead witness for National Grid, and to
21 ensure that all transition services and the Transition
22 Services Agreement are fully met.

23 Q. And, one of the testimonies that Mr. Pasieka referred
24 to was submitted jointly under your name. Do you

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1 recall that testimony?

2 A. (Horan) Yes, I do.

3 Q. And, do you have any changes or corrections to make to
4 that?

5 A. (Horan) No, I do not.

6 Q. Okay. And, is that testimony true and correct to the
7 best of your knowledge and belief?

8 A. (Horan) Yes.

9 Q. Okay. Thank you. Mr. Pasieka, let me begin with you.
10 Would you just provide an overview and update of the
11 corporate structure of Liberty Energy (New Hampshire)
12 for the Commission please.

13 A. (Pasieka) Absolutely. And, I believe the exhibit is
14 number 6, I believe is what was discussed this morning.
15 One of the best practices, when you build out a
16 transition organization, is to take good care of the
17 people and settle very quickly on the organization
18 chart under which you're going to operate. Exhibit 6
19 here represents the organization that we have put in
20 place for Liberty Energy (New Hampshire). And, over
21 the course of the last 12 months, we've been very
22 active in populating all of the key management and
23 leadership positions on the org. chart. All the
24 managers, directors, and VPs and President on this

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 chart have significant experience in the utility space,
2 and are quite familiar with New Hampshire and its
3 associated policies and compliance.

4 The organization chart, as Mr. Robertson
5 has indicated, is designed so that this organization
6 could be fully autonomous and operate as a stand-alone
7 entity here in New Hampshire, with all of the key
8 management functions filled out. Of particular note,
9 there is one vacant position on the top line, which is
10 an "Assistant General Counsel", and we are actively
11 recruiting as we speak.

12 Q. This chart shows the management level. Can you tell us
13 a little bit about what will be happening at the field
14 personnel level?

15 A. (Pasieka) Yes. Absolutely. You're absolutely correct.
16 The majority of the names on this chart are at the
17 management level. I believe there are one or two union
18 representatives on the chart also. But, essentially,
19 the bottom-line picture here is that, from a local
20 organization perspective, none of the field personnel
21 have changed. So, the same people are doing the same
22 jobs in our gas and electric utilities now and in the
23 future for Liberty Energy (New Hampshire).

24 Q. Okay. I want to focus you now, Mr. Pasieka, on the

1 transition planning process. And, could you summarize
2 for the Commission, when did that begin and where does
3 it stand today?

4 A. (Pasieka) Absolutely. The transition process was put
5 in place so that we could effect a seamless transition
6 from the National Grid organization into Liberty (New
7 Hampshire). The process was kicked off over a year
8 ago, in January of 2011, and we brought together a team
9 of cross-functional participants, to represent each one
10 of the functional areas that you would have seen on
11 that org. chart. Over the course of the early planning
12 in our transition, we created over 25 individual
13 project plans for a series of functions that were
14 necessary to complete the transition. Each of these
15 plans was standardized into a common form, so that
16 everyone had the same tools and process under which
17 they needed to fill in. And, there are eight common
18 elements to each one of the plans.

19 Specifically, we asked the project teams
20 to look at the people issues, the process issues, the
21 technology requirement, policy issues, branding issues,
22 testing, and, of course, all important, the readiness.
23 And, so, each one of these plans came together in a
24 holistic manner with all eight of those disciplines

1 covered.

2 Q. I want to ask you about what the parties have called
3 "Day 1". And, Day 1, as I understand it, is the day of
4 or day after the closing, is that correct?

5 A. (Pasieka) Absolutely. So, for nomenclature purposes,
6 we needed to focus the team on a set of dates. And, we
7 put out a Day 1 statement, to say "Day 1 would be
8 defined as the day after closing." So, the "ready for
9 service" and when we've essentially got the keys to the
10 car. We also defined something called "Day N". And,
11 Day N is essentially the period in time, by function,
12 when we have completed the transition from National
13 Grid in a particular function area and we are 100
14 percent operating on our own accord.

15 Q. So, if I understand you, each service has its own "Day
16 N"?

17 A. (Pasieka) Absolutely.

18 Q. Okay. Would you describe for the Commission what does
19 Day 1 look like, from a customer perspective?

20 A. (Pasieka) So, in terms of Day 1, from a service
21 perspective, the customers will see absolutely nothing
22 changing. The same numbers that are used to call in
23 today will be the same numbers that will be in effect
24 on Day 1.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 What has changed, though, is that Grid
2 -- National Grid employees, who will be exercising TSA
3 capability in Customer Service, will be trained to
4 respond to those incoming calls "Welcome to Liberty
5 Utilities" or "Liberty Utilities (New Hampshire)".

6 The other thing that will be quite
7 visible to customers ties into all of our branding
8 initiatives. So, we will make a good effort to make
9 sure that all the signs on all the buildings, the
10 signage on the trucks, the uniforms, the hats, the
11 shirts, *etcetera*, will all be branded "Liberty". In
12 addition, there will be a number of bill messages and
13 bill inserts that will have the new logo associated
14 with it. IVR will be changed to reflect, and there
15 will be references on both the Liberty Utilities
16 website, as well as the National Grid website, as
17 customers are interacting between the two websites.

18 Q. And, as of Day 1, what are some of the systems that
19 will have transferred over completely to Liberty
20 Utilities?

21 A. (Pasieka) In our finance area, we've been working quite
22 diligently in getting our financial system up and
23 running. It's a Microsoft Dynamics Great Plains
24 application. And, it has been installed in our data

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1 centers, and is going through an extensive user
2 acceptance testing process as we seek -- as we speak.
3 The majority of all the finance functions will be
4 covered by Liberty on Day 1.

5 In addition, another area where there's
6 significant activity is in the Human Resources area.
7 Liberty (New Hampshire) employees will be turned over
8 onto our Liberty payroll system as of Day 1. And,
9 we've also created a Liberty Benefits Program, and the
10 employees are actively moving through a process of
11 enrollment in that particular area.

12 Q. Okay. As you move forward from Day 1, if I understand
13 correctly, there are going to be Day Ns that occur for
14 the various services, is that correct?

15 A. (Pasieka) Yes. That is correct. Currently, right now,
16 what we've done, about four months ago, we started to
17 turn our attention beyond Day 1 into the Day N
18 planning. And, each one of the functional teams have
19 created their Day N plans by function, and those plans
20 get refreshed on a regular basis as we work through the
21 time clock.

22 Q. So, what I'd like to ask you about these individual Day
23 Ns is the actual cutover process. Could you summarize
24 for the Commission how that process occurs and the

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1 determination is made that the service is ready for
2 cutover?

3 A. (Pasieka) Absolutely. The overarching principle is
4 that no service will be cutover before its time. And,
5 so, all our teams have been provided that vision and
6 that statement from the first day that we kicked off in
7 January of 2011. With regards to testing, the IT
8 Migration Plan, which is attached, is one of the
9 attachments, sets forth a very significant testing
10 approach and strategy. And, each of the individual
11 services will be tested multiple times before it's
12 turned over to the users, and then we'll go through a
13 detailed user acceptance process.

14 A readiness determination will be made
15 on each -- each of the plans in the Day 1 activities.
16 And, we will use our project management organization or
17 our transition management organization, depending on
18 which document you're looking at, to provide an
19 objective check to ensure that we are, in fact, ready
20 to get to cutover that particular service. Post that
21 readiness review by the PMO/TMO, we will enter into a
22 formal notification period with Grid, and we'll sit
23 down with Grid to ensure that we are, in fact, jointly
24 ready to handshake that we're ready to accept the

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1 service. And, then, of course, upon our joint company
2 agreement, we will be notifying the Commission of our
3 desire to move forward and cut over to a service.

4 Q. You described earlier the transition planning and
5 implementation process. At this point, what remains to
6 be done? Have you encountered any major obstacles?
7 Can you just give the Commission a sense of how that is
8 proceeding?

9 A. (Pasieka) Well, I think the summary statement is that
10 we are exactly where we want to be at this point in the
11 process. The teams are converging on our Day 1
12 readiness. And, the confidence is high that we are
13 ready to cutover on Day 1. The status reports and the
14 readiness reviews that have been escalated up through
15 our governance process have all given a positive green
16 light for conversion.

17 Q. Mr. Horan, would you briefly describe National Grid's
18 responsibility with regard to the transition process
19 and describe what's been going on at the National Grid
20 level?

21 A. (Horan) Sure. Our responsibility is to ensure that the
22 transition services within the Transition Services
23 Agreement are fully met. It's what we have been doing,
24 and we are fully committed to do that. Right now, most

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1 of those services -- or, those National Grid employees
2 will be the same ones doing those services going
3 forward. The employees and the managers throughout the
4 respective areas are well aware of their roles and
5 responsibility. And, this has been in the works for
6 about a year. And, the Liberty and National Grid
7 personnel are working quite well together.

8 Q. You've seen the organizational chart that Mr. Pasieka
9 provided. Many of those names are known to the
10 Commission as being National Grid employees. Are they
11 National Grid employees today?

12 A. (Horan) Sure. Part of our commitment to the TSA and to
13 this transaction going forward was to work closely with
14 Liberty, to populate their organizational chart with
15 National Grid personnel. So, there's roughly 48
16 personnel from National Grid solely focused on this
17 transaction that, on Day 1, will transfer to Liberty
18 Energy. It's a cost that National Grid is covering
19 right now, roughly \$650,000 a month. And, over the
20 past year, it's in the five and a half to six million
21 dollars that we've committed to this to date. And,
22 those teams are working well together.

23 Q. Why should the Commission have confidence that National
24 Grid is committed to ensuring a successful transition?

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1 A. (Horan) We have a well-qualified team, and I'm
2 personally engaged in this process here. I have been
3 engaged in transactions and transitions before. I led
4 the New England Gas transition, the gas assets in Rhode
5 Island that were separated out from Southern Union that
6 became part of National Grid in 2006/2007. National
7 Grid continues to own and operate a significant
8 transmission business here in New Hampshire. We're
9 also involved with our HVDC line with Vermont
10 transmission. We have operations in New York and New
11 England. And, if our commitments do not hold true
12 here, those actions would not bode well for those other
13 jurisdictions. We're fully committed by the contract
14 that we have in place. And, we've heard the concerns
15 of the Staff. We've committed a significant amount of
16 money, 28 and a half million dollars to this transition
17 going forward. We fully expect and look to recover
18 those dollars, because what that means is that we
19 continue providing the services that we have been
20 providing to the customers of New Hampshire that
21 Liberty Utilities is fully functional and ready to
22 operate going forward, and it's what we're committed to
23 going forward.

24 Q. Suppose that a service is cut over to Liberty, National

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1 Grid is no longer providing it, and, for whatever
2 reason, it's determined that Liberty actually isn't
3 ready to provide that service and needs to rely on
4 National Grid again. Is that an option under the
5 Transition Service Agreements?

6 A. (Horan) Yes, it is an option. And, we're here and
7 we're committed to this till all the transition
8 services are fully committed. As David noted, we have
9 the governance structure in place, and we have a
10 free-flowing communication that, if issues do arise, we
11 can address those.

12 Q. Okay. One last question, Mr. Horan. In the testimony
13 it talks about, I believe, a time period of 18 months
14 or so being contemplated for the transition. Suppose,
15 for whatever reason, the transition takes longer. What
16 is National Grid's commitment to continue to provide
17 transition services, if, after 18 months, they haven't
18 all been cut over?

19 A. (Horan) Although that it's in the Transition Agreement
20 that it's 18 months to two years to complete these
21 services, we're committed to ensure that these services
22 are transitioned properly going forward. We have a
23 financial stake within this. We're personally
24 committed to it. We have the team in place to do it.

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1 And, we want to ensure, as we do with all our
2 commitments, to make sure that Liberty Energy is
3 prepared to run the business going forward.

4 Q. Mr. Pasieka, lastly for you, if the Commission were to
5 ask you why should they have confidence that your
6 company can successfully operate these two utilities,
7 and understanding that, at this point, it's only owned
8 and operated one other electric utility, why should
9 they have that confidence in Liberty?

10 A. (Pasieka) I think the confidence has to come from the
11 fact that the Liberty employees and management have
12 actually run a gas and electric company here in New
13 Hampshire. You saw from the org. chart that all of the
14 lines in management on that org. chart is completely
15 populated, and we're set up and ready to go. And, one
16 way you could think about it is, the people on that
17 org. chart are similarly changing the shirt or the hat
18 associated with their company. We've built a very
19 "best practice" transition management process, with a
20 very disciplined reporting structure. We have a number
21 of functional teams that are fully engaged with a very
22 detailed cutover readiness and testing program. So,
23 all in all, I think we're ready to bring the local
24 utility back here to the state.

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1 MR. CAMERINO: Thank you, Mr. Pasieka.
2 That completes my direct examination.

3 CHAIRMAN IGNATIUS: Thank you. Mr.
4 Linder, do you have any questions?

5 MR. LINDER: We have no questions.
6 Thank you.

7 CHAIRMAN IGNATIUS: Mr. Sullivan?

8 MR. SULLIVAN: Yes. I have a few.
9 Thank you.

10 **CROSS-EXAMINATION**

11 BY MR. SULLIVAN:

12 Q. This is probably for Dave Pasieka. Dave, what steps do
13 you take to evaluate the suitability of the union
14 workforce for the Company's vision?

15 A. (Pasieka) Well, one of the things that we've done
16 fairly early on in the process was to design a program
17 where we could actually look and spend some time with
18 the individual employees on an engagement basis. So,
19 if you recall, or Kevin would recall, from the first
20 day of the transaction, we flew our senior leadership
21 team into the state to meet with all of the employees.
22 We've subsequently spent every month, since the
23 announcement of that transaction, we've run a monthly
24 conference call. And, to the extent that either Ian or

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1 I are in the state, we would actually do that in a
2 particular location around the state. We've spent a
3 lot of time making sure that we understand the needs
4 and the issues associated with the employees. We think
5 that, from Day 1, we have a very strong basis of a good
6 relationship with the union. And, in addition to that,
7 we also convened a number of union/management meetings,
8 to try to understand what the current issues are
9 associated with the relationship between management and
10 union. And, we've designed a series of programs in a
11 couple of functional areas to address the "new company"
12 moving forward.

13 Q. And, how successful do you feel in terms of the
14 cooperation from the workforce side?

15 A. (Pasieka) I think, from what I've seen and what I've
16 heard, and I think it's reiterated by many of the
17 managers who currently sit around the table here and
18 will be up here on the witness stand, the employees are
19 excited about the change in ownership. They're looking
20 forward to a fresh start with Liberty Utilities. And,
21 they're quite excited about the transition that comes
22 down the piece.

23 Q. And, finally, from your perspective, what
24 characteristics of this workforce are desirable to you

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1 in terms of meeting the Company's vision for a
2 successful company?

3 A. (Pasieka) We are a very customer-centric organization,
4 and everything that we do revolves around the customer.
5 In the meetings that I've had with the individuals, and
6 one of the programs that Ian and I do on a regular
7 basis is we run a program called a "Interconnect
8 Program". And, essentially, every time we show up in
9 the territory, we put on our work boots and go out and
10 spend some time in the field. I think my work boots
11 are currently in Salem, but I'm not sure. They could
12 also be in Manchester. So, they move around a little
13 bit. But that's one way that we make a commitment at
14 the senior level to ensure that we understand the
15 issues associated with the employees.

16 MR. SULLIVAN: Thank you, Dave.

17 CHAIRMAN IGNATIUS: Ms. Hollenberg.

18 MS. HOLLENBERG: Thank you. No
19 questions.

20 CHAIRMAN IGNATIUS: Ms. Fabrizio.

21 MS. FABRIZIO: Thank you. Staff has a
22 number of questions that are in the nature of friendly
23 cross.

24 WITNESS ROBERTSON: There's an oxymoron.

1 (Laughter.)

2 MS. FABRIZIO: And, our intent is to
3 flesh out a little bit more in context of corporate and
4 financial context for this acquisition.

5 BY MS. FABRIZIO:

6 Q. Mr. Robertson, we've heard about a number of
7 acquisitions that Algonquin has made in recent years,
8 the last year or two. Could you speak to -- explain a
9 little bit about some of those acquisitions, and also
10 speak to any implications on the New Hampshire
11 acquisitions that may flow from those?

12 A. (Robertson) Sure. It's a totally reasonable
13 observation that Algonquin is an organization which is
14 growing, in fact, both sides of its business, the power
15 side and the utility side. I think to -- it is
16 important to, if you will, parse through that list of
17 acquisitions that Attorney Fabrizio makes reference to,
18 to kind of get a sense for the implications that it
19 would have on, potentially, on the Liberty Utilities in
20 New Hampshire business. On the power side, as in my
21 opening comments I mentioned, we are continuing to
22 develop power projects both in Canada and the U.S., and
23 we have five years, if you will, horizon approach that
24 we're continuing to invest in, and that is ongoing work

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1 that is being undertaken by a very separate
2 organization, the power side of our business from the
3 utility side of our business.

4 I think, on the utility side, which,
5 obviously, would be much more germane to these
6 proceedings, we have no further acquisitions that are
7 pending, other than an acquisition which was announced
8 a year ago for the acquisition of some additional
9 natural gas distribution assets in the Midwest, in
10 Missouri, Iowa, and Illinois. I think it is important
11 to keep in mind that the investment in New Hampshire is
12 our largest to date. It is very significant. And, so,
13 I think we're comfortable that, as you look at the work
14 that is and the timing of the work that's involved and
15 the announcement of a new acquisition, even if we were
16 to announce an acquisition, the utility -- in our
17 utility business right now, it's likely 2014 before
18 that acquisition comes to close. So, I think we're --
19 I think we're confident and comfortable that the team,
20 the Liberty Utilities team is not stretched, if you
21 will, in order to provide the service and the work that
22 needs to get done to successfully transition,
23 notwithstanding, if you will, the number of
24 announcements that have taken place by Algonquin

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1 primarily on the power side.

2 Q. Great. Thank you. That was helpful. The Settlement
3 Agreement touches on Information Technology issues, and
4 the Commission will hear a little bit more -- a lot
5 more, actually, about IT issues in the next panel.
6 Given the substantial capital investments that will be
7 made in Liberty's IT systems as a result of the New
8 Hampshire acquisitions, will the costs accruing as a
9 result of the New Hampshire transaction ultimately be
10 shared by some of the other utilities that benefit from
11 those systems in Algonquin's other acquisitions?

12 A. (Robertson) Let me start by saying that, in general,
13 under our, if you will, decentralized operating
14 approach, each utility owns its own investment in our
15 Customer Care system, in its Integrated -- it's
16 Integrated Voice Response system. And, so, in general,
17 most of the investment that's being made and
18 contemplated to be made in New Hampshire is New
19 Hampshire centric.

20 Having said that, I think we'd agree
21 with the general cost allocation principle that, to the
22 extent that an investment in a system has applicability
23 outside the State of New Hampshire, those costs should
24 be reasonably shared amongst those other regulated

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1 utilities. And, so, I think we'd agree with the
2 premise. I'm just not so sure that, from a practical
3 point of view, most of the investment that's being made
4 would have applicability, just because of the local
5 nature of the IT investments.

6 Q. Okay. Thank you. What protections are in place to
7 shield the New Hampshire utilities from any financial
8 harm that could flow from the additional acquisitions,
9 and please include any reference to adverse financial
10 events that could possibly occur on the non-regulated
11 side of the business?

12 A. (Robertson) Liberty Utilities and Algonquin Power
13 Company, the power subsidiary, are two very separate
14 businesses. Separately, legally separate from a debt
15 perspective, we don't share debt between the two of
16 them, there isn't cross-collateralization. The working
17 capital and short-term borrowing facilities are unique
18 to each business, and there's no opportunity, for
19 incidence, for the Algonquin Power Company to borrow
20 under the Liberty Utilities brand. So, starting at the
21 very top of the organizational structure, they are
22 quite separate.

23 Taking it right down to here in New
24 Hampshire, Granite State and EnergyNorth, those

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 companies are separate legal entities. They will be
2 preserved as separate legal entities as a result of
3 this transaction. The transaction is a stock sale, if
4 you will, rather than an asset sale. So, Granite State
5 Electric Company and EnergyNorth Natural Gas, Inc.,
6 will continue to exist, and all of their assets will be
7 continued to be preserved with the ownership specific
8 to those organizations, without cross-collateralization
9 or cross-guarantees. We will, obviously, maintain
10 separate books and records for each one of those legal
11 entities, and each one of those legal entities will
12 continue to survive from a regulatory and legal
13 perspective.

14 There isn't -- and, then, I guess
15 lastly, within those organizations, we will not be
16 pledging the assets, if you will, of Granite State in
17 favor of any obligations other than those of Granite
18 State, and, similarly, for EnergyNorth as well. So, I
19 think the organization -- the organizational structure
20 preserves, if you will, that isolation and insulation.

21 Q. Thank you. I'd like to turn to Mr. Pasieka. You
22 mentioned, Mr. Pasieka, you mentioned earlier the
23 "Project Management Office" or the "PMO", and your role
24 as Executive Transition Officer for Liberty during this

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 transition. Could you elaborate on your role and how
2 you will be working with the PMO?

3 A. (Pasieka) Absolutely. I think it's probably best
4 described in I think the Exhibit 9 that we did hand out
5 this morning. It shows the interrelationship of a
6 multitiered, multidisciplined transition management
7 organization. You can see that at the top of the house
8 we've designed a Transition Steering Committee, which
9 has representatives from both companies at the most
10 senior level involved with this transaction,
11 specifically, Mr. Cochrane and Mr. Horan and Mr.
12 Robertson and myself. That Committee has been in place
13 since January of 2011. We meet on a biweekly basis,
14 and have between a half an hour and an hour and a half
15 call every other week so -- to walk through the status
16 of where we are in the transition. Feeding that
17 information, there is something called the "Transition
18 Governance Group", and you can see the audience is just
19 a little bit wider there. It includes myself, our new
20 President, Victor DelVecchio, and Tim also sits on that
21 Committee, as well as representatives from the IT
22 organization of both National Grid and our
23 organization. That particular group again meets on a
24 biweekly basis, on a different day than meeting with

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1 Ian and John Cochrane. But we review, again, the
2 issues, the progress, the status, and review the
3 overall readiness, if you will, for -- and, in this
4 particular case, we've been focusing a lot on Day 1
5 activities, but we will shift our gears today. And,
6 feeding that process is our "TMO Office", sometimes in
7 the documents we call them "PMO". But, essentially,
8 it's a dedicated organization that resides in Oakville.
9 It's run by Bob Wood, who's the senior executive, next
10 senior executive from Enbridge, and he joins us in this
11 capacity to run our office. Essentially, Bob has a
12 dedicated team. There's a dedicated program manager
13 associated with this transaction. And, they are
14 meeting on a regular basis with our functional teams.
15 And, you can see the functional teams on the left-hand
16 side. When we originally started our functional teams,
17 we had a National Grid employee and a Liberty Utilities
18 employee. But, as we've populated out the org. chart,
19 now the functional team leads are now Liberty -- are
20 National Grid employees here in the state, soon to be
21 Liberty Utilities employees. So, you can see we've
22 done a fundamental shift as we've populated out those
23 org. charts.

24 Those functional teams are accountable

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1 to build the Day 1 and the Day N plans in the formats
2 that I described earlier in my testimony. And, they
3 are typically meeting on a daily and weekly basis.

4 Q. Thank you. You mentioned Mr. DelVecchio has been
5 appointed New Hampshire President for Liberty. Would
6 you elaborate on the scope of his decision-making
7 authority and his interaction with you, as well with
8 Bob Wood, during the transition?

9 A. (Pasieka) Absolutely. Well, we wanted Mr. DelVecchio
10 to be out in the field turning the valves and adjusting
11 the lines. But, obviously, from the status of the org.
12 chart that was presented, you can see that we have a
13 very robust New Hampshire organization. Victor comes
14 to us after a long career in the telecom business, and
15 is well known, of course, to the Commission. And,
16 we're delighted to have him on board. Specifically,
17 Victor will have the accountability, the full
18 accountability for the P&L here within the state. And,
19 his main role, in addition to that, his main role will
20 be to exercise and to execute around our vision of
21 customer centricity, community involvement, and
22 employee engagement.

23 Q. Thank you. And, along that line, who will be
24 responsible for IT decisions, including system needs

1 and budget requirements for the New Hampshire
2 utilities?

3 A. (Pasieka) Absolutely. So, there's two parts to the
4 question. First of all, within the org. chart, you
5 will actually see a couple of individuals who will have
6 IT accountability here within the state. Essentially,
7 think of those as desktop support and system access
8 support. The overall accountability for the IT
9 transition rests with the IT Steering Committee, which
10 was a separate committee that we've put together in the
11 last six months. And, that particular committee will
12 be chaired by a National Grid employee, Madalyn Hanley,
13 who is in the audience today. And, she comes to us in
14 a very important role, to ensure that the Transition
15 Services Agreements from the technical side, as well as
16 the data is coming over in a smooth and clean and
17 efficient manner. She works collaboratively with our
18 Director of IT, David Carleton, who is also in the room
19 here today, and they will work collaboratively on
20 building, developing, and managing the IT budget.

21 Q. Does that authority transfer to Mr. DelVecchio at some
22 point?

23 A. (Pasieka) Well, essentially, the transition budget, the
24 8.1, if you will, ultimately will roll up under Vic.

1 But he's got two dedicated, very senior IT people, who
2 will put the accountability around, ensuring that we
3 bring that, those systems on line, on budget, and on
4 time.

5 Q. Okay. Great. And, similarly, who will be responsible
6 for signing off on operational budget decisions?

7 A. (Pasieka) Again, part of our vision and model is to
8 make those decisions happen here within the state.
9 And, so, we've envisioned that those decisions around
10 capital investment and expansion, *etcetera*, would be
11 made by the local leadership, under Victor's guidance.

12 Q. Do you envision that to occur post Day N?

13 A. (Pasieka) There currently is an existing budget, as
14 you're probably aware, for all of the organizations.
15 And, that budget accountability, on Day 1, would flow
16 over to Victor when that gets handed over to us.

17 Q. Great. Thank you. Sort of related to the discussion
18 of other acquisitions that Algonquin has undertaken,
19 have you taken some lessons learned from experiences
20 with those other acquisitions, and, namely, CalPeco, I
21 guess, is the one that you have up and running?

22 A. (Pasieka) So, our California transaction closed over
23 almost a year and a half ago, I guess, 15 months ago,
24 in January of 2011. And, the ultimate measure for us

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 is, "how did the customers feel about the conversion?"
2 And, of course, "how did the regulators feel?" In the
3 third quarter, at the end of the third quarter, the
4 start of the fourth quarter, we actually conducted a
5 customer satisfaction survey of a representative sample
6 of the customers within the service territory. And,
7 this was done through October and into early November.
8 The overall satisfaction rating of us operating that
9 business is 84 percent satisfied or very satisfied with
10 the level and caliber and quality of the service.
11 Commission Staff has reviewed the outline and the
12 format of the survey, and we plan, post transaction
13 here, to initiate a complete survey of both the gas and
14 the electric customers here within New Hampshire, to
15 get a baseline moving forward. So, if the ultimate
16 test of how well we did is the customer, the customers
17 are saying this is -- this transaction has gone very
18 well.

19 Also, through the process, we've had a
20 couple of regulatory complaints. One customer
21 complained about the color of the logo and the bill.
22 So, we spent a lot of time thinking about that one.
23 And, then, relative to some key learnings, which we've
24 ultimately rolled into this, a couple of things come to

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1 mind that are really important. First of all, a great,
2 solid relationship with the seller. That came across
3 in spades in our relationship with Nevada Energy. We
4 had a very good working relationship there, such that,
5 if anything happened or anything was falling off the
6 rails, we'd have the ability to make those choices and
7 decisions, escalate up, if necessary, and get the right
8 things done. So, there's a lesson that, you know,
9 right from Day 1, with our relationship with National
10 Grid has been very strong and robust through the last
11 15 months.

12 The other key thing that's really
13 important to us is just the relationship with our IT
14 vendors. This is very important to a successful
15 transition. And, what we've done is, our vendors are
16 part of our process, they're part of our readiness. A
17 good example is, before we converted our Customer
18 Service system last November, they were part of the
19 readiness review, and they had a say as to whether or
20 not the system should actually go live or not.

21 So, those are a couple of examples that
22 are very prevalent in our process moving forward here
23 in New Hampshire.

24 Q. Thank you. Given Liberty's relative inexperience in

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1 operating gas and electric distribution companies, how
2 has Liberty prepared to become ready for the numerous
3 regulatory requirements here in New Hampshire?

4 A. (Pasieka) So, again, this is an issue of local
5 autonomy. And, Victor, under -- with support from
6 ChristiAne, who, of course, is well known again to the
7 New Hampshire Commission, will have the accountability
8 to actually comply with all the regulatory
9 requirements, including the new ones that come together
10 as a result of this Settlement. We have had two
11 analysts, on our nickel, working in Waltham very
12 closely with National Grid over the last six months,
13 studying the nature of the current filings that are in
14 place today, so we have a good handle on what that
15 looks like. And, then, of course, in addition, we have
16 the additional stuff that will come out of the
17 Settlement. Between ChristiAne and Victor, I think
18 we're well covered.

19 Q. Thank you. Liberty has submitted an IT Migration Plan
20 in its filings. That plan includes a timeline to
21 complete the IT transition with a date certain of
22 November 2013. How did you arrive at that date? And,
23 in the event there are any changes to that date, how
24 will Staff be notified?

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1 A. (Pasieka) Right. So, that's a very iterative process
2 that allowed us to come up and roll up those project
3 plans to come to November '13. First of all, every one
4 of the teams, the eight functional teams, were working
5 with a standard set of software, specifically a
6 Microsoft project package, which allowed us to put in
7 the start, finish, and expected time, and be able to
8 calculate a critical path. Each one of the functional
9 teams had a requirement to identify the technology that
10 they needed, and when did they need it, and what were
11 the dependencies around that. So, think about each one
12 of these individual functional teams coming together,
13 and those teams making the choices necessary for their
14 individual function, and then we roll that all up into
15 a master plan. And, when we roll the plan up, we then
16 sit around the table and make some choices. "Are those
17 the right choices?" "Are we moving at the right
18 speed?" *Etcetera.*

19 November 2013 represents about 15 months
20 post close. And, as you are quite aware, the TSAs
21 could run 24 months in total. So, you can see that we
22 have almost a built-in risk mitigation strategy, if you
23 will, in the sense that we don't need all the systems
24 right, you know, on Day 24 -- or, Month 24, if you

1 will. Our systems will be up, running, and operational
2 well before we lose the access to the National Grid
3 programs.

4 Q. Thanks. And, in the event that date has to change, how
5 will you notify Staff?

6 A. (Pasieka) Yes. Well, also part of the Agreement is,
7 covered in the Migration Plan, is a whole Change
8 Management Program. So, once the Migration Plan is
9 locked and loaded, what you have now, as you're
10 familiar with, is a draft, which needs to be finalized
11 by August of this year, okay? Once it's finalized,
12 then the whole Change Management process kicks in, and
13 we have, as you're aware, monthly and quarterly
14 reporting necessary to describe any of the changes that
15 have come out as a result of that Change Management
16 process. So, you will have full visibility and
17 transparency.

18 Q. Okay. Thank you. Given the IT cap and non-recovery of
19 transition costs under the Settlement Agreement that
20 we'll hear more about later, will Liberty be willing
21 and able to spend what is necessary to ensure a
22 successful conversion?

23 A. (Pasieka) Absolutely.

24 Q. And, could you elaborate please.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 A. (Pasieka) Yes. Essentially -- essentially, we worked
2 very closely with Staff on the IT budget associated
3 with the 8.1 to convert all our systems. Those budgets
4 have a high level of contingency, depending on the
5 individual service that's in there. And, we are quite
6 confident that we're going to be able to deliver those
7 systems on time and under budget.

8 Q. And, if Liberty does experience cost overruns in its IT
9 implementation, how will those costs be covered?

10 A. (Pasieka) Well, as you're aware, we are capped in this
11 particular agreement.

12 Q. And, if you exceed that cap?

13 A. (Pasieka) If we exceed that cap? Well, obviously,
14 we're not going to run halfway down the pipe and not
15 finish the project. So, our program would be to, we
16 would have to put additional capital into the program,
17 and we would understand that the recovery would be
18 questionable.

19 A. (Robertson) Let me be crystal clear, to the extent that
20 there are non-recoverable costs, those costs are at the
21 shareholder expense, and would not be -- there would be
22 no attempt to make those costs up, if you will, by
23 cutting service or cutting any other aspect. That's
24 the antithesis of our business proposition. So, we

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 would accept the non-recovery of those costs.

2 Q. Excellent. Thank you. Finally, for Mr. Pasieka, can
3 you provide us with a status update on the New
4 Hampshire Operation Center, including what functions
5 and services the Center will entail and status of
6 staffing?

7 A. (Pasieka) Yes. Absolutely. So, currently, we've got
8 about 180, 185 individuals in the organization today.
9 As Mr. Robertson indicated, we anticipate hiring
10 additional folks over the fullness of time. There are
11 a number of functions that we will not be assuming on
12 Day 1, including some functions in the customer service
13 arena, gas control and dispatch are scheduled to be
14 converted over later in the cycle.

15 As a result of the hiring, we've
16 utilized all the -- all of the available nooks and
17 crannies in our existing buildings. And, we've taken
18 on additional lease space in Salem to accommodate
19 additional functions.

20 Specifically, in Salem, Victor will be
21 surrounding himself with his leadership team. So,
22 there will be the leadership team in that leased
23 facility, as well as HR functions. Procurement will
24 also go in there, health and safety will also go in

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1 there. So, we've got our short-term needs covered, if
2 you will, as we move into Day 1.

3 As we roll through the IT Plan and think
4 about gas control and dispatch, we're currently looking
5 at all of the other facilities that we have within our
6 portfolio. And, we're looking at the availability to
7 add additional folks into the Manchester locations, the
8 Nashua locations, the Salem locations, Tilton and
9 Lebanon, as necessary.

10 So, in addition to that, the other thing
11 that's of note, Ian talked earlier about our walk-in
12 center capability. And, not all of our facilities are
13 conducive to be able to take a customer -- have a
14 customer walk in. So, there will be a little bit of
15 work necessary to refurb and/or think about perhaps a
16 storefront. So, those are some decisions that we can
17 make a little bit down the road. So, for now, we've
18 got a slot for everyone to sit, a desk to sit. And, as
19 of I think last week, we're wired and IT-ready.

20 Q. Great. Thank you. I'm going to turn to Mr. Horan.
21 Could you speak a little bit more to National Grid's
22 commitment to the transition and to Liberty beyond the
23 terms of the Transition Services Agreement, including
24 post-cutover?

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1 A. (Horan) Sure. Well, we have the agreement that's in
2 place to provide the services to Liberty Energy. But
3 we know the importance of this transaction. And, as
4 long as it takes to get Liberty up and running, to meet
5 the cutover criteria, to make sure they're able to run
6 the business going forward, we're committed to make
7 sure that that takes place.

8 Q. Thanks. And, who will be bearing the costs of Grid's
9 participation post-cutover, --

10 A. (Horan) Well, we have the --

11 Q. -- as needed?

12 A. (Horan) We have the Transition Services Agreement that
13 the costs, at cost, whatever services were provided,
14 we'll submit the bills to Liberty to pay for those
15 services.

16 Q. And, how long will Madalyn Hanley's role as IT
17 Transition Manager continue in this process?

18 A. (Horan) Madalyn, as our IT lead, will continue till
19 we're completed with this transition on the IT end of
20 it.

21 Q. Does that mean individual IT-related services or global
22 Day N?

23 A. (Horan) Till this is fully up and running and we've
24 completed all the requirements that we need to.

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Q. Great. Thank you. And, how will National Grid assure
2 that relevant and competent expertise is available to
3 Liberty as needed throughout the transition, as well as
4 post-cutover?

5 A. (Horan) Well, as we've committed and shown to date the
6 amount of personnel that we have in each one of the
7 respective areas working with their Liberty
8 counterparts, that will continue going forward until
9 the respective TSAs are completed. As noted earlier,
10 TSAs have different Day Ns, so those teams will work
11 continually going forward until each one is completed.

12 MS. FABRIZIO: Thank you. Okay. Thank
13 you. That completes my questions.

14 CHAIRMAN IGNATIUS: Thank you.
15 Commissioner Harrington.

16 CMSR. HARRINGTON: Yes. Good morning.

17 WITNESS HORAN: Good morning.

18 CMSR. HARRINGTON: I have a few
19 questions. I'll try to address them to an individual,
20 but, if someone else is more appropriate to answer, feel
21 free to jump in.

22 BY CMSR. HARRINGTON:

23 Q. I think the first one will be for Mr. Robinson. Okay.
24 Referring to your testimony, on Page 9, you mention

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 that there's a -- you mention that there's a settlement
2 -- a negotiated Settlement Agreement, which ends in
3 2013. What happens, what's anticipated happening after
4 that?

5 A. (Robertson) Just looking for the page --

6 Q. It's at the bottom of the page. Sorry, I had your name
7 wrong there. I mispronounced it. I apologize.

8 A. (Robertson) I'll respond to "Robinson", "Robertson".

9 MR. CAMERINO: Could we, just for our
10 ability to follow along, we're looking at Page 9 --

11 CMSR. HARRINGTON: Oh. I'm sorry. It's
12 the "9" on the bottom of the page. So, it's "11 of 32" of
13 his testimony.

14 MR. CAMERINO: Okay. Thank you.

15 WITNESS ROBERTSON: If you just give me
16 a moment here?

17 CMSR. HARRINGTON: Sure.

18 WITNESS ROBERTSON: Yes. Go ahead.

19 BY CMSR. HARRINGTON:

20 Q. Okay. And, here it talks about that the -- "the fact
21 that the company's", which I'm assuming you're
22 referring to the existing company?

23 A. (Robertson) Correct.

24 Q. "Inability to rectify its earnings problems was the

1 result of a previously negotiated settlement
2 arrangement which ends in 2013, rather than unfavorable
3 regulatory forces." So, what would you anticipate
4 changing after the Settlement Agreement, such that it
5 won't be -- you won't have this problem of rectifying
6 your earnings?

7 A. (Robertson) Sure. The agreement that is referenced in
8 my testimony refers to an agreement associated with a
9 previous merger and consent that was granted by this
10 Commission. And, an element of that transaction
11 included a regulatory stay-out, if you will, for
12 seeking changes in rates, other than for very specific
13 circumstances.

14 Q. And, this is for which utility?

15 A. (Robertson) For Granite State Electric Company.

16 Q. Granite State.

17 A. (Robertson) I think, as a result of that stay-out, and,
18 if my memory serves me, it was five years in length.
19 And, so, it went from over -- from 2007 through to the
20 end of 2012. That, notwithstanding the continued
21 investment of capital and inevitable increases in costs
22 just due to inflation, the earnings of Granite State
23 suffered, if you will, as a result of that stay-out. I
24 think the reason we mention about that it is "simply

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 with the passage of time and the inability to seek
2 recovery on those costs" is what led to that problem,
3 rather than any fundamental problem with the utility
4 from an earnings perspective. It would get rectified
5 in the next permitted general rate case that will be
6 undertaken by Granite State Electric Company following
7 the expiration of that stay-out that is included in the
8 agreement.

9 Q. Well, you've anticipated my next question then. Just
10 to follow up on that, when is the next general rate
11 case? When do you expect that?

12 A. (Robertson) We haven't made a specific -- a specific
13 time frame for filing that rate case. Obviously, it is
14 important that we get through Day 1, and that the
15 operations get consolidated under Liberty Utilities'
16 ownership. But, given the earnings status of the
17 utility, I think everybody acknowledges, and I would
18 hope that that would be something shared by Staff and
19 the OCA, is that Granite State is not earning its
20 permitted regulatory return. And, so, I would hope
21 promptly, following the expiration, but we'd
22 acknowledge we need to sit with Staff, we need to sit
23 with the OCA and work our way through that. The
24 Settlement Agreement doesn't contain any really

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1 specific prohibition against that, unlike with respect
2 to EnergyNorth. And, so, we're hoping that we would
3 get in front of the Commission relatively promptly.

4 Q. And, with regard to that, the negotiated Settlement
5 Agreement that's referenced in your testimony, not the
6 new Settlement Agreement, that would be binding on the
7 new company as well?

8 A. (Robertson) Yes. It's interesting -- it's important to
9 note that, in some respects, there is no "new company"
10 and "old company". There's the existing company and
11 just a new owner. And, so, all of the obligations, all
12 the assets, all the liabilities of Granite
13 State/EnergyNorth, they all are preserved. And, so, we
14 continue to be bound by it in owning the shares of
15 Granite State.

16 Q. And, based on what you just said then, is it reasonable
17 to assume that you'd be coming in with a rate increase
18 after the -- after that time frame ended, the
19 Settlement ended in 2013?

20 A. (Robertson) Yes. I would think that whoever owns
21 Granite State/EnergyNorth, following the expiration of
22 that rate case, would be in front of the Commission --
23 following that expiration of the stay-out provision,
24 would be in front of the Commission as a matter of

1 course. And, so, it certainly isn't something that is
2 occasioned by the transfer application. I think it's
3 just a matter of operations of Granite State.

4 Q. Okay. Changing to another subject. There was a lot of
5 discussion on bringing functions into New Hampshire
6 that I guess were previously done at a higher corporate
7 level by, let's say, National Grid. And, whereas I
8 think everyone appreciates the idea that we have these
9 jobs being created in New Hampshire, is there a loss of
10 savings from economies of scale that you no longer
11 have? And, how are you accounting for that?

12 A. (Robertson) It's interesting, and I'm not sure we
13 necessarily ascribe to the thesis that "bigger is
14 always better" when it comes to two operations. And,
15 I'll give you an example. And, maybe things have
16 changed over time, but technology now permits, and
17 we'll just -- let's just speak of customer service reps
18 as an example, historically, it was customer service
19 reps all sat in one large room, because the telecom
20 equipment was large and expensive, and one centralized
21 that function. Nowadays, with technology and what's
22 called "Voice-Over IP" or "Voice-Over Internet
23 Protocol, you can, in effect, have a distributed call
24 center. So, a rep in Lebanon can answer a phone call

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 transparently -- as transparently as one in Manchester.
2 And, so, I'm not sure that today we necessarily
3 ascribe, there's an example that technology permits, if
4 you will, distribution of service functions, in a way
5 that isn't particularly more expensive.

6 The other option -- the other note I'd
7 make, as we think about distributed services, and this
8 gets a little bit back to the empowerment of our
9 employees, rather than having a job function, which
10 perhaps, as a CSR, is very narrow, you just answer the
11 phone, our CSRs, and let's use Lebanon again as an
12 example, where there could be walk-in traffic coming
13 in, that customer service rep could also provide
14 services to deal with a customer who had a function
15 that they wanted to deal with personally. And, so,
16 there's kind of a breadth, if you will, of scope of
17 that employee. I think that speaks to the empowerment
18 of the employee, and, frankly, speaks to the
19 engagement. And, so, again, not being argumentative,
20 I'm just not so sure that we ascribe to the thesis that
21 "bigger is always better".

22 Q. Okay. Fair enough. I'm just -- I had a little trouble
23 following your explanation on, when you started talking
24 about the -- actually, the finances of this, and you

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1 talked about the equity and the debt that Liberty was
2 going to take. And, then, in your testimony, on Page
3 14, again, this is "14" on the bottom, so it would be
4 "16 of 32", as far as the individual pages on the top
5 of pages are listed. You talk about "certain
6 indebtedness to be issued to Liberty Energy (New
7 Hampshire)", so I'm at the end of the page before that,
8 "which will be pushed down onto the books of Granite
9 State and EnergyNorth." What exactly does that mean,
10 "pushed down onto the books"?

11 A. (Robertson) It makes sense for the Liberty Utilities,
12 the parent company, if you will, Liberty Utilities
13 Corp., to approach the capital markets, lenders,
14 MetLife, those sort of -- and borrow all the debt
15 portion that is required for both the Granite State and
16 EnergyNorth. They are separate companies. You can
17 imagine Granite State will have to have a certain
18 amount of debt into it, as is will EnergyNorth. So,
19 the parent will go out and enter into a lending
20 agreement and borrow money from MetLife. And, then,
21 that debt will be allocated pro-rata into two
22 individual companies. So, EnergyNorth will, in effect,
23 assume a proportion of that debt, and it will be done
24 by, if you will, it's called "pushing down". So, a

1 promissory note gets issued by EnergyNorth up to the
2 parent, in effect, gets pledged off to the lender.
3 And, so, EnergyNorth and Granite State are each
4 individually responsible for only a portion of the debt
5 that they have, in effect, assumed. And, so, there's
6 no cross-collateralization. But there's the
7 nomenclature, if you will.

8 Q. So, Liberty will actually borrow the money, then they
9 transfer the indebtedness to the utilities, based on
10 the share of the debt?

11 A. (Robertson) Effectively, that's exactly correct.

12 Q. Okay. That helps. On Page, I got these all down the
13 bottom-of-the-page numbers, Page 12, which is also
14 numbered "Page 14", if you look at the top of the page,
15 you have a list of required approvals. I was just
16 wondering, what's the status of those various approvals
17 as of right now?

18 A. (Robertson) I'm pleased to say that they're all in
19 hand.

20 Q. All done. And, Page 13, the next page, in the middle
21 of the page it says "Is there a date by when the Stock
22 Transfers must close?" And, has that happened?

23 A. (Robertson) The stock transfers won't close until the
24 Commission grants its approval.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Q. Okay. And, "The deadline can be extended to March
2 30th, 2012." Well, that's come and gone. So, what
3 happens there?

4 A. (Robertson) It's been extended to June 30th, 2012.
5 Though, I will point out, everyone is ready for this
6 baby. To follow on the marriage thing.

7 CHAIRMAN IGNATIUS: Oh, no. We've gone
8 from a marriage to a baby. Moving quickly here.

9 CMSR. HARRINGTON: A shotgun wedding.

10 (Laughter.)

11 BY CMSR. HARRINGTON:

12 Q. On your Joint Petition, Attachment 1, where you have a
13 chart that shows the overall corporate structure,
14 starting with Algonquin Power. I don't know if you had
15 a copy of that. I don't know what it is, Book -- I
16 guess it's part of Exhibit 1, I don't know how far
17 Exhibit 1 goes, to tell you the truth.

18 CHAIRMAN IGNATIUS: So, that's in the
19 first book of attachments, and then it's Attachment 1?

20 CMSR. HARRINGTON: Yes.

21 WITNESS ROBERTSON: Commissioner, this
22 one here?

23 CMSR. HARRINGTON: Yes.

24 WITNESS ROBERTSON: We have it.

[WITNESS PANEL: Robertson~Pasiieka~Horan]

1 CMSR. HARRINGTON: Yes. It says "Book 1
2 of 3" on it, I'm not sure, March 4th, and it's Attachment
3 1. One of the -- it starts with a blue block, with
4 "Algonquin Power & Utilities Corp." on the top.

5 WITNESS ROBERTSON: Yes.

6 BY CMSR. HARRINGTON:

7 Q. Now, you had mentioned in your testimony about the
8 involvement of Emera in this. And, I'm just trying to
9 see where they fit in. And, looking at this chart, it
10 appears that their only interest is in the California
11 Pacific Utility, where they own slightly less than 50
12 percent. What's their involvement in other than that?

13 A. (Robertson) Yes. What's not shown on this chart, and
14 maybe it is for the sake of brevity, is all the
15 shareholders upstairs of Algonquin Power & Utilities
16 Corp. And, so, Emera currently owns approximately 7 or
17 8 percent of Algonquin Power & Utilities Corp. Not to
18 say that this diagram is out-of-date, but we have
19 entered into an agreement, Liberty Utilities has
20 entered into an agreement to purchase Emera's direct
21 ownership, which is shown in this, in this chart, their
22 direct ownership of California Pacific Utility
23 Ventures. That we'll be purchasing that, in exchange
24 for additional shares, if you will, of Algonquin Power

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 & Utilities Corp. So, think of them moving their
2 ownership from downstairs to the parent of Algonquin
3 Power & Utilities. They remain committed to the
4 venture, but they're just moving upstairs. And, we
5 will own 100 percent of the California Pacific
6 Utilities Ventures. That is a subject of an
7 application and docket which is in front of the
8 California Public Utilities Commission at this time.

9 Q. So, that is, when you spoke earlier, you talked about
10 some agreement that allows them to purchase up to
11 25 percent of Algonquin Power & Utilities Corp., that's
12 the method of doing that? They basically swap
13 ownership in California Pacific Utility for increased
14 ownership in Algonquin Power?

15 A. (Robertson) That is only a very small portion of, if
16 you will, their increased ownership. The preponderance
17 of that increased ownership actually comes from them
18 just subscribing for more shares in Algonquin Power &
19 Utilities Corp., and paying for those shares in the
20 same way as the \$60 million worth of equity which is
21 committed to the Granite State/EnergyNorth transaction
22 is coming.

23 Q. Okay. All right. Thank you. Let me see if I can --
24 is it "Mr. Pasieka", did I get that one right?

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 A. (Pasieka) Yes. Well, "Pasieka".

2 Q. "Pasieka".

3 A. (Pasieka) But I get all versions.

4 Q. Well, I'm two for two. I'm not doing that good this
5 morning.

6 A. (Pasieka) That's fine.

7 Q. Just a little bit more on the IT turnover and
8 responsibility. It seems like you have the transition
9 teams or your IT Steering Committees set up already, it
10 appears, is that correct?

11 A. (Pasieka) Absolutely.

12 Q. And, that will stay in place until I guess what you're
13 referring to as "cutover day"?

14 A. (Pasieka) Yes.

15 Q. And, then, what happens after that?

16 A. (Pasieka) To that individual team?

17 Q. Yes.

18 A. (Pasieka) Well, now we're up and operating the utility.
19 And, so, the applications will be running, user logins,
20 *etcetera*, you know, that will be out there in the
21 field, those would be locally administered. So that
22 permissions and passwords and things that they need to
23 actually access the systems, those would be handled by
24 our local IT individuals.

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1 Q. And, the systems, where are they physically located?
2 Where's the hardware located?

3 A. (Pasieka) Well, the hardware is located in two places
4 right now. So, it's actually in New Jersey and in
5 Oakville. So, we have a mirrored setup. And, we will
6 eventually migrate to having two platforms here in the
7 United States. So, right now, we have one platform in
8 the United States and one in Oakville. And, then, once
9 we're up and running, we'll have a mirrored setup in
10 the Savvis data systems.

11 Q. And, those are owned by Algonquin Power?

12 A. (Pasieka) Yes. Or, sorry, they would be owned by
13 Liberty Utilities.

14 Q. And, this -- are these -- is the hardware being shared
15 with the California Pacific Utility?

16 A. (Pasieka) No. There are separate hardware and separate
17 instances. So that we could actually point and say
18 "there's the box and there's the application specific
19 to New Hampshire."

20 Q. Okay. And, so, these will be unique for the
21 EnergyNorth and Granite State?

22 A. (Pasieka) Yes.

23 Q. Okay. And, in Exhibit Number 6, which is the chart?

24 A. (Pasieka) Yes.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Q. Okay. Where does IT fit in here, once you've, you
2 know, you're up and running?

3 A. (Pasieka) So, our IT is anticipated to roll up under
4 the "Director of Finance".

5 Q. Finance? Okay.

6 A. (Pasieka) And, you see down there, you've got "IT
7 Systems", you've got "Don", "David", and "Ted".

8 Q. Okay.

9 A. (Pasieka) And, because they're named, they're in place.
10 They're actually wiring the leased facility as we speak
11 and administering the PCs.

12 Q. And, after the transition then, would there be any need
13 for support from cutover from National Grid, for
14 instance, for IT?

15 A. (Pasieka) After they complete Day 1 -- Day N transfer,
16 no.

17 Q. Because all the systems now will be Liberty and the --

18 A. (Pasieka) Absolutely. Our own platform.

19 Q. Okay. And, National Grid wouldn't be able to provide
20 much of anything on that anyway, it sounds like,
21 because it wasn't their equipment.

22 I guess for Mr., I'm going to try this
23 one, "Horan"?

24 A. (Horan) There you go.

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Q. Okay. For baseball, that's not too bad, right? Why is
2 National Grid selling?

3 A. (Horan) Well, we made a decision as a corporation back
4 in 2008-2009 to focus our utility efforts in New York,
5 Mass., and Rhode Island. New Hampshire is 2 percent of
6 our overall structure, and we've decided to sell our
7 assets up here in New Hampshire.

8 CMSR. HARRINGTON: Okay. That's all I
9 had. Thank you.

10 CHAIRMAN IGNATIUS: Commissioner Scott.

11 CMSR. SCOTT: Yes. Good morning.

12 WITNESS ROBERTSON: Good morning.

13 WITNESS PASIEKA: Good morning.

14 WITNESS HORAN: Good morning.

15 BY CMSR. SCOTT:

16 Q. Again, I'll try to get names right. And, again, I'll
17 ask the panel. So, if I ask one person, if somebody
18 else can answer it better, that's fine with me. So, in
19 no particular order, I've got my notes, so a stream of
20 consciousness.

21 Mr. Robertson, I think you talked about
22 a focus on reinvestment in New Hampshire. And, I
23 gathered from that, you're talking about bringing
24 employees local here. Can you elaborate more? Is

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 there other reinvestments in New Hampshire you had in
2 mind also?

3 A. (Robertson) Well, in general, I think this is an
4 organization that understands and accepts that a
5 utility business is about generally reinvesting in
6 going forward. We expect to be here in perpetuity, and
7 assets wear out. So, first of all, I start by saying,
8 we, obviously, intend to continue to maintain the
9 existing system going forward. I think there are
10 opportunities, though, to increase penetration of
11 natural gas. As you know, New Hampshire, and New
12 England perhaps more broadly, has a fairly high
13 incidence of heating with heating oil. And, given the
14 price differential that exists right now, boy, it's a
15 compelling story to say that natural gas is the way to
16 heat homes. And, so, to the extent that we can add
17 customers to the system, I think that's -- that's just
18 all good, because I think it lowers the shared costs
19 for everyone. So, I think we would definitely seek
20 investment opportunities to increase the penetration.
21 And, again, without speaking ill of National Grid, at
22 2 percent of their business, it would be hard for them
23 to focus on the sales effort that's necessary in order
24 to convince customers to make that switch. We,

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1 obviously, might see that as a more strategic
2 opportunity for reinvestment.

3 And, then, lastly, most broadly, and
4 perhaps it goes to Attorney Fabrizio's question, we
5 would love to invest in and acquire additional
6 utilities in the State of New Hampshire. I think the
7 general thesis is that, to the extent that you can
8 share costs across a larger number of customers, you
9 know, those New Hampshire costs could be reduced on a
10 per customer basis. And, so, I think we're interested
11 in investments in, if you will, in all three of those
12 areas.

13 Q. Thank you. And, that kind of takes me to my -- the
14 bigger question, again, I'll allow you to sell me, I
15 suppose. The ratepayers, what we're representing here
16 and talking about, what's in it for the ratepayer who's
17 currently under National Grid?

18 A. (Robertson) I think it, and we kind of talked about it
19 a little bit before, I think an organization that
20 focuses on the customer, and I think we would certainly
21 characterize ourselves as that organization, ultimately
22 delivers a better product. And, I think you need only
23 look at the other operations we have across the
24 country, in terms of how we deal with the customers,

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1 how we think about customer issues, how we interface
2 with those customers. I think that is a -- I think the
3 customers end up with a better deal. I think, having a
4 local organization, sort of empowered and focused
5 solely on their needs, ultimately results in a better
6 proposition for them. And, as long, and perhaps gets
7 back to Commissioner Harrington's comment, as long as
8 that doesn't come at, you know, at a cost premium, it
9 seems to me to make sense. And, so, I think we have
10 found that's been our empirical experience elsewhere in
11 the country delivering this service, is that we can
12 deliver a better customer experience with a local
13 focus.

14 Q. Okay. Thank you. Also probably for Mr. Robertson,
15 you've kind of discussed already that effectively the
16 functional areas will effectively act as their own
17 entities, kind of a "profit center" for a better word.
18 Could you outline to us what happens if one of those
19 profit centers is not profitable, it's not solvent,
20 what happens? How do you deal with that?

21 A. (Robertson) Well, first of all, and I would say "profit
22 centers", we would think of New Hampshire as a
23 stand-alone operating utility I think is at the heart
24 of your question.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Q. (Commissioner Scott nodding in the affirmative).

2 A. (Robertson) Well, first of all, we'll start by saying
3 we pursue a relatively conservative approach to debt,
4 if you will. Our thesis is quite an equity-thick
5 organization. So, I'll start by saying, it's hard to
6 imagine the organization getting itself into trouble
7 with its lenders. I mean, using 45 percent debt and
8 55 percent equity makes sure that the organization is
9 fiscally strong, so that we don't run into that, we
10 don't run into that problem.

11 I think prudent management is obviously
12 an important element. But, look, we get right back,
13 perhaps this speaks to the heart of Attorney Fabrizio's
14 question about "what happens if the cost investment
15 that is recoverable under that IT budget exceeds \$8.1
16 million?" I wanted there to be no question that we
17 accept the fact that that is a shareholder cost, where
18 this is a substantial investment for us. And, there is
19 no chance that we would every let it, if you will,
20 "wither on the vine" for lack of investment going
21 forward. It's just -- it's a strategic investment for
22 us.

23 Q. Thank you. And, earlier you talked about and discussed
24 the purchase itself, and the fact that it would be --

1 you're looking at roughly 55 percent equity and
2 45 percent debt. Why is that a good ratio? What's --
3 A. (Robertson) First of all, I'd start by saying is we
4 fully understand and accept that the ultimate
5 determination of what the appropriate capital structure
6 rests with the Commission in the context of a rate
7 case. I think we have committed to is to commit that
8 higher level of equity in the first instance, just
9 because we happen to think that that is the right
10 thickness. It allows us to enjoy very attractive
11 borrowing rates, if you will, because of the high
12 ratings. That we've enjoyed a BBB+ rating from the
13 rating agencies for the debt that we plan to seek. I
14 think that has quite a substantial, perhaps, benefit
15 for Granite State and EnergyNorth. And, perhaps it's
16 because of the interest rate environment we're in right
17 now allows us to refinance some existing debt that
18 National Grid has at much lower rates, and those rates
19 get passed on, gets passed onto ratepayers.

20 I wouldn't say there's a magic number,
21 45, 55. We just think that that's been our experience
22 with other jurisdictions. And, we're happy to start,
23 if you will, at that. But we accept the fact, at the
24 end of the day, it's a decision that we will turn

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 towards the jurisdiction of the Commission in that
2 regard.

3 Q. Thank you. And, I think lastly for you, if you would,
4 on the IT initiative you're undertaking, there's been a
5 lot of discussion throughout the country now about
6 cybersecurity and other issues. So, there's,
7 obviously, the day-to-day operations, and billing, and
8 all that type of thing. But there's a security issue
9 of how do you make sure nobody gets in for privacy or
10 even worse issues. How are you addressing that?

11 A. (Robertson) Well, let me -- I'm going to actually pass
12 that to David. But let me just start by saying is, I
13 think it's important to note that, as we talk about all
14 these systems and the -- that are being developed,
15 these are not, if you will, new systems that we're, you
16 know, hoping to implement. These are systems that are
17 either existing and operating elsewhere in the Liberty
18 Utilities family of services. And, therefore, in some
19 respects, have a history of successful defense against
20 some of the -- some of the more nefarious attempts for
21 security, or with -- or existing within the National
22 Grid.

23 So, I'll start by saying, we're not
24 inventing something new here. And, so, I think we have

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1 an operating history that we're comfortable with.

2 But, specifically, with respect to
3 security, maybe David could add a little bit more.

4 A. (Pasieka) Absolutely. One of the elements of the IT
5 Migration Plan was for us to do a Security Assessment
6 Audit. And, we engaged the services of PWC. And, the
7 document is actually referenced in the Settlement
8 Agreement. What -- we've got our first draft of the
9 document, it came in as prescribed, which was in the
10 February/March timeframe. And, they outlined a number
11 of things. There is -- first of all, there are no
12 critical issues that they identified in the assessment.
13 They have identified three areas where we need to spend
14 a little bit more time and energy thinking about how to
15 put a wrapper around them. And, so, all three of those
16 items have been tasked and we're moving forward with
17 that, with the recommendations. That report will, of
18 course, get filed through the Staff once the report
19 gets finalized.

20 And, then, I guess, on an ongoing basis,
21 after we complete the IT migration, there is a
22 requirement to have PWC come back in and do another
23 assessment, if you will. And, then, there's an ongoing
24 process to refresh that security assessment ongoing.

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 So, I think we've got the area very well covered.

2 Q. Thank you. And, I think for Mr. Horan, did I get it
3 right?

4 A. (Horan) "Horan". That's okay. I've heard both.

5 Q. Okay. Thank you. So, again, you've discussed the 18,
6 depending on which, again, which functional area,
7 you've discussed the cutover at "18 to 24 months". I
8 was just wondering, I think it's assumed, but I'd like
9 to hear it, at 18 to 24 months, in theory, at least for
10 New Hampshire, National Grid will have separated
11 themselves, and that's the whole point of the sale, I
12 assume, for this type of activity. What kind of
13 expertise or how can National Grid help at that point?
14 You know, a year from now, 16-18 months from now, the
15 cutover happens, you've articulated that National Grid
16 is willing to step back in, if need be. I guess I'm
17 wondering, what would National Grid add to the table at
18 that point?

19 A. (Horan) Well, with the TSA, so it goes out 24 months,
20 and there's certain ones that it goes zero to six, so
21 at 12 months, so throughout the whole process. So, we
22 will still have the structure in place with those
23 individuals responsible to make sure that those
24 transitions and cutovers take place. I still have

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1 responsibility and still have a core team in place for
2 all the transaction services until this is fully
3 completed. So, it's my role to ensure that the team is
4 in place, and it will continue going forward. So, if a
5 financial item or a safety item is completed in 6 to 12
6 months, and 14 months there's some issues we have to
7 address, I just rally the resources, bring it back, and
8 make sure we have the folks that address that issue.
9 So, I have a commitment and a role to continue this
10 going forward, and it will all fall under me.

11 Q. And, you feel the Company will still have those
12 technical resources?

13 A. (Horan) Yes. Yes. Yes.

14 Q. One final question. What does the "N" in "N Day" stand
15 for?

16 A. (Robertson) "N" is just, in math, is meant to refer to
17 a date where we don't know exactly what the number is
18 right now.

19 Q. Okay.

20 A. (Robertson) Because N may be different for the
21 different services. And, I would just add to -- I
22 would like to add to Mr. Horan's answer, is the
23 commitment of National Grid to seeing this successfully
24 done is a huge -- it was a large part of what caused us

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1 to be interested in Granite State/EnergyNorth. I
2 think, having an organization which are not "cutting
3 and running", if you will, from this is the right thing
4 from our perspective. It worked very well for us in MP
5 Energy, in response to Attorney Fabrizio's question to
6 Mr. Pasieka. We take a lot of comfort in the fact that
7 National Grid are here for the -- till it's right. So,
8 that's just the circumstances. And, so, I just wanted
9 to add that. That was an important part to us as well.

10 CMSR. SCOTT: Thank you.

11 BY CHAIRMAN IGNATIUS:

12 Q. Mr. Robertson, let's stay with some of those thoughts
13 for a moment, if I can ask a little bit more. You said
14 a few moments ago that this is a "strategic investment"
15 for Algonquin. Can you describe more where you see the
16 Company overall in the Liberty side of things going?

17 A. (Robertson) The vision for Liberty Utilities is to
18 assemble a portfolio of let's call it "moderate-sized
19 utilities", if you will, across the country, providing
20 water, gas, and electric service to a variety customers
21 in the context of this customer centric, local focus
22 that we bring to it, I think. So, what would I, if I
23 was King of the World, see unfold for Liberty
24 Utilities? I think a measured and paced continued

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1 growth, acquiring additional utilities. And, ideally,
2 they would be -- they would fit into our existing
3 regions. Right now, we have a western, a southern,
4 soon to be hopefully an eastern, and a central region,
5 and so that we will continue to build that portfolio of
6 utilities delivering on that service proposition.

7 Q. And, you know that National Grid came to the conclusion
8 that it just wasn't working for them, it wasn't, for
9 reasons probably they know better than we do, it wasn't
10 appropriate to continue on as part of their business
11 operations. So, why do you see it being more
12 successful from a business perspective than National
13 Grid felt?

14 A. (Robertson) Well, let's start by saying, I mean, I
15 don't know what led them to the conclusion that they
16 came to, but we looked at this business, as we look at
17 any utility business, and we look at it from three
18 perspectives. There's three elements that we would
19 want to tick the box on when we look at a particular
20 utility investment.

21 First and foremost, is it in a respected
22 regulatory environment that's founded on precedent,
23 which provides reasonable decisions in the context of
24 reasonable actions. And, Standard & Poor's, as you may

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 be aware, ranks all the regulatory jurisdictions, and
2 New Hampshire ranks favorably. And, so, we like the
3 fact that it was in a respected regulatory investment.

4 The second thing that we look at is the
5 demographics of the service territory. Is this a
6 service territory where industry exists, where people
7 are able to pay their bills, that we're not the source
8 of hardship? And, I think, as we looked at the Granite
9 State and EnergyNorth service territories, we were
10 favorably impressed with the ability of those customers
11 to continue to pay their bills enough to make us sort
12 of a valued contribution to the community without sort
13 of overburdening it.

14 And, then, lastly, is there an
15 opportunity for investment? And, perhaps Commissioner
16 Scott's question was, you know, "how do you see
17 continued investment in the business going forward?"
18 And, we see the opportunity to grow penetration of
19 EnergyNorth, to potentially acquire additional
20 utilities, to continue to reinvest in the
21 infrastructure as it wears out.

22 And, so, those three things ultimately
23 got a tick marked beside each one of those areas as we
24 looked at this, the utility. I think, on its face, and

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1 perhaps this gets back to Commissioner Harrington's
2 question, the issue of Granite State, when you first
3 look at it, I mean, I agree, it doesn't look very
4 attractive from a financial perspective, but you have
5 to look beyond the numbers to understand the source of
6 that. And, I think we looked through it, we understood
7 the issue of the existing stay-out. And, we're
8 comfortable that these businesses can be -- certainly,
9 Granite State can be a healthy business, and
10 EnergyNorth is a healthy business.

11 So, as I said, I can't make --
12 understand what the decision that got made or I'm not
13 privy to it, but we're fine and comfortable with these
14 businesses.

15 Q. You had said earlier this morning that you could
16 provide a local presence, but with the resources of a
17 larger operation behind it. And, you talked about
18 Emera's significant assets, as if that somehow helps to
19 bolster the financial picture for, ultimately, for the
20 New Hampshire operation. But you also said they're
21 "stand-alone", they "don't borrow against each other",
22 they "have their own books", they "have their own
23 assets". So, help me understand how those two
24 different themes fit together.

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1 A. (Robertson) Sure. Yes. It didn't -- and, I certainly
2 didn't mean to leave the impression that Emera has a
3 role operationally in supporting this organization.
4 What I meant, the "larger organization", I guess I
5 meant an organization that was larger than perhaps
6 EnergyNorth might have been historically on its own as
7 a stand-alone utility. And, maybe it's all one of
8 perspective, but I look at the Liberty Utilities family
9 onto itself as being an organization with not
10 inconsequential financial resources, certainly not
11 inconsequential human resources. And, so, I think that
12 support actually doesn't come from Emera or our
13 shareholders in general, it comes from the Liberty
14 Utilities family.

15 Our general operational strategies, and
16 we talked about that local presence, each utility, as
17 you accurately point out, is responsible to perform
18 those functions. But our head office, which is --
19 would be surprisingly thinly populated from your
20 perspective, is all about strategies. So, we make sure
21 that there's consistency from a customer service point
22 of view, from an IT perspective, from an operations, we
23 make sure that we're -- that health and safety, HR
24 policies, those are strategic things that are -- where

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 the strategies are developed at the head office, but
2 executed on locally.

3 And, so, I think that's the -- when I
4 speak of the "resources of a larger company", it's
5 having experience across multiple jurisdictions, it's
6 having, you know, a thousand employees, rather than a
7 hundred employees. And, maybe, as I said, that doesn't
8 sound like much against the 20,000 employees that
9 National Grid has. But we think it actually is a
10 meaningful -- has meaningful implications in terms of
11 the ability for that organization, that utility to
12 execute on the premise of delivering service.

13 Q. Your experience with an electric utility is the Pacific
14 -- California Pacific?

15 A. (Robertson) Correct.

16 Q. And, what's the relative size compared to the Granite
17 State operation?

18 A. (Robertson) California Pacific Electric Company serves
19 approximately 50,000 customers, maybe 47,5 [47,500].
20 Granite State Electric Company serves 83,000, is it?

21 A. (Pasieka) No, 43.

22 A. (Robertson) Oh, 43,000. Forty-three thousand.

23 Q. Are they similar in terms of their operations -- well,
24 I'll just -- I'll leave it at that. Are they similar

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1 in what they do and how they do it?

2 A. (Robertson) Neither company has generation, if you
3 will, to speak of. So, they really are really "D"
4 utilities, "distribution" utilities, for all intents
5 and purposes. So, it's about maintaining transmission
6 -- it's about maintaining distribution lines, it's
7 about billing customers, it's about reading meters,
8 it's about procuring power on a wholesale basis. So, I
9 think there is a fairly -- a fair high degree of
10 similarity.

11 Q. How long have you been -- has, whichever the entity is,
12 Liberty Energy Utilities been operating that utility?

13 A. (Robertson) Liberty Utilities, as an organization, as I
14 said, has been in the rate-regulated utility business
15 for a decade. Its first eight years of that was in the
16 water and sewer utility business, operating in three or
17 four states, primarily in the Midwest, Texas, Illinois,
18 Missouri, Arizona, as I said. So, when we -- our first
19 electric utility acquisition was completed some 15
20 months ago, and now it's maybe two and a half years
21 ago.

22 Q. We've had a mix of experience in New Hampshire with
23 mergers, and each one has its own circumstances. Some
24 have moved more smoothly than others, and I'm sure you

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 studied that as part of your decision to come into the
2 state. But, certainly, no one ever anticipated, when
3 it went wrong, no one ever planned for it to go wrong.
4 And, we've always heard how -- the promises that it
5 would be "seamless". And, sometimes it was and
6 sometimes it wasn't. So, how do the -- what safeguards
7 do you have that you're intending to use, and, in
8 particular, you may have used in other instances, to be
9 sure that the hope that it's going to be seamless
10 really will turn out to be that way?

11 A. (Robertson) Well, let me start by saying is we spent a
12 fair amount of time, obviously, looking at the
13 experience of New Hampshire in the process, and
14 sometimes they say "bad experience leads to good
15 judgment". But, I think, in the case of New Hampshire,
16 I think that has been crystal clear, in terms of our
17 discussions with Staff and OCA. I think, if you look
18 at the Settlement Agreement, the primary focus of that
19 Settlement Agreement is about transition oversight, to
20 ensure that there is transparency to this process all
21 the way through, to provide opportunities for Staff to
22 weigh in, for -- to ensure that things don't go badly
23 to the extent that somebody doesn't -- like, we just
24 wake up one morning with a disaster on your hands. So,

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1 I think there has been a heightened sensitivity to
2 ensure that there is transparency. And, we're fine
3 with that. We accept what leads to that.

4 I think, specifically, if you look at
5 the transition plans, and I totally agree with you,
6 nobody ever set out for -- to plan for some of the
7 disasters that befell some of the previous issues that
8 of which you speak. But, I think, if you look at the
9 transition plans, the eye of those transition plans is
10 on ensuring staged -- ensuring staged progress,
11 ensuring visibility at each point on the way through.
12 So that, together with Staff, together with National
13 Grid, it's that nothing happens until it is fully
14 proven to have that -- to be successful.

15 And, then, the last point, and I think
16 this is a material difference, perhaps, between the
17 previous situation that you reference, is that, and I
18 mentioned this in response to Commissioner Scott, is
19 National Grid is here, it's here for the long haul,
20 because, ultimately, they're leaving the state, but,
21 let's be clear, they're not leaving the planet. And,
22 so that they -- I think Mr. Horan mentioned that he
23 acknowledges that you probably have the phone numbers
24 of the Commissioners in New York and in Rhode Island

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1 and in the other jurisdictions in which they operate.
2 And, so, this is not a process that would -- could go
3 badly without there being repercussions. I think the
4 commitment that National Grid has made is not
5 inconsequential, that they will be here as long as it
6 takes in order for this transition to be successful.
7 And, I'm not sure that that was a statement that was
8 made as crystal clear as that, and perhaps some of the
9 -- in the previous circumstances that you make
10 reference to.

11 So, I think those are the three things
12 that would lead me, if you asked me, "how do I provide
13 confidence and comfort to the Commission that we
14 believe this will be successful?" There would be my
15 thoughts.

16 Q. I guess we'll hear more about the IT Readiness Plan,
17 and maybe I'll hold off on a lot of details. But, just
18 in general, is it fair, and maybe, Mr. Pasieka, you can
19 answer this best, is it fair to see it as a period of
20 time where there will be parallel systems in place,
21 and, until the new system is proven to really work, the
22 old system won't be turned off? There won't be kind of
23 a cutover that you then find out if it works or not?

24 A. (Pasieka) Absolutely. And, to the extent that we've

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 gone through the readiness and we've converted, there's
2 also a requirement to keep the other system running for
3 a period of time until such time as we do have that
4 100 percent comfort in a full cycle, if you will.

5 Q. There are references to moving people back into the
6 state or creating new jobs in the state. Is that going
7 to be addressed in one of the panels? Because, if so,
8 I can hold off on that.

9 MR. CAMERINO: If it's on that concept
10 generally, that would be this panel. If you have
11 questions about the specific positions, we have witnesses
12 coming on the operations side and the customer service
13 side. So, those would be directed to those witnesses.

14 BY CHAIRMAN IGNATIUS:

15 Q. Well, then, let me just maybe generally, there's
16 reference to jobs, and even a number of "60 jobs", what
17 are we talking about, in terms of location, the work
18 that would be done, and the timeframe when you think
19 that might all come together?

20 A. (Robertson) Sure. The jobs primarily speak to
21 functions that are currently being performed in
22 Massachusetts, like mostly, though there are some -- I
23 mean by National Grid, though, there are some
24 functions, gas procurement, which is being provided in

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Long Island. So, it's about hiring individuals, and
2 either we're hiring National Grid individuals, who are
3 currently performing those functions, and moving their
4 place of employment to New Hampshire, or recruiting new
5 individuals, such as the head of our gas procurement
6 group, we've hired out of BayState. But, so, it's, you
7 know, to be frank, they're well-paying, skill jobs,
8 engineering jobs, gas procurement jobs, these are
9 functions that National Grid had elected to perform out
10 of their, primarily, as I said, of their Waltham head
11 office. And, so, we will be moving them to either our
12 offices, you know, in the various areas in which we
13 serve, Salem, Nashua, Manchester, Lebanon, either at
14 our head office, or out to the fields, as I mentioned,
15 Customer Service Reps. We believe that, so we'd be
16 creating jobs in Lebanon, as an example. Where there
17 may be one or two Customer Service Reps actually
18 answering phones and dealing with customers in those
19 service territories. So, I think it really is broadly
20 about repatriating those functions from another state
21 in the state.

22 Q. But it would be an overstatement to see this
23 transaction as resulting in "60 new positions in New
24 Hampshire"? Some of those may be filled by people who

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1 are living in Massachusetts doing the job, and would
2 just do it here?

3 A. (Robertson) Yes, that's a possibility. I mean, I
4 think, ideally, we have an interest in our employees
5 living in the state. Certainly, that is -- would be
6 consistent with our vision. When I say "new jobs", I
7 mean, I would argue that New Hampshire's benefit is --
8 Mass.'s loss is New Hampshire's gain. So, I mean,
9 there probably will be 60 less jobs. It's not about
10 creating new FTEs, if you will, full-time equivalents
11 in the state. But it really is about making the
12 primary place of employment here in the state. While
13 we can't actually mandate that all of our employees
14 move across the state line, we certainly would like as
15 many as possible to live in the state. We just think
16 it works better that way.

17 Q. And, after the closing, do you anticipate any more --
18 do you have any space in Waltham that you will be
19 using?

20 A. (Robertson) In the long term, no. That we will not be
21 renting space. All of our operations will be on the
22 New Hampshire side of the state line. And, as Mr.
23 Pasieka mentioned, we have, even as of today, sort of
24 made a commitment for some temporary space down near

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 our Salem office. So, everything is in New Hampshire.

2 Q. Mr. Pasieka, you had described Mr. DelVecchio's role as
3 being "full accountability". Can you tell me more what
4 that means?

5 A. (Pasieka) Absolutely. So, he's the most senior
6 executive here within the state. He would be
7 accountable to make sure that the financial numbers
8 come together and meet their expectation specific to
9 the budgets that have been set. He would be
10 accountable, as Ian indicated, a lot of the strategy
11 work that we do comes from our Oakville office. And,
12 we have come up with a series of programs at the
13 Customer Service level, the Employee Engagement level,
14 the HR and Benefits level. And, the expectation is
15 that he would endorse and embrace these programs as his
16 own, and then translate those programs locally here,
17 and have his own kind of instance, if you will, of our
18 Liberty Day Program, for example, which is a volunteer
19 program, where we give our employees some time off to
20 be able to volunteer at a charity of their choice. So,
21 the implementation of "the Liberty way" or "the Liberty
22 ways", if you will, will fall to Mr. DelVecchio.

23 Q. We've seen in some instances, with both an instate
24 presence and a regional operation of the parent

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 company, if not directly, the states end up being
2 pitted against each other, fighting for budget numbers
3 and attention. And, we, as a small state, always
4 worried that we're going to get lost in the shuffle
5 here. How will that work in this case?

6 A. (Pasieka) Well, as Mr. -- sorry.

7 Q. No. Please go ahead.

8 A. (Pasieka) As Mr. Robertson indicated, this is actually
9 fairly strategic, and, in fact, Mr. DelVecchio will be
10 running one of our larger regions. So, maybe the
11 question is best turned around to some of our other
12 regions. But what we do on a monthly basis, and on a
13 quarterly basis, we do a couple of things that actually
14 bring our regional presidents together. The idea with
15 that is that so that we can actually share "best
16 practices" across the region. So, for example, in
17 California, a couple of "best practices" there, the
18 Safety Tailgating Program that we have in place there
19 has now been implemented in our southern region as --
20 southern region as a result of that sharing.

21 We also do some other things at the
22 employee level that I think kind of glues the whole
23 organization together. On a quarterly basis, we run a
24 video conference. And, we actually bring all of the

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[WITNESS PANEL: Robertson~Pasiieka~Horan]

1 regions together onto that conference. And, this would
2 be an opportunity for Mr. DelVecchio to showcase how
3 his region is actually living the vision and living the
4 values of Liberty Utilities. So, we have a couple of
5 things where we just don't leave them isolated here, in
6 the sense that we make them part of a larger family,
7 the Liberty Utility family. And, the idea is to share
8 those things that work really well, and incrementally
9 move all of the organizations in our family forward.

10 A. (Robertson) And, perhaps just to follow on, your
11 question spoke about competition for capital, and
12 making sure that we didn't marginalize one state in
13 favor of another. I think it gets back to the basic
14 premise that we acknowledge that a utility is best
15 served by continued reinvestment going forward. And,
16 speaking to Commissioner Scott's question, is that, you
17 know, notwithstanding the fact that in this case New
18 Hampshire is the Big Kahuna within the Liberty
19 Utilities family. We accept that. That we've never
20 denied an opportunity from any of our utilities for, in
21 effect, prudent reinvestment. That's just not how we
22 think of the world. I think any utility that has an
23 opportunity to continue to put capital to work in a way
24 that it doesn't result in egregious rate increases,

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 because that certainly isn't something we want to stand
2 behind. But we would never deny that reinvestment. It
3 wouldn't be pitted against one another.

4 CHAIRMAN IGNATIUS: Thank you. I think
5 that's all of my questions. Any other? Commissioner
6 Harrington.

7 CMSR. HARRINGTON: Just a couple of
8 quick follow-up questions.

9 BY CMSR. HARRINGTON:

10 Q. On the issue, I was going to wait, I guess, until we
11 got to the Settlement Agreement, but since we've
12 already brought the issue of the "60 jobs" that have
13 been created in New Hampshire. Those jobs you stated
14 were in Massachusetts previously. And, this gets back
15 to my question on economies of scale. Were those
16 positions 60 dedicated people working in Massachusetts
17 who work full time on supporting the New Hampshire
18 utilities, or were they people -- 60 people in
19 Massachusetts that supported multiple National Grid --

20 A. (Robertson) In general. So, they were 60 full-time
21 equivalent positions providing services for the benefit
22 of New Hampshire. And, so, those 60 roles are being re
23 -- I was going say "repatriated", sounds like it's
24 moving countries, but across --

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[WITNESS PANEL: Robertson~Pasiieka~Horan]

1 Q. We kind of consider New Hampshire --

2 A. (Robertson) And, I understand the comment. So, that,
3 hopefully, that clarifies?

4 Q. Yes, it does. Thank you. Another question, getting
5 back to this --

6 A. (Robertson) Yes, sir.

7 Q. -- this chart, which is Attachment 1 to some exhibit, I
8 don't know which one.

9 CHAIRMAN IGNATIUS: Exhibit 1.

10 BY CMSR. HARRINGTON:

11 Q. Exhibit 1, I guess. Just you had mentioned before, and
12 I had asked you about this "pushing down of the debt",
13 I think was the term you used, from the very top, which
14 would be Algonquin Power, and then I'm trying to think
15 of how -- the monies -- let me start from the
16 beginning. The money is being borrowed originally by
17 Liberty Utilities?

18 A. (Robertson) Liberty Energy Utilities Co., from -- on
19 this chart, is the borrower of that capital. It might
20 be "Liberty Utilities Co." But the fact that it's
21 actually not the parent, --

22 Q. Okay.

23 A. (Robertson) -- Algonquin Power & Utilities Corp. Those
24 borrowings are within the Liberty Utilities family.

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 Q. Okay. And, then, that's being pushed down to
2 EnergyNorth and Granite State?

3 A. (Robertson) Correct.

4 Q. And, what happens to the interim position? Where does
5 Liberty Energy Utilities (New Hampshire), how do they
6 fit in?

7 A. (Robertson) Think of it as a pass-through from their
8 perspective.

9 Q. Okay.

10 A. (Robertson) And, so that that debt which is borrowed in
11 the aggregate, we're talking, you know, \$130 million
12 and needs to be segregated through, it would all flow
13 through Liberty Utilities (New Hampshire), and then
14 split out in proportion to Granite State Electric
15 Company or Energy [EnergyNorth?] Natural Gas, Inc.

16 Q. Okay. And, Exhibit 6, which is the org. chart of
17 Liberty Utilities, I'm assuming this is Liberty Energy
18 Utilities (New Hampshire) Corp. And, I'm trying to get
19 the relationship, these people in this chart all work
20 for Liberty Energy Utilities (New Hampshire). Who
21 works for EnergyNorth and Granite State and what's the
22 relationship there?

23 A. (Pasieka) Yes. And, for some of the functions, the
24 functions are, obviously, combined functions. So, if

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 you think about regulatory or finance, you know, those
2 functions would actually be doing work on kind of both
3 sides of the house. When you go over into the
4 operations role, for example, you would actually --
5 there would be a differentiation between the gas ops
6 and the electric ops. Our Customer Service is an
7 interesting one where we're going to have our Customer
8 Service Reps fully trained on the ability to either do
9 a gas query or an electric query. And, obviously,
10 those Customer Service people will be housed in walk-in
11 centers. So, what that means is, they will probably be
12 set in a location which is either a gas territory or an
13 electric territory, but they will also be trained on
14 the system to actually be able to answer on the phone a
15 query from another customer in the other utility.

16 Q. So, the people that are in the Liberty Energy
17 Utilities, they're sort of providing corporate support
18 or, if you will, to EnergyNorth and Granite State, but
19 there will be people that are also employed by those
20 companies?

21 A. (Robertson) Well, in fact, we're retaining all of the
22 employees, the operational employees, the gas fitters,
23 you know, the meter readers, who are currently
24 performing a function for Granite State/EnergyNorth.

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1 That is the preponderance of the employees, are
2 individuals who are currently actually working for
3 EnergyNorth or Granite State.

4 Q. And, what's their reporting chain? How do they go from
5 to who?

6 A. (Robertson) Ultimately, they all report to Vic
7 DelVecchio, who's the President of the Liberty Energy
8 Utilities (New Hampshire) Corp. I think this is an
9 important, let's say, distinction, because, in some
10 respects, it's not a distinction, is that think of this
11 as a combined electric and gas utility now. And, so
12 that, while, of course, we'll keep costs separate from
13 a time sheeting perspective, so that the rate cases can
14 be pursued separately, there is the economies of scale,
15 to the extent that you had mentioned earlier, of a
16 combined function, which is what David was mentioning,
17 say, a CSR, who would be capable of providing answers
18 to a customer on both the gas or the electric side,
19 almost irrespective where he or she worked for, and
20 that time would be accounted for properly between
21 Granite State and EnergyNorth.

22 Q. And, then, so, on this Exhibit 6, where we have the
23 "Liberty Utilities - New Hampshire" org. chart, there's
24 actually some missing lines that connect EnergyNorth

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1 and Granite State up to Mr. DelVecchio?

2 A. (Robertson) In general, they all flow up either through
3 the operations side or the IT side. And, so, what
4 isn't shown on that, and for the sake of brevity, is
5 the additional 150 or so operational functions that
6 generally flow up through Mr. Saad, right up to
7 Mr. DelVecchio. So, from an operation side, they
8 generally all flow up through him.

9 Q. Okay. So, on this chain down here, if we go further
10 down, we get to EnergyNorth and Granite State. So,
11 those are remaining, though, as separate, distinct
12 entities?

13 A. (Robertson) That is correct.

14 Q. And, there will be employees that get -- they are
15 called "employees of Granite State and EnergyNorth", or
16 is everybody going to be employees of Liberty
17 Utilities?

18 A. (Robertson) Nope. They're employees as you -- the
19 former, not the latter.

20 Q. Okay. But these people will be employees of, that are
21 on Exhibit 6, will be employees of Liberty Utilities?

22 A. (Robertson) New Hampshire Corp.

23 Q. New Hampshire. Okay. All right. I was just trying to
24 --

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 A. (Robertson) Yes.

2 Q. -- straighten out how that worked there. This is just
3 a totally unrelated question, and I'm just going to
4 ask, because I don't know what to do with this. We
5 received a letter from Outland Energy Services, from
6 Minnesota. And, I guess my first question is, why does
7 someone from Minnesota care about this potential sale?
8 And, they address -- they raise certain questions.
9 Basically, "the Commission should carefully review the
10 potential effect of the financial condition of
11 Algonquin and its [investors] on ratepayers." And, can
12 you comment on this at all?

13 A. (Robertson) Sure. I think this is an example of the
14 most egregious use of the legal system to bring
15 pressure to bear on unrelated parties to litigation.
16 Outland Services is in a litigation with a company
17 called "Gamesa", which is a supplier of wind turbines.
18 And, as I mentioned, responsive to Attorney Fabrizio's
19 question about growth, we have continued to grow our
20 power business, and that has included the acquisition
21 of some wind parks in Pennsylvania and Iowa and Texas
22 and Illinois, from Gamesa. And, I think, as a tactic
23 to try to bring pressure to bear on us to put pressure
24 on Gamesa to settle the lawsuit, they are reaching out

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[WITNESS PANEL: Robertson~Pasieka~Horan]

1 in every possible way to, if you will, create pressure.

2 I can certainly take you through one by
3 one the -- I won't say their "allegations", because
4 there certainly is not an allegation against us, but
5 the issues that they raise are artfully worded in order
6 to create angst in readers. And, I appreciate you
7 raising it. And, as I said, we're comfortable that
8 this really doesn't have anything to do with us. It
9 certainly doesn't have any bearing on the proceedings,
10 because, as I said, I think, if you read through it,
11 you would find most of the issues under perhaps a
12 clearer light of day actually turn out to be, as I
13 said, quite artfully worded, to accomplish the
14 objective of putting pressure on us to put pressure on
15 Gamesa, to settle a lawsuit of which we have no
16 involvement. It doesn't have anything to do with the
17 transaction we're involved in.

18 CMSR. HARRINGTON: Thank you. That's
19 all I have.

20 CHAIRMAN IGNATIUS: Mr. Scott, do you
21 have anything else? All right. Let's go off the record
22 for a moment.

23 (Off-the-record discussion ensued.)

24 CHAIRMAN IGNATIUS: All right. We're

[WITNESS PANEL: Robertson~Pasieka~Horan]

1 back on the record. Mr. Camerino, any redirect?

2 MR. CAMERINO: We have no redirect.

3 Thank you.

4 CHAIRMAN IGNATIUS: All right. Then, I
5 think the witness panel is excused. Thank you very much,
6 gentlemen. It's very helpful. We're going to take a
7 break for lunch. It's almost 12:00 right now. So, let's
8 resume at 1:15 with the second panel, is that correct?
9 And, that will be Mr. Frink, Mr. Mullen, Mr. Eichler, and
10 Mr. Burlingame?

11 MS. FABRIZIO: No. Actually, Staff
12 would like to put the panel which includes our insultants
13 -- consultants, G3 --

14 (Multiple speakers at the same time.)

15 CHAIRMAN IGNATIUS: I just noticed that.

16 MS. FABRIZIO: -- I'm sorry, to discuss
17 IT issues.

18 CHAIRMAN IGNATIUS: All right. That's
19 fine. So, if everybody's -- if that's okay with
20 everybody, then we'll begin at 1:15. And, feel free to
21 have them get settled before we begin. Thank you. We'll
22 return at 1:15.

23 (Whereupon the lunch recess was taken at
24 11:56 a.m. and the hearing to resume

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"Afternoon Session Only".)