



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

Docket No. DG 14-___

Iberdrola USA Enterprises, Inc.

and

Liberty Utilities (EnergyNorth Natural Gas) Corp.

DIRECT TESTIMONY

OF

STEPHEN R. HALL

June 6, 2014

1 **Q. Mr. Hall, please state your name and business address.**

2 A. My name is Stephen R. Hall. My business address is 15 Buttrick Road, Londonderry,
3 NH 03053.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Liberty Energy Utilities (New Hampshire) Corp. as Director,
7 Regulatory and Government. I am responsible for rates and regulatory affairs for Liberty
8 Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth”) and Liberty Utilities (Granite
9 State Electric) Corp. and I have supervisory responsibility for government affairs at the
10 companies.

11

12 **Q. Please describe your educational background.**

13 A. I received a Bachelor of Science degree in Mathematics Education from the University of
14 New Hampshire in 1977 and a Master’s degree in Business Administration from the
15 University of New Hampshire in 1979.

16

17 **Q. Have you previously testified before the Commission?**

18 A. Yes, I have testified extensively before the Commission during my 35-year career in the
19 utility industry at Public Service of New Hampshire and more recently on behalf of
20 Liberty Utilities (“Liberty”). My testimony has covered a wide range of regulatory,
21 ratemaking and pricing issues.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to describe the ratemaking that will be proposed by
3 EnergyNorth to apply to customers formerly served by New Hampshire Gas Corporation
4 (“NHGC”) following the acquisition of NHGC by EnergyNorth.

5

6 **Q. Are you proposing changing the rates of NHGC’s customers at this time?**

7 A. No, we are not. Rather, this testimony describes EnergyNorth’s plan for phasing in the
8 rates of customers formerly served by NHGC in a manner that, over time, will result in
9 those customers being served under the same delivery rates, terms and conditions as
10 EnergyNorth’s customers.

11

12 **Q. On the date that the transaction closes, what rates will be charged to former
13 customers of NHGC?**

14 A. Both the rates and the terms and conditions of service included in NHGC’s tariff will
15 remain unchanged following closing. We anticipate that EnergyNorth will adopt
16 NHGC’s existing tariff by filing a tariff with the Commission applicable to those
17 customers previously served by NHGC that is identical to NHGC’s existing tariff with
18 one difference: the name of the utility will be changed to Liberty Utilities (EnergyNorth
19 Natural Gas) Corp. in place of New Hampshire Gas.

20

1 **Q. Will the rates subsequently change?**

2 A. Yes, we will propose that rates will change gradually over a period of two or more years.

3

4 **Q. Why will you be proposing gradual changes to rates instead of transitioning all**
5 **customers to EnergyNorth's rates immediately?**

6 A. We will propose gradual changes due to the rate differential that currently exists between
7 the rates charged by the two companies.

8

9 NHGC is not currently earning its allowed rate of return, and its distribution rates are
10 higher than EnergyNorth's distribution rates.¹ Therefore, once NHGC's former
11 customers become EnergyNorth's customers, and as NHGC's customers are transitioned
12 to EnergyNorth's rates, there will be a need to synchronize the rates. By gradually
13 synchronizing the rates, the impact on customers is minimized.

14

15 **Q. Will there be any benefits to EnergyNorth's customers as a result of transitioning**
16 **NHGC's customers to EnergyNorth's rates?**

17 A. The transaction is beneficial to EnergyNorth because it provides additional volume over
18 which EnergyNorth's fixed costs can be spread. Additionally, once fully transitioned,
19 NHGC's former customers will pay the LDAC, thus modestly reducing the amount of

¹ NHGC's last distribution rate proceeding was DG 09-038. See Order No. 25,039 (October 31, 2009).

1 costs recovered thereunder from existing EnergyNorth customers. Further, as discussed
2 in the testimony of Mr. Leehr, the transaction is beneficial to the EnergyNorth's
3 customers because of the growth potential associated with NHGC.

4
5 **Q. Please provide a description of the rate plan that you intend to propose.**

6 A. At closing, all former customers of NHGC will become customers of EnergyNorth, but
7 will continue to be billed under NHGC's currently effective rates, including the Cost of
8 Gas rate. Because EnergyNorth will not earn its allowed rate of return from serving those
9 customers (even at NHGC's rate level), there will be a revenue shortfall that will need to
10 be recovered in a future period. That shortfall will accrue with carrying charges for
11 future recovery from all customers.

12
13 Upon implementation of the rate plan, distribution rates for former NHGC customers will
14 be reduced by one-third of the difference between their existing rate level and
15 EnergyNorth's existing rate level. The revenue loss for EnergyNorth as a result of such a
16 reduction will be recovered from all of EnergyNorth's existing customers through a
17 simultaneous increase to EnergyNorth's distribution rates, although the increase to
18 EnergyNorth's distribution rates will be significantly less than the decrease to NHGC's
19 distribution rates due to the difference in the number of customers in each system.

20
21 One year after implementation of the rate plan, distribution rates for former NHGC

1 customers will be further reduced by one-half of the remaining difference between
2 NHGC's existing rate level and EnergyNorth's existing rate level, and EnergyNorth's
3 distribution rates will be correspondingly increased. Finally, two years after the
4 implementation of the rate plan, distribution rates for former NHGC customers will be
5 reduced by the remaining difference between the existing rate levels of NHGC and
6 EnergyNorth, with a corresponding increase to EnergyNorth's distribution rate level.
7 Additionally, EnergyNorth's rates will also be increased at a future date to recover the
8 accrued revenue shortfall plus carrying charges from closing until the time that
9 EnergyNorth's rates are initially increased under the rate plan. The accrued shortfall will
10 be recovered over a period to be determined at that time, taking into account the rate
11 impact on all customers of such recovery.

12
13 At the two-year anniversary of the rate plan implementation, all former NHGC customers
14 will be transitioned to EnergyNorth's distribution rates (excluding the Cost of Gas rate),
15 and the tariff previously applicable to such customers will be cancelled. The City of
16 Keene will also be added to the Service Area section of the Terms and Conditions of
17 EnergyNorth's tariff. At this point, former NHGC customers will be billed entirely under
18 EnergyNorth's tariff (including the LDAC), but under a separate Cost of Gas rate that
19 will be included in the tariff and applicable only to former NHGC customers.

20

1 **Q. Will the decreases to NHGC's rates and the increases to EnergyNorth's rates under**
2 **the plan described above be reconciled?**

3 A. No. For administrative simplicity, we do not plan on tracking those amounts and
4 reconciling any difference. Rather, the decreases to NHGC's rates and the increases to
5 EnergyNorth's rates will be treated like any other distribution rate change – they will be
6 calculated based on historic billing determinants and distribution rates will be adjusted
7 accordingly.

8

9 **Q. Given the potential for a rate increase for EnergyNorth's customers, why is the**
10 **transaction in the public interest?**

11 A. The benefits of the transaction are discussed in detail in the testimonies of Messrs. Leehr,
12 DaFonte, Saad, Smith, Sherry, and Dickinson. However a summary of the benefits
13 include:

14

15 1. Regulatory Efficiency: As explained in Mr. Leehr's testimony, the Commission will
16 now only have to regulate one utility instead of two.

17

18 2. Compliance with Storage Rules and Regulations: As explained in Mr. DaFonte's
19 testimony, the transaction is in the public interest, because the Keene system will
20 have access to sufficient propane storage to allow it to be in compliance with
21 Commission storage rules and regulations.

1 3. Energy Efficiency: As a result of the transaction energy efficiency services will be
2 available to customers in Keene who have not previously been eligible.

3
4 4. Lower Commodity Rates: Converting the Keene system to CNG will result in lower
5 commodity rates for the citizens of Keene.

6
7 5. Low Income Rate: NHGC customers will have access to a low income rate.

8
9 6. Lower overall revenue requirement: The overall revenue requirement of the combined
10 entity will be lower due to Iberdrola's willingness to forego recovery of the
11 settlement payment to Keene Propane Corporation, as discussed below.

12
13 **Q. Will the Cost of Gas rate applicable to NHGC's former customers remain in effect**
14 **indefinitely?**

15 A. No. As described in Mr. Leehr's testimony, EnergyNorth will determine whether it is
16 cost effective to convert NHGC's system to LNG or CNG. If that decision were made,
17 then customers would pay the standard Cost of Gas rate as they were converted to LNG
18 or CNG service, and would cease paying the Cost of Gas rate that had been applicable
19 since acquisition.

20

1 **Q. How would the cost associated with the conversion be recovered?**

2 A. The cost of conversion would be recovered either from customers who are served from
3 NHGC's existing system including from new customers added to the system following
4 conversion, and possibly from all existing customers, depending on the economics of the
5 conversion and the anticipated increase in customers that could be realized as a result of
6 the conversion. A different level of cost recovery could apply for customers who are
7 served by the system through the assessment of an additional surcharge or by some other
8 means. In such an event, EnergyNorth would propose a tariff provision that applies only
9 to those customers served from the system to differentiate cost recovery from those
10 customers as compared to cost recovery from all customers. However, any decision on a
11 cost recovery proposal would be made at the time that the decision to convert is made.

12

13 **Q. In the absence of the acquisition, will there be any changes to NHGC's distribution**
14 **rates?**

15 A. Yes, changes would be necessary, since NHGC is currently not earning its allowed rate of
16 return. Additionally, as described in Mr. Dickinson's testimony, Iberdrola would seek
17 recovery from NHGC's customers of the settlement payment made to Keene Propane
18 Corporation. Iberdrola is foregoing recovery of that payment as a result of this
19 transaction.

20

1 **Q. Does this conclude your testimony?**

2 A. Yes, it does.