

**In Re:**  
*DG 15-155 VALLEY GREEN NATURAL GAS, LLC*  
*PETITION FOR FRANCHISE APPROVAL*

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*DAY 3*  
*May 6, 2016*

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**DAY 3 - May 6, 2016**  
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1	I N D E X (CONT'D)	1	going to do Mr. Patch; Mr. Christopoulos, if
2		2	he's here; Ms. Arwen; Mr. Cicale and Mr.
3	CLOSING STATEMENTS	3	Speidel and then Valley Green.
4	Ms. Arwen 196	4	So, Mr. Patch, are you ready to
5	Ms. Geiger 200	5	go?
6	Mr. Patch 201	6	MR. PATCH: Yes. Thank you.
7	Mr. Cicale 204	7	CROSS-EXAMINATION
8	Mr. Speidel 207	8	BY MR. PATCH:
9	Mr. Willing 209	9	Q. Good morning, Mr. Evslin. I think as you
10		10	remember, I represent Liberty Utility. My name
11		11	is Doug Patch.
12	EXHIBITS PAGE	12	A. I do, and good morning.
13	15 Prefiled testimony of 49	13	Q. Good morning.
14	Steven E. Mullen	14	On Page 4 of your prefiled testimony in
15	and William J. Clark	15	this docket, you say you are "agnostic" as to
16		16	whom the franchise should be awarded, but you
17	16 RESERVED (Record request for 62	17	go on to say that, if the Commission were to
18	average wages for salaried	18	approve the Valley Green proposal, it is almost
19	and union employees in Safety	19	certain to be an economic failure and not even
20	Operations, with and	20	likely to be built; is that correct?
21	without benefits)	21	A. If they were to approve it as it was submitted,
22	17 Prefiled REDACTED Testimony 68	22	yes, that is correct.
23	and attachments of Dr. Pradip	23	Q. And is there anything that has changed as a
24	Chattopadhyay	24	result of their supplemental testimony or what
	Exhibits 1 thru 17 Admitted 190		
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1	PROCEEDINGS	1	you heard yesterday that would change that
2	CHAIRMAN HONIGBERG: I think we are	2	view?
3	ready to resume the questioning of Mr. Evslin;	3	A. No, there is not.
4	is that right?	4	Q. One of the reasons that you gave in your
5	MS. BROWN: Yes, Mr. Chairman.	5	testimony for that belief is that Valley
6	CHAIRMAN HONIGBERG: Why don't we	6	Green's LNG-centric design will make their
7	have him take his seat.	7	product more expensive. And in particular, you
8	Is there anything else we need	8	cite Dartmouth-Hitchcock and the price that
9	to do this morning before we get started?	9	they currently pay for CNG service; is that
10	Ms. Brown?	10	correct?
11	MS. BROWN: Yes. Yesterday Valley	11	A. That is correct.
12	Green had stated that it would respond to	12	Q. And in your testimony at Page 6, Lines 3 to 6,
13	record requests. And I have those at this	13	you say, "The economics of a successful gas
14	time. The parties have received them, and I'd	14	island LDC service depends on the expensive LNG
15	like to pass them out to you now.	15	being used only as backup fuel if the CNG
16	CHAIRMAN HONIGBERG: Okay. Why don't	16	supply is interrupted"; is that correct?
17	you do that.	17	A. That's correct.
18	MS. BROWN: For the record, we had	18	Q. You express a concern that Valley Green would
19	identified for Exhibit 11 the draft lease, and	19	construct expensive LNG infrastructure and a
20	as Record Request 12, the amendments to the	20	system into which it would be difficult to
21	MOU.	21	introduce CNG; correct?
22	CHAIRMAN HONIGBERG: All right.	22	A. That's also correct.
23	While Ms. Brown is passing that out, I think	23	Q. And has that changed as a result of what you've
24	the order of questioning of Mr. Evslin, we're	24	heard?
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<p>[WITNESS: EVSLIN] Page 9</p> <p>1 A. It has not.</p> <p>2 Q. And one of the other concerns you expressed was</p> <p>3 Valley Green's ability to meet its</p> <p>4 responsibility to its customers, providing</p> <p>5 service at just and reasonable rates if it does</p> <p>6 not adhere to a policy of procuring supply</p> <p>7 through a truly competitive process; is that</p> <p>8 fair to say?</p> <p>9 A. That's fair to say.</p> <p>10 Q. And in support of that argument, you cite the</p> <p>11 laws that require a utility to file a Least</p> <p>12 Cost Plan in order to obtain approval of rates</p> <p>13 and changes; correct?</p> <p>14 A. Correct.</p> <p>15 Q. And then, in your testimony on Page 10, Lines</p> <p>16 20 to 21 -- and this is supported by the</p> <p>17 attachments -- you say that Valley Green has</p> <p>18 not been responsible in seeking competitive</p> <p>19 supply bids and assuring ratepayers the best</p> <p>20 price for their fuel; correct?</p> <p>21 A. Correct.</p> <p>22 Q. Was there anything you heard yesterday that</p> <p>23 changes that opinion?</p> <p>24 A. No, there is not.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 11</p> <p>1 CNG suppliers, a large number of LNG suppliers.</p> <p>2 In fact, if just trucking LNG is involved, any</p> <p>3 trucking firm that can haul hazard materials</p> <p>4 can haul LNG. And various truckers -- the</p> <p>5 trucker we use, Noonan, for example, have LNG</p> <p>6 transport. So there are a large number of</p> <p>7 potential respondents to an RFP that involves</p> <p>8 trucking gas broadly in other CNG or LNG form.</p> <p>9 One of the assertions that --</p> <p>10 (Court Reporter interrupts.)</p> <p>11 CHAIRMAN HONIGBERG: Off the record.</p> <p>12 A. Mr. Campion asserts that his customers require</p> <p>13 firm pricing over 15 years. In fact, we heard</p> <p>14 during testimony yesterday that the firm</p> <p>15 pricing that's available for LNG does not</p> <p>16 include the commodity. In fact, what we heard</p> <p>17 from the witnesses yesterday, and it's</p> <p>18 accurate, is that the price for delivered LNG</p> <p>19 is built up in an absolutely parallel manner to</p> <p>20 the price for delivered CNG. In both cases you</p> <p>21 start with pipeline gas. And when you make a</p> <p>22 quote to say for 10 years or 15 years I'm going</p> <p>23 to deliver you LNG or CNG, you can often</p> <p>24 provide a fixed price for everything but the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 10</p> <p>1 Q. Are you familiar with Valley Green's response</p> <p>2 to Staff 1-3, Exhibit 4, Bates Page 3 to 5?</p> <p>3 A. Yes, I am.</p> <p>4 Q. And that's where Valley Green gives the reasons</p> <p>5 why they believe LNG is more suited to this</p> <p>6 project than CNG; correct?</p> <p>7 A. That is correct.</p> <p>8 Q. Do you agree with those reasons?</p> <p>9 A. No, I don't.</p> <p>10 Q. Could you explain why not?</p> <p>11 A. Okay. I do happen to have a copy of that here</p> <p>12 with me, so I'll go through that and point out</p> <p>13 where I disagree.</p> <p>14 First of all, they make the statement in</p> <p>15 the first paragraph of their response that the</p> <p>16 reason that they chose Tri-Mont and Gulf</p> <p>17 without competitive bidding is that there were</p> <p>18 a limited number of suppliers available. I</p> <p>19 can't testify as to the supply of engineering</p> <p>20 firms. And I realize engineering is not a</p> <p>21 commodity, so my testimony does not apply to</p> <p>22 the choice of Tri-Mont.</p> <p>23 However, there are a large number of</p> <p>24 suppliers of LNG and CNG -- only a few of us</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 12</p> <p>1 gas itself. And so the price, the quote</p> <p>2 usually includes an indicative price, what the</p> <p>3 Forward strips look like for the commodity gas.</p> <p>4 But the point is it's the same commodity. So</p> <p>5 the price of the commodity that goes into the</p> <p>6 LNG goes up and down exactly the same way as</p> <p>7 the commodity that goes into the CNG because</p> <p>8 that commodity is pipeline natural gas. After</p> <p>9 that, with LNG you pay for liquefaction, which</p> <p>10 can be a fixed price. With CNG, you pay for</p> <p>11 compression, which can be a fixed price. With</p> <p>12 both you pay for trucking, which can be a fixed</p> <p>13 price, and with both you have to amortize the</p> <p>14 cost of, in the case of LNG, vaporization, and</p> <p>15 with the cost of CNG, decompression, and that</p> <p>16 can be fixed price. So there's an absolute</p> <p>17 parallel in the way that CNG and LNG are</p> <p>18 priced, and the price of the commodity for LNG</p> <p>19 and CNG is going to vary in exactly the same</p> <p>20 way. Or if you choose to buy a hedge, as the</p> <p>21 gentleman from Gulf testified yesterday, you</p> <p>22 can fix the price of LNG, or of the base</p> <p>23 commodity, for some period of time. And of</p> <p>24 course, you can do exactly the same thing if</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 13</p> <p>1 you're turning that base commodity into CNG. 2 However, Mr. Champion said he wanted to avoid 3 any take-or-pay commitment. You can't really 4 fix the price of the commodity without 5 committing to buy the commodity. Somebody's 6 got to put on a hedge. And, you know, so we 7 understand in this industry that, once you're 8 talking about a fixed price for a commodity, 9 that you're talking about a commitment to the 10 commodity. That's not necessarily a bad thing. 11 I just want to be accurate about what's in 12 here.</p> <p>13 MS. BROWN: Can I just express an 14 objection to this new testimony? I don't 15 know -- I mean, there's some leeway in adding 16 some new testimony. But I mean, it looks 17 like he's starting to get into --</p> <p>18 CHAIRMAN HONIGBERG: This isn't his 19 lawyer questioning him. This is Liberty's 20 lawyer questioning. Liberty's lawyer is asking 21 these questions right now.</p> <p>22 MS. BROWN: Sorry. I was just --</p> <p>23 CHAIRMAN HONIGBERG: It is sometimes 24 confusing that we have lawyers from the same</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 15</p> <p>1 it's de minimus. Dartmouth Hitchcock is being 2 served with trucks of CNG today. I believe on 3 the average, they get about three truckloads a 4 day. So you're not looking about a huge volume 5 of trucks going up and down the interstate 6 there.</p> <p>7 It says during -- he's testified that 8 during periods when the LNG supply -- when CNG 9 prices are low, Valley Green could augment its 10 LNG supply with CNG. Well, there's a 11 misunderstanding there. You can't just dump 12 CNG into a tank somewhere. In order to use 13 CNG, there does have to be CNG decompression 14 equipment installed on site, and that equipment 15 is not inexpensive. There also has to be room 16 for trailers, because CNG is used directly out 17 of the trailers that bring it. You don't have 18 to construct an expensive tank for it because 19 you don't do that. But you do have to have 20 room for the trailers to park, for trailers to 21 turn. We haven't seen on any of the diagrams 22 that have been presented where a space -- where 23 there's either a space for CNG to offload at 24 the facility or where there's any provision for</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 14</p> <p>1 firm representing two different clients here. 2 But that is what they've got, and they're doing 3 that, as they have in many other dockets. But 4 in this instance, it's Mr. Patch.</p> <p>5 I'm sorry. Mr. Evslin, do you 6 remember where you were?</p> <p>7 THE WITNESS: Yes, I do.</p> <p>8 CHAIRMAN HONIGBERG: Why don't you 9 continue.</p> <p>10 A. So, again, later on Mr. Camion states again 11 that LNG is more stable in price; CNG prices 12 vary markedly by the season. Not true. Same 13 commodity, varies in the same way.</p> <p>14 He states that CNG equipment would cost 15 more. That's never been true at any time that 16 we have priced that out. We certainly didn't 17 give him any prices on which he could base 18 that, although we would have been willing to. 19 And I don't believe that that assertion is 20 true.</p> <p>21 He says that using CNG rather than LNG 22 would result in more truck traffic. That is 23 true. It's not three times as many trucks. 24 It's two times as many trucks. In either case,</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 16</p> <p>1 that CNG equipment. So it's not that you could 2 just call us or call our competitors and say, 3 Hey, bring us some CNG today. If we haven't 4 installed an off-loading unit, if we don't have 5 a safe place for our trucks, if we don't have 6 operational procedures, we can't bring it. 7 It's not like asking someone to fill the LNG 8 tank or fill the oil tank. So, just buying CNG 9 opportunistically doesn't work. There has to 10 be a plan for how the CNG is used.</p> <p>11 He talks about the seasonal purchase of 12 LNG, presumably to buy when the commodity 13 prices are low and then stowed until they're 14 high. The problem with that, as Commissioner 15 Bailey pointed out yesterday, is well off. And 16 if you have a large quantity of LNG sitting 17 around, you have to either use it or vent it, 18 which would be a terrible thing to do. You 19 presumably could use some of it, but then you 20 don't have it anymore to offset the 21 seasonality. But you can't just let a tank of 22 LNG sit there forever, you know, until you want 23 to use it. That's incidentally not true of 24 CNG. If you went to CNG storage, which we</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 17</p> <p>1 don't use --</p> <p>2 CHAIRMAN HONIGBERG: Mr. Evslin, the</p> <p>3 question was: In what ways do you disagree</p> <p>4 with that response?</p> <p>5 THE WITNESS: Okay. Sorry about</p> <p>6 that.</p> <p>7 A. Anyway, I do disagree that it's practical to</p> <p>8 use LNG in any big way to offset seasonality.</p> <p>9 Goes on to say that Gulf was willing to</p> <p>10 commit supply for this project over the long</p> <p>11 term from a planned 100,000-gallon-a-day</p> <p>12 liquefaction plant. And that was an important</p> <p>13 reason for choosing Gulf. I can understand</p> <p>14 that. But it was also clear from the testimony</p> <p>15 yesterday that there's not yet commitment to</p> <p>16 build that 100,000-gallon-a-day liquefaction</p> <p>17 plant.</p> <p>18 So if we take that out of the equation, if</p> <p>19 we take into consideration the fact that Gulf</p> <p>20 neither has commitment to build a plant, that</p> <p>21 the MOU that was just distributed to us this</p> <p>22 morning -- the fourth amendment of the MOU has</p> <p>23 already expired, January 31st, 2016 -- then I</p> <p>24 don't believe that we get any reassurance from</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 19</p> <p>1 So, Mr. Patch, can you focus</p> <p>2 your questions a little bit more so we can get</p> <p>3 a little bit more focused answers going</p> <p>4 forward?</p> <p>5 THE WITNESS: I'm at the end of --</p> <p>6 CHAIRMAN HONIGBERG: Mr. Evslin, I'm</p> <p>7 talking to Mr. Patch right now.</p> <p>8 So, is there anything else you</p> <p>9 want to add, briefly, Mr. Evslin? I'm talking</p> <p>10 to you now. Mr. Evslin, is there anything,</p> <p>11 briefly, you want to add regarding Pages 3 to 5</p> <p>12 in Exhibit 4?</p> <p>13 THE WITNESS: No.</p> <p>14 CHAIRMAN HONIGBERG: All right.</p> <p>15 Mr. Patch, can you focus your questions a</p> <p>16 little more on cross-examination here to get a</p> <p>17 little bit more focused answers?</p> <p>18 BY MR. PATCH:</p> <p>19 Q. Mr. Evslin, I heard you just say that you</p> <p>20 wanted to respond to something that Valley</p> <p>21 Green's attorney said yesterday. Could you</p> <p>22 just briefly say what that is.</p> <p>23 A. Yes. Valley Green's attorney had questioned</p> <p>24 why it was -- or had pointed out that NGA did</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 18</p> <p>1 this possible liquefaction plant, even though</p> <p>2 Pennsylvania would be a good place to build</p> <p>3 one. If I were going to build one, I might</p> <p>4 build it there. But we can't rely on the fact</p> <p>5 that it's going to be there. And absent the</p> <p>6 liquefaction plant, then the service that Gulf</p> <p>7 is providing is trucking LNG. And there are</p> <p>8 lots and lots of truckers of LNG available.</p> <p>9 He further went on to say that Gulf has --</p> <p>10 that they're open to using other suppliers</p> <p>11 because other bids are allowed for CNG, for</p> <p>12 example, but Gulf has the right to match any</p> <p>13 bid. Well, unfortunately, there won't be any</p> <p>14 competitive bids forthcoming from my company or</p> <p>15 other companies if we know that somebody else</p> <p>16 gets the last look and knows exactly how they</p> <p>17 have to bid.</p> <p>18 Yesterday, attorney for Valley Green</p> <p>19 wondered why NGA didn't submit a bid after the</p> <p>20 filing with the Public Utilities Commission</p> <p>21 which contained the quantities that we'd be</p> <p>22 asking Valley Green for --</p> <p>23 CHAIRMAN HONIGBERG: Okay, okay.</p> <p>24 That's, again, something -- a different topic.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 20</p> <p>1 not send a quote after reading the RFP and</p> <p>2 getting the quantities that we had been asking</p> <p>3 for. In fact, I did attempt to contact Mr.</p> <p>4 Campion and was not successful. Did contact</p> <p>5 Scott Brown. Scott Brown said that he would</p> <p>6 set up a meeting with Trillium. That didn't</p> <p>7 happen. I got back to Scott and said, "What</p> <p>8 happened?"</p> <p>9 Scott said, "Trillium says there's</p> <p>10 absolutely no interest in CNG for this</p> <p>11 project." We weren't about to throw a bid over</p> <p>12 the wall. And the filing also made clear that</p> <p>13 there was already an agreement with Gulf. So</p> <p>14 that's the reason that we didn't start throwing</p> <p>15 numbers around after the filing. But I think,</p> <p>16 most important, this arrangement precludes</p> <p>17 getting competitive bids from other suppliers.</p> <p>18 MR. PATCH: That's all the questions</p> <p>19 I have. Thank you.</p> <p>20 CHAIRMAN HONIGBERG: I don't see Mr.</p> <p>21 Christopoulos here. Has anyone heard from him?</p> <p>22 Do we know if he's coming?</p> <p>23 MR. CORWIN: Oh, I'm sorry. Tim</p> <p>24 Corwin representing --</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 21</p> <p>1 (Court Reporter interrupts.)</p> <p>2 CHAIRMAN HONIGBERG: Mr. Corwin, do</p> <p>3 you have any questions for Mr. Evslin?</p> <p>4 MR. CORWIN: I do not. Thank you.</p> <p>5 CHAIRMAN HONIGBERG: Ms. Arwen.</p> <p>6 MS. ARWEN: No, I do not. Thank you.</p> <p>7 CHAIRMAN HONIGBERG: Mr. Cicale.</p> <p>8 MR. CICALE: A few brief questions,</p> <p>9 Mr. Chairman. Thank you very much. And good</p> <p>10 morning, Commissioners.</p> <p>11 CROSS-EXAMINATION</p> <p>12 BY MR. CICALE:</p> <p>13 Q. Good morning, Mr. Evslin. Mr. Evslin, you</p> <p>14 testified yesterday that currently your company</p> <p>15 is serving Dartmouth-Hitchcock Medical Center</p> <p>16 with CNG?</p> <p>17 A. No, sir. Our competitor, XNG, is serving</p> <p>18 Dartmouth-Hitchcock.</p> <p>19 Q. Okay. My apologies. I misapprehended that</p> <p>20 testimony yesterday.</p> <p>21 Would you still be supportive of a</p> <p>22 franchisee taking over the service area if they</p> <p>23 are not conditioned to have a supply of CNG,</p> <p>24 and, thus, they start servicing this area for</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 23</p> <p>1 virtual pipeline "island" to date that you're</p> <p>2 aware of. Would you happen to know of any</p> <p>3 others, any other such virtual pipeline islands</p> <p>4 using compressed or liquified natural gas to</p> <p>5 serve a service territory with pipelines?</p> <p>6 A. Yes, I do.</p> <p>7 Q. Could you describe them, please?</p> <p>8 A. Yes. We serve a gas island somewhat different</p> <p>9 from this one that was established by Vermont</p> <p>10 Gas Systems in Middlebury, Vermont. This is a</p> <p>11 temporary, not a permanent gas island. Vermont</p> <p>12 Gas had built out its distribution system in</p> <p>13 Middlebury because it had a CPG for a</p> <p>14 transmission pipe extension that would reach</p> <p>15 Middlebury. However, the transmission pipe has</p> <p>16 been delayed for various reasons, and so</p> <p>17 there's a distribution system which is an</p> <p>18 orphan.</p> <p>19 Q. Sir, you're very polite. You don't have to</p> <p>20 maintain eye contact with me. You can speak</p> <p>21 into the microphone.</p> <p>22 A. Sorry. So, we were already serving a customer</p> <p>23 down there in Middlebury in advance of the</p> <p>24 pipeline coming. Vermont Gas contacted us and</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 22</p> <p>1 years without CNG as part of their gas</p> <p>2 portfolio?</p> <p>3 A. I would not, purely for the reason that I</p> <p>4 believe that such a franchise is doomed to</p> <p>5 failure. And I believe that the gas island</p> <p>6 business, of which this is the biggest example</p> <p>7 to date, will be looking very carefully at what</p> <p>8 happens in this area. And so I would like to</p> <p>9 see an operation that's successful. Obviously,</p> <p>10 we have an interest in bidding on CNG. Our</p> <p>11 parent has an interest in bidding on LNG. But</p> <p>12 there's no guaranty that we would win any such</p> <p>13 contract. I think what's most important is</p> <p>14 that the franchise be granted under conditions</p> <p>15 which allow it to succeed.</p> <p>16 MR. CICALE: Nothing further. Thank</p> <p>17 you, Commissioners.</p> <p>18 CHAIRMAN HONIGBERG: Mr. Speidel.</p> <p>19 MR. SPEIDEL: Thank you, Mr.</p> <p>20 Chairman.</p> <p>21 CROSS-EXAMINATION</p> <p>22 BY MR. SPEIDEL:</p> <p>23 Q. Mr. Evslin, you just mentioned a moment ago</p> <p>24 that this is the biggest example of a so-called</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 24</p> <p>1 said, if the customer agreed, could Vermont Gas</p> <p>2 become our customer. They had pipe running</p> <p>3 from that customer site already to several</p> <p>4 large institutions in the Middlebury area,</p> <p>5 which they were anxious to bring up on gas.</p> <p>6 And so we reached an arrangement good until the</p> <p>7 transmission pipeline does arrive, where we</p> <p>8 deliver Vermont Gas's gas to Vermont Gas,</p> <p>9 off-load it in a single off-loading station, as</p> <p>10 would be done with any gas island, into the</p> <p>11 distribution pipe. Our customer is Vermont</p> <p>12 Gas. They billed the remaining customers and</p> <p>13 work with the other customers.</p> <p>14 Q. So, Mr. Evslin, are you aware of whether there</p> <p>15 is a seven-day supply requirement for the</p> <p>16 installation over in the Middlebury area?</p> <p>17 A. There is deliberately not. And that's one of</p> <p>18 the differences between this and the other.</p> <p>19 All of those institutions -- and this is the</p> <p>20 reason why I think some of the institutions</p> <p>21 here may prefer this arrangement. All those</p> <p>22 institutions have formally been on oil or</p> <p>23 propane, and so they already had a backup fuel</p> <p>24 even after they added burners for natural gas.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 25</p> <p>1 Just as if they were large customers of Vermont 2 Gas, it was cheaper for them to elect for an 3 interruptible supply than it was to have that 4 kind of backup. 5 And I should point out, Mr. Speidel, that 6 there are no consumers on this system. So, 7 being 100 percent interruptible is only 8 acceptable if there's 100 percent interruptible 9 customers. And I'm in no way recommending that 10 if they're a small business or residential 11 customer who were dependent on the fuel. I'm 12 just saying that the backup supply needs to be 13 sized for those customers who need to be 14 non-interruptible. 15 Q. At that installation, was there some level of 16 waiver granted by the Vermont Public Service 17 Board or some other regulatory authority to 18 grant this installation, also waiver from the 19 seven-day storage requirement? 20 A. The Vermont Public Service Board doesn't have a 21 seven-day storage requirement, so no waiver for 22 that was necessary. But they approved, I 23 believe -- because we were not a party to this, 24 Vermont Gas was. I believe what they did is</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 27</p> <p>1 the competitive position of CNG. Yesterday you 2 discussed that customers that stayed on through 3 \$25-a-barrel oil. Would you happen to have a 4 sense of the equivalent cost per barrel -- and 5 obviously there's refining costs and marketing 6 costs, distribution costs, transportation 7 costs. But for your own internal business 8 planning purposes, have you identified a cost 9 per barrel of oil that is enough to stimulate 10 conversions for your smaller customers? 11 A. Well, our smaller -- there's a very delicate 12 line, because our smaller customers maintain 13 under dual fuel capability -- that is, they 14 have no capital expense to go back to oil if 15 they should choose to do so. Some may have 16 regulatory prohibitions against burning more 17 oil -- 18 (Court Reporter interrupts.) 19 A. But I believe at \$25 a barrel we were right on 20 the borderline. 21 And you asked a question about smaller 22 customers. The smaller customers pay us more, 23 and they pay more for their oil. So the 24 borderline does move around, depending on the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 26</p> <p>1 approve a special contract between us and 2 Vermont Gas for towing the gas. And they 3 approved the arrangement under which Vermont 4 Gas would bill those customers in the interim 5 before they become pipeline customers. 6 Q. Okay. Thank you. 7 You mentioned yesterday that, in your 8 general viewpoint, CNG, as served by truck, is 9 still competitive with diesel. And I would 10 just like to ask a clarifying question. 11 Did you mean diesel that's "road-tax paid" 12 or what we know as "No. 2 red dye, non-tax 13 diesel" that is actually used as No. 2 heating 14 oil? 15 A. Good question. Thanks for the clarification. 16 I meant the No. 2 red dye diesel because 17 all our -- we don't serve any trucking fleets. 18 We only serve commercial and industrial 19 customers who don't pay the road tax. 20 Q. So that competitive advantage is still intact, 21 despite the lack of the roughly \$1 road tax. 22 A. That's correct. 23 Q. Okay. Thank you. 24 Another question regarding oil prices and</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 28</p> <p>1 size of the customer. 2 Q. So that \$25 borderline is not just for 3 retention. It's actually -- you have seen, 4 even in the darkest of times in recent times, 5 you've seen some trickling in of customer 6 interest at \$25 a barrel? 7 A. No, we have -- I'm sorry. Maybe I answered 8 your question wrong. We have not seen 9 customers who want to do a conversion from oil 10 to gas for economic reasons at \$25 a barrel. 11 Q. Right. 12 A. I didn't mean that. I meant they didn't go 13 back at 25 -- 14 Q. That's what you said yesterday -- 15 (Court Reporter interrupts.) 16 Q. That's right, Mr. Evslyn. You said that 17 yesterday. But I'm just curious. Have you 18 identified a dollar -- and if it's proprietary 19 business information you're nervous about, you 20 don't have to share it. You can simply mention 21 it. But is there a 22 dollar-a-barrel-of-oil-level that you've seen 23 that brings in the customers? 24 A. Yeah. At current gas prices -- because, of</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>



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<p>[WITNESS: EVSLIN] Page 29</p> <p>1 course, that's also a factor, because we're 2 talking about the difference -- above \$40 a 3 barrel, then you begin to get a four- or 4 five-year pay back on doing the conversion. 5 And so we're talking now about customers who 6 are converting for purely economic reasons 7 without environmental consideration, which may 8 tip it. A lot of our industry's new 9 prospecting is coal users. Not here in New 10 England, but outside of New England. And in 11 that case, we're not economically competitive 12 with coal, but we're environmentally very 13 competitive with coal. So the math is somewhat 14 different. 15 Q. Thank you. Mr. Evslin, you've mentioned that 16 the length of contracts with your CNG customers 17 vary. Would you be able to let us know what 18 the longest contract you've ever entered 19 into -- that is, Energy Advantage has entered 20 into? 21 A. Five years. 22 Q. Five years is the longest term. Okay. Thank 23 you. 24 MR. SPEIDEL: I believe that would</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 31</p> <p>1 Q. Okay. And so you have no experience with LNG 2 installations. 3 A. I have only what I've learned from our majority 4 owner, Clean Energy, who has a substantial 5 number of LNG installations. But we do not 6 directly serve any LNG. 7 Q. You mentioned that NG Advantage was the first 8 CNG virtual pipeline company in the U.S.; 9 correct? 10 A. Correct. 11 Q. What year did you begin operation? 12 A. 2013. 13 Q. Have any NFPA safety codes been developed 14 specifically for your application, CNG? 15 A. No, there are -- not for the -- there are NFPA 16 codes that apply to portions of our operations. 17 So, for example: There are very strict codes 18 that we adhere to that affect the construction 19 of our compressor stations. There are NFPA 20 codes that govern where we can locate our 21 decompression facilities, for example -- just 22 one point: There can't be an overhead power 23 line within a certain distance of where we 24 could put a decompression facility there.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 30</p> <p>1 answer our questions. Thank you very much, Mr. 2 Evslin. 3 CHAIRMAN HONIGBERG: Mr. Willing. 4 CROSS-EXAMINATION 5 BY MR. WILLING: 6 Q. Mr. Evslin, do you follow natural gas prices? 7 A. Yes. 8 Q. I would expect so. The prices for natural gas 9 in Vermont and Pennsylvania are different; 10 correct? 11 A. Correct. 12 Q. There's only one LNG supplier that offers firm 13 LNG in New England; correct? 14 A. I said I follow natural gas prices. But I 15 don't follow LNG prices in New England, so I 16 can't answer your question. 17 Q. I'm sorry. One LNG supplier in New England. 18 A. Are you referring to district -- there are many 19 LNGs -- I think you mean located in New England 20 or Gulf -- there are many suppliers who bring 21 LNG into New England. That I know. I don't 22 know where they're located. 23 Q. You don't have any LNG installations, do you? 24 A. We do not.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 32</p> <p>1 There are NFPA codes that say where any bulk 2 use of electricity has to meet a spark-free 3 code and where you can use electricity freely. 4 All of those governed portions of -- these are 5 pre-existing codes, and they govern portions of 6 our operation. 7 Q. But there is no equivalent to the 59A LNG 8 safety code for CNG? 9 A. That's correct. 10 Q. How many gas leaks have occurred at your 11 Milton, Vermont facility since you have been in 12 operation? 13 A. There have been three instances of trailer 14 venting. 15 Q. What is the useful life of virtual pipeline CNG 16 equipment? 17 A. Depends on the equipment that you're talking 18 about. But compressors last for at least 15 19 years. The special permit that's been issued 20 for the trailers by DOT is good for 15 years, 21 with five-year periodic reinspection and with 22 the provision that says that may be extended. 23 So we don't know whether it will be extended. 24 We have been using a useful life, which</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 33</p> <p>1 seems to be borne out by experience of seven 2 years for our decompression equipment. But 3 none of it's reached seven years, so I can't 4 tell you that for sure.</p> <p>5 Q. And that's based on experience?</p> <p>6 A. It's based on experience. We know what parts 7 are wearing out. Although the equipment is 8 specially constructed for off-loading CNG, the 9 components of the equipment -- the heat 10 exchanger, the valves and so on -- there's long 11 industrial experience with, so we have some 12 basis for making that estimate.</p> <p>13 Q. So you're saying that this equipment in real 14 life has lasted as long as you're saying the --</p> <p>15 A. I believe I just -- 16 (Court Reporter interrupts.)</p> <p>17 Q. Has lasted as long as the useful life that 18 you're citing. It's not just a projected 19 useful life without basis.</p> <p>20 A. I think I just said the opposite. We've only 21 been in operation since 2013, and so these are 22 projections.</p> <p>23 Q. Okay.</p> <p>24 A. But the components have been -- in other</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 35</p> <p>1 have enough pipeline capacity here in New 2 England, then they use their more expensive 3 LNG, because they don't have any other option. 4 They use LNG exactly as I would think that a 5 gas island would use it.</p> <p>6 Q. You stated that there is no published price for 7 CNG or LNG, but you're confident that CNG is 8 cheaper. What is the basis for that assertion?</p> <p>9 A. Every time that we've made a proposal where LNG 10 was proposed against us, we've won the bid. We 11 don't know what the LNG bids were exactly.</p> <p>12 The second basis for that is that we have 13 looked at installations where either LNG -- 14 we've gone with an open mind into installations 15 with very high demand, like power plants, and 16 looked at whether LNG or CNG would be a better 17 price. Remember that we have very good access 18 to LNG supply prices through Clean Energy that 19 operates two liquefaction plants and has many 20 off-take agreements. We know what the trucking 21 costs are for LNG. Clean Energy Compression 22 owns a cryogenic unit, which makes equipment 23 for handling LNG. So we know what the capital 24 costs are of the LNG equipment. And if we</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 34</p> <p>1 applications have had that kind of life.</p> <p>2 Q. Got it.</p> <p>3 Do you know how much LNG storage capacity 4 LDCs own in New England?</p> <p>5 A. No, I do not.</p> <p>6 Q. Would 16 billion cubic feet sound about right?</p> <p>7 A. I don't know the answer to that question. I 8 know they own a substantial amount. I'm not 9 trying to waffle on that.</p> <p>10 Q. Do you know how long these facilities have been 11 in operation?</p> <p>12 A. Yes. For a long time before the price of 13 natural gas changed because of horizontal 14 drilling and fracking, and the economics of our 15 industry changed, but they are in useful 16 operation today.</p> <p>17 Q. Why do northeast LDCs use LNG instead of CNG 18 for their operations?</p> <p>19 A. They're using -- first of all, they use LNG in 20 exactly the way that I recommend that LNG be 21 used. They don't use it as their normal fuel 22 because it's very expensive. They use it as a 23 peaking fuel, and they use it as a backup fuel. 24 So when there's high peaking, because we don't</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 36</p> <p>1 believed that we could offer a better price to 2 a customer with LNG, we would make that bid. 3 And so we've done that analysis, and in no case 4 have we decided to bid pure LNG, although, as I 5 said, we have bid hybrids which include LNG for 6 backup.</p> <p>7 Q. You said earlier that NG Advantage has no LNG 8 installations; right?</p> <p>9 A. That's correct.</p> <p>10 Q. And so how would you formulate a proposal that 11 included LNG?</p> <p>12 A. We would determine what price that we were 13 going to have to pay to self-contract for the 14 components that we don't have. We're capable 15 of operating a facility which includes LNG. We 16 know that we can enhance our SCADA to do that. 17 We're very familiar with the SCADA that's used 18 in LNG operations by Clean Energy. We know 19 what trucking costs are, both from Clean Energy 20 and from New England. It includes our trucker 21 who hauls our CNG, but also hauls LNG into New 22 England for various people. We know from both 23 Clean Energy Cryogenics and another vendor what 24 the cost is for vaporization and storage</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 37</p> <p>1 equipment for LNG. And we know, although it 2 changes all the time, what the off-take prices 3 are at various terminals for LNG. 4 Q. Okay. You mentioned yesterday your Middlebury, 5 Vermont Gas island that you work with. Was 6 there a competitive bidding process for that? 7 A. There was not. And it's a very good question, 8 and I'll explain the reason why Vermont Gas 9 didn't go through a competitive bidding process 10 for that. 11 We already were operating a facility in 12 Middlebury, Vermont. We already had our 13 off-loading equipment there. At the time that 14 we signed -- and so we were already serving gas 15 to Cabot, Agri-Mark in this case, in 16 Middlebury. Vermont Gas believed their 17 pipeline would be there in eight months. They 18 did not believe that it would be practical that 19 anybody else would put in off-loading 20 equipment -- typically it takes six months to 21 do that -- within that time period. We would 22 not have signed an eight-month contract if we 23 didn't already have equipment there. And so 24 that's why they did a sole-source procurement</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 39</p> <p>1 And so there would be nothing to stop them from 2 then using that equipment with another 3 supplier. But we've only offered that in 4 conjunction with the service. 5 Q. To one customer? 6 A. I said one customer already owns their 7 equipment, and a second customer has the option 8 to buy it at a nominal price at the end of the 9 contract. 10 Q. Okay. But the other customers don't? 11 A. The other customers do not. 12 Q. Okay. You were talking about the size of 13 Valley Green's site and expressing doubt about 14 whether there would be enough space there to 15 accommodate CNG to make it truly part of Valley 16 Green's project. Do you recall the size of the 17 parcel that Choice Storage owns? 18 A. No. Excuse me. What I questioned was whether 19 any space had been -- whether any provisions 20 had been made into the plan, where there's a 21 large amount of space there. However, what I 22 don't -- and the diagram is very specific about 23 how the LNG works, but there isn't any level of 24 planning for how CNG works.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 38</p> <p>1 in that case. No one else had a compressor 2 station on the Vermont Gas pipeline that was 3 already up and running. Somebody could have 4 built one, but not in an eight-month window. 5 And nobody else had equipment that was already 6 on site and delivering gas and capable of 7 handling the volumes. It has extended from an 8 eight-month contract into probably a 20-month 9 contract, but it was an eight-month contract at 10 the time that we signed it. 11 Q. Do you offer an unbundled service, where you 12 offer to provide CNG equipment, but the buyer 13 can buy the actual gas from someone else? 14 A. We do not. 15 Q. Okay. Last question. You were talking about 16 the size of Valley Green's site and questioning 17 whether -- 18 A. Excuse me. Let me just add one thing to my 19 answer to your last question to be completely 20 accurate. 21 One of our customers does own their 22 off-loading equipment. Another customer has an 23 option to buy the off-loading equipment for a 24 nominal price at the end of their contract.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 40</p> <p>1 What I said is I didn't see "a space," 2 Not that I didn't see space. I didn't see a 3 space on there that was for CNG refueling or 4 had been configured for a CNG off-load unit. 5 Q. And you recognize that we're at a fairly early 6 point in the development process; right? 7 A. I'm sorry? 8 Q. We're at a fairly early point in the 9 development process for Valley Green; would you 10 agree? 11 A. I would. You're at a point where you're 12 designing the LNG. 13 (Court Reporter interrupts.) 14 Q. Would you agree that a 182-acre parcel 15 subdivided at some level would be sufficient 16 to -- 17 A. Absolutely. And I hope you will include CNG. 18 Q. All right. No further questions. 19 CHAIRMAN HONIGBERG: Commissioner 20 Scott. 21 CMSR. SCOTT: Thank you. 22 INTERROGATORIES BY CMSR. SCOTT: 23 Q. Good morning. One of the discussions really 24 revolved around commercial and industrial</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 41</p> <p>1 customers. There's been very little discussion 2 about residential customers. And I assume 3 that's because there's a quantity of -- you 4 know, there is a scaling issue here, and 5 obviously you look at the bigger customers to 6 drive the economics of this. 7 A. That's correct, Commissioner. 8 Q. So my question is: What's preventing some of 9 these larger customers now from to doing what 10 Clean Laundry [sic] and Dartmouth are already 11 doing? Why isn't that happening otherwise? 12 A. As Mr. Campion testified, it takes a very long 13 time for Dartmouth University, which is the 14 biggest potential customer there, to make a 15 decision on which way they want to move. I 16 think the economics have been favorable for a 17 long time for them to convert to CNG. They do 18 have a practical problem -- and this is one of 19 the reasons why granting this franchise may 20 help. Their boiler house is located on The 21 Green. And the prospect of LNG storage or CNG 22 unloading facilities on the Dartmouth Green 23 isn't very appealing. And so, somehow, some 24 pipe would have to be built in order to serve</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 43</p> <p>1 INTERROGATORIES BY CMSR. BAILEY: 2 Q. I just have one question for you to clarify 3 something to make sure I understand what you 4 said. 5 When you were talking about the cost of 6 CNG is less than the cost of LNG, you talked 7 about the fixed costs and the commodity costs. 8 And did I understand you to say that it's 9 really the fixed costs that are lower for the 10 CNG application than the LNG application and 11 that the commodity costs are similar, or the 12 commodity costs vary similarly? 13 A. Good distinction. I said it's the fixed cost 14 which is similar, where CNG is lower in most 15 cases. If you were trucking a thousand miles, 16 LNG would be lower. But we're not talking 17 about doing that. The commodity costs vary 18 similarly. They're not identical only because 19 the liquefaction plant and the compression 20 station may not be at the same place on the 21 pipeline. We have the ability to take gas 22 either from Kinder Morgan here in Pembroke, New 23 Hampshire, or from Vermont Gas, which is 24 actually a TransCanada supply. And so we're</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 42</p> <p>1 the Dartmouth boiler house which is located 2 right there, and one of the reasons why I 3 support the franchise. 4 Of course, Dartmouth-Hitchcock, the second 5 largest potential customer, has converted pipe. 6 West Lebanon has. I would like to think if we 7 had been around when the cleaners went to LNG, 8 they'd be on CNG now. But they went to LNG 9 before the CNG option was available to them. 10 Most other potential customers in that 11 area are too small to be served to stand-alone 12 customers. And that's one reason why it would 13 be very, very good that there be a franchise, 14 so that demand can be aggregated and those 15 customers can be reached. Even in Middlebury, 16 we're only serving C &amp; I -- or Vermont Gas is 17 only serving C &amp; I customers on their virtual 18 pipeline. But two of the four customers would 19 have been too small for us to serve on their 20 own and so they get the advantage of that 21 aggregated demand. 22 Q. Thank you. 23 CHAIRMAN HONIGBERG: Commissioner 24 Bailey.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: EVSLIN] Page 44</p> <p>1 able to get the lower, the lowest -- in the 2 winter, it's cheaper to get the gas in Milton, 3 and in the summer it's cheaper getting the gas 4 here in Concord. And so we can play with those 5 commodity prices to the advantage of our 6 customers. And if you had a single 7 liquefaction plant, it might well be located, 8 it might not be. And if your off-take 9 agreement is only with a single plant, and its 10 price goes up, you sort of have a problem. But 11 usually LNG can be also sourced from a variety 12 of different plants, so you can seek out the 13 lowest underlying commodity cost. 14 Q. Thank you. 15 INTERROGATORIES BY CHAIRMAN HONIGBERG: 16 Q. Mr. Evslyn, I understand from your testimony, 17 the written testimony and what you said today, 18 that you believe there should be a franchise 19 granted in this area; correct? 20 A. That's correct. 21 Q. Just not necessarily the way this one is 22 structured. 23 A. Right. And I believe no matter who it's 24 granted to, it should have conditions that</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: EVSLIN] Page 45</p> <p>1 assure the best price.</p> <p>2 Q. My question is: You seem to know a lot about</p> <p>3 this, and you have given a lot of thought to</p> <p>4 it. Why aren't you trying to get this</p> <p>5 franchise?</p> <p>6 A. We are -- have made a decision to be in only</p> <p>7 unregulated businesses.</p> <p>8 Q. That's a fair enough answer, and I can</p> <p>9 understand why one would sometimes not want to</p> <p>10 be regulated by this group.</p> <p>11 A. With all due respect, sir.</p> <p>12 Q. Understood.</p> <p>13 CHAIRMAN HONIGBERG: Ms. Geiger, do</p> <p>14 you have any further questions?</p> <p>15 MS. GEIGER: Mr. Chairman, if I can</p> <p>16 approach very quickly and speak with my witness</p> <p>17 for a moment, I may have no further questions.</p> <p>18 CHAIRMAN HONIGBERG: Go ahead.</p> <p>19 (Counsel and witness confer off the record.)</p> <p>20 MS. GEIGER: Yes, Mr. Chairman, I</p> <p>21 think I just have one question to clarify the</p> <p>22 record. I believe I heard, Mr. Evslin, in</p> <p>23 response to a question from Mr. Patch, indicate</p> <p>24 his lack of responsiveness to an RFP.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 47</p> <p>1 CHAIRMAN HONIGBERG: Looks like</p> <p>2 you've got one taker, Mr. Patch.</p> <p>3 Off the record.</p> <p>4 (Discussion off the record.)</p> <p>5 (WHEREUPON, STEVEN E. MULLEN and WILLIAM</p> <p>6 J. CLARK were duly sworn and cautioned by</p> <p>7 the Court Reporter.)</p> <p>8 DIRECT EXAMINATION</p> <p>9 BY MR. PATCH:</p> <p>10 Q. Good morning, Mr. Mullen and Mr. Clark. Would</p> <p>11 you each please state your name, beginning with</p> <p>12 you, Mr. Mullen.</p> <p>13 A. (Mullen) My name is Steven E. Mullen.</p> <p>14 A. (Clark) William J. Clark.</p> <p>15 Q. By whom are you each employed, and in what</p> <p>16 capacity?</p> <p>17 A. (Mullen) I am employed by Liberty Utilities</p> <p>18 Service Corp. I'm the manager of rates and</p> <p>19 regulatory.</p> <p>20 A. (Clark) And I am employed by Liberty Utilities</p> <p>21 Service Corp., business development manager for</p> <p>22 New Hampshire.</p> <p>23 Q. Could you each give the Commission a brief</p> <p>24 summary of your qualifications.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: EVSLIN] Page 46</p> <p>1 REDIRECT EXAMINATION</p> <p>2 BY MS. GEIGER:</p> <p>3 Q. Mr. Evslin, did you mean to say you did not</p> <p>4 respond to the volumes contained in the</p> <p>5 prefiled testimony of Valley Green?</p> <p>6 A. Yes, I did. There was no RFP and I --</p> <p>7 (Court Reporter interrupts.)</p> <p>8 A. And I meant the prefiled testimony, the</p> <p>9 volumes -- to be precise, the volumes that were</p> <p>10 in the application that was filed by Valley</p> <p>11 Green.</p> <p>12 MS. GEIGER: Thank you, Mr. Chairman.</p> <p>13 I have no further questions.</p> <p>14 CHAIRMAN HONIGBERG: All right.</p> <p>15 Thank you, Mr. Evslin. You can return to your</p> <p>16 seat.</p> <p>17 I believe, Mr. Patch, your</p> <p>18 witnesses are next.</p> <p>19 MR. PATCH: Mr. Chairman, while</p> <p>20 they're coming up, I don't know if anybody</p> <p>21 needs a copy of the January 15, 2016, direct</p> <p>22 testimony of Mr. Clark and Mr. Mullen. I have</p> <p>23 extra copies. But my understanding is you</p> <p>24 don't need copies.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 48</p> <p>1 A. (Mullen) Certainly. In addition to being a</p> <p>2 certified public accountant, I've been in the</p> <p>3 regulatory arena for approximately 20 years.</p> <p>4 I've been at Liberty for approximately two</p> <p>5 years. And before that I was employed by the</p> <p>6 New Hampshire Public Utilities for 18 years.</p> <p>7 A. (Clark) And I have been in the gas utility</p> <p>8 industry for 23 years, and titles ranging from</p> <p>9 operation, sales, marketing and now business</p> <p>10 development.</p> <p>11 Q. Are you the same individuals who submitted</p> <p>12 prefiled testimony in this docket, dated</p> <p>13 January 15th, 2016?</p> <p>14 A. (Mullen) Yes.</p> <p>15 A. (Clark) Yes.</p> <p>16 Q. And that includes six attachments to the</p> <p>17 testimony; is that correct?</p> <p>18 A. (Mullen) That's correct.</p> <p>19 A. (Clark) Yes.</p> <p>20 Q. And there are 23 pages in that testimony.</p> <p>21 A. (Mullen) Yes. The testimony itself has 23 text</p> <p>22 pages, which end on Bates 25, and goes to the</p> <p>23 end of the attachments that ends on Bates 37.</p> <p>24 MR. PATCH: Mr. Chairman, I would ask</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: MULLEN CLARK] Page 49</p> <p>1 that that testimony be marked as the next 2 exhibit.</p> <p>3 CHAIRMAN HONIGBERG: That will be 4 Exhibit 15. 5 (Exhibit 15 marked for identification.)</p> <p>6 Q. Thank you. Do you have any correction or 7 updates to the prefiled testimony?</p> <p>8 A. (Mullen) No.</p> <p>9 Q. If you were asked the same questions today 10 under oath, would your answers be the same?</p> <p>11 A. (Mullen) Yes, they would.</p> <p>12 Q. And Mr. Clark, that's true for you?</p> <p>13 A. (Clark) Yes.</p> <p>14 Q. In light of the supplemental testimony that 15 Valley Green has filed and the testimony that 16 was offered yesterday on the stand, is there 17 anything that you would like to tell the 18 Commission to support the prefiled written 19 testimony you submitted in January?</p> <p>20 A. (Mullen) I would just say that the concerns 21 expressed in the testimony have not changed. 22 In fact, probably the concerns are even a 23 little stronger. Yesterday we heard that -- we 24 confirmed that Valley Green does not have any</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 51</p> <p>1 in the prefiled testimony, really have not 2 changed.</p> <p>3 A. (Clark) I would concur.</p> <p>4 Q. And Mr. Mullen, you were referring I believe to 5 what's been marked as Exhibit 11, the lease 6 agreement between Choice Storage and Valley 7 Green that was handed out this morning; 8 correct?</p> <p>9 A. (Mullen) Yes.</p> <p>10 Q. And did you have a chance to look briefly at 11 Exhibit 12, which was the third and fourth 12 amendments to the MOU?</p> <p>13 A. (Mullen) Yes, briefly.</p> <p>14 Q. And Mr. Evslin, I think, pointed out that even 15 with the fourth amendment, the date in that 16 amendment has since expired. Is that your 17 understanding?</p> <p>18 A. (Mullen) Yes. As I'm looking at it, the date, 19 the expiration date is January 21, 2016.</p> <p>20 Q. And it appears to me that that amendment as 21 drafted replaces a June amendment, but it 22 doesn't refer to the third amendment which 23 actually took place in the interim. Is that 24 fair to say?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: MULLEN CLARK] Page 50</p> <p>1 employees, doesn't have a timetable for hiring 2 any. It does not still have binding agreements 3 with its contractors. And as we heard 4 yesterday, the terms of the whole arrangement 5 seem to change -- keep changing. The tank now 6 is going to be owned by an affiliate. Even the 7 Exhibit 11 that was produced this morning, I 8 was able to take a quick look at the lease 9 agreement. Now, I understand it's a draft 10 lease that was between Valley Green Natural Gas 11 and Choice Storage. It appears that that would 12 have to change related to the change in 13 ownership for the storage tank. So, along with 14 the concerns we had about affiliates, there was 15 some discussion yesterday about not really 16 being sure which companies would be affiliates 17 or not. That leads to cross-subsidization 18 concerns.</p> <p>19 Another concern we had in our testimony 20 was about a lack of an RFP process. And at 21 different times yesterday, we heard that there 22 was -- they still did not plan to use RFPs, and 23 then we heard that they weren't totally ruling 24 it out. So, the concerns that we have, or had</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 52</p> <p>1 A. (Mullen) I haven't looked at it in that 2 particular detail. I was looking more at the 3 dates. But I will certainly take that, subject 4 to check.</p> <p>5 Q. Well, for example, if you look at paragraph -- 6 or Section No. 2 on Page 1 of the fourth 7 amendment, it says Section IV term of the MOU 8 is amended by replacing June 30th, 2015 with 9 January 31st; correct?</p> <p>10 A. (Mullen) Correct.</p> <p>11 Q. But then, if you look at the third amendment, 12 it says Section IV of the terms of the MOU is 13 amended by replacing June 30th with 14 September 30th. So, given that, shouldn't the 15 fourth amendment have replaced the 16 September 30th date?</p> <p>17 A. (Mullen) That would make logical sense to me.</p> <p>18 Q. That's all the questions I have.</p> <p>19 MR. PATCH: The witnesses are 20 available for cross-examination.</p> <p>21 CHAIRMAN HONIGBERG: Mr. Corwin, do 22 you have any questions for these witnesses?</p> <p>23 MR. CORWIN: No, thank you.</p> <p>24 CHAIRMAN HONIGBERG: Ms. Arwen, do</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: MULLEN CLARK] Page 53</p> <p>1 you have any questions for these witnesses?</p> <p>2 MS. ARWEN: No, thank you.</p> <p>3 CHAIRMAN HONIGBERG: Ms. Geiger?</p> <p>4 MS. GEIGER: No, thank you.</p> <p>5 CHAIRMAN HONIGBERG: Mr. Cicale?</p> <p>6 MR. CICALÉ: No, thank you.</p> <p>7 CHAIRMAN HONIGBERG: Mr. Speidel.</p> <p>8 MR. SPEIDEL: Yes, Mr. Chairman.</p> <p>9 CROSS-EXAMINATION</p> <p>10 BY MR. SPEIDEL:</p> <p>11 Q. Gentlemen, having read your testimony, there is</p> <p>12 one section that jumped out at me and Staff a</p> <p>13 little tiny bit. Let's see. Ah, yes, here it</p> <p>14 is.</p> <p>15 On Bates Page 10, there's some discussion</p> <p>16 of the contingent nature of many of the</p> <p>17 arrangements between Valley Green and its</p> <p>18 expected contractors. In general terms, is it</p> <p>19 fair to say that Liberty Utilities, the parent</p> <p>20 company, is a relative newcomer to the New</p> <p>21 Hampshire utilities scene?</p> <p>22 A. (Mullen) That's a fair statement. I mean,</p> <p>23 Liberty Utilities came into the state in</p> <p>24 mid-2012.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 55</p> <p>1 to enter into contingent arrangements with</p> <p>2 potential suppliers and contractors, or would</p> <p>3 you expect that it would instantly enter into</p> <p>4 binding agreements, even though it hadn't quite</p> <p>5 got the franchise yet?</p> <p>6 A. (Mullen) Are you talking about a hypothetical</p> <p>7 subsidiary?</p> <p>8 Q. In so many words, yes. But would the business</p> <p>9 practices of the company allow for firm</p> <p>10 agreements, do you think, at such an early</p> <p>11 stage in development?</p> <p>12 A. (Mullen) I think that would depend on the facts</p> <p>13 and circumstances that existed in any</p> <p>14 particular situation. I mean, trying to think</p> <p>15 through all the implications of such a</p> <p>16 hypothetical situation without much detail</p> <p>17 behind it, I can't really give you a definite</p> <p>18 answer.</p> <p>19 Q. Thank you very much.</p> <p>20 MR. SPEIDEL: No further questions.</p> <p>21 CHAIRMAN HONIGBERG: Mr. Willing.</p> <p>22 CROSS-EXAMINATION</p> <p>23 BY MR. WILLING:</p> <p>24 Q. Okay. Just on the subject of the MOU, the MOU</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: MULLEN CLARK] Page 54</p> <p>1 Q. Now, the EnergyNorth subsidiary of which</p> <p>2 Liberty Utilities owns currently in the state</p> <p>3 of New Hampshire, that goes back quite a ways.</p> <p>4 Doesn't it go all the way back to the pre-Civil</p> <p>5 War Concord, Manchester, Nashua gas companies?</p> <p>6 Has it been in existence for that long, if you</p> <p>7 do a successor-in-interest look-back?</p> <p>8 A. (Mullen) If you start going back through the</p> <p>9 various entities over time, yes.</p> <p>10 Q. So the actual gas subsidiary of Liberty</p> <p>11 Utilities has been in New Hampshire for a long</p> <p>12 time. Pretty much 150 years; isn't that fair</p> <p>13 to say?</p> <p>14 A. (Clark) Yes.</p> <p>15 A. (Mullen) Yes.</p> <p>16 Q. So there's a long history of personnel,</p> <p>17 practices, physical plant that's accumulated</p> <p>18 over that time frame. Would you agree with</p> <p>19 that?</p> <p>20 A. (Clark) Correct.</p> <p>21 Q. Now, the question I would have is: What if the</p> <p>22 subsidiary was not able to build on such a</p> <p>23 history of developmental progress? What if it</p> <p>24 had to start from scratch? Would it be likely</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 56</p> <p>1 between Valley Green and Gulf, you recognize</p> <p>2 that the MOU as amended is or was non-binding;</p> <p>3 correct?</p> <p>4 A. (Mullen) Yes.</p> <p>5 Q. So the expiration that occurred was the</p> <p>6 expiration of a non-binding agreement; correct?</p> <p>7 A. (Mullen) That sounds fair.</p> <p>8 Q. Okay. Would you agree that there's a history</p> <p>9 between Gulf and Valley Green of continuing</p> <p>10 their relationship, starting with the MOU and</p> <p>11 its amendments, and continuing with Mr. Carroll</p> <p>12 being here for his testimony?</p> <p>13 A. (Mullen) Other than -- you know, I think the</p> <p>14 Commission has to base its determination on the</p> <p>15 documents it has in front of it and the</p> <p>16 evidence. It's kind of hard to say what the</p> <p>17 intentions of various entities are and how to</p> <p>18 base a decision on that.</p> <p>19 Q. Okay. Sir, your basic testimony is that Valley</p> <p>20 Green doesn't have the necessary expertise</p> <p>21 because it doesn't have employees, doesn't</p> <p>22 have, you know, fully developed-out utility</p> <p>23 business, doesn't have binding contracts to</p> <p>24 provide; is that correct?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: MULLEN CLARK] Page 57</p> <p>1 A. (Mullen) Well, I think the Commission has to 2 make a determination about whether the entity 3 that has applied to be a utility has the 4 requisite technical, financial and managerial 5 expertise. And when you don't have binding 6 contracts, you don't have particular employees, 7 you don't have job descriptions, I don't know 8 how the Commission could make such a 9 determination, because there's really lack of 10 any definite facts. 11 Q. So, basically you're saying that Valley Green 12 should have done those things before filing its 13 petition to get a utility franchise? 14 A. (Mullen) I think that certainly having some of 15 those things in line, or even some, you know, 16 much more formal agreements, or some job 17 descriptions and how they were going to fill 18 those, some sort of timetable, right now, as I 19 went through this, this application, I was left 20 scratching my head a lot in terms of exactly 21 how the Commission could make a determination. 22 Q. Would it make any business sense to do these 23 things before actually getting a utility 24 franchise?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 59</p> <p>1 potential franchise areas being in the offing 2 with competing dockets complicates trying to 3 sign up customers in advance. 4 So, my question to Liberty is: Have you 5 tried to -- to me, one of the obvious things 6 was to try to work together. You have one 7 entity saying we really want to see gas service 8 in this area and another entity wanting to 9 provide gas service in the area. Have you 10 tried to work together? 11 A. (Clark) We've had some conversations, but I 12 think both parties were too far down the line 13 with the applications to have serious 14 discussions. 15 CMSR. SCOTT: That's all I have. 16 CHAIRMAN HONIGBERG: Commissioner 17 Bailey. 18 INTERROGATORIES BY CMSR. BAILEY: 19 Q. Good morning. 20 A. Good morning. 21 Q. Were you here yesterday when the witness panel 22 from the Applicant testified? 23 A. (Mullen) Yes. 24 A. (Clark) Yes.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: MULLEN CLARK] Page 58</p> <p>1 A. (Mullen) Well, I think if you want to get a 2 utility franchise, then you need to meet the 3 requirements. I think it certainly makes sense 4 to do as much as you can. 5 Q. Doesn't your position boil down to this: Only 6 an existing gas utility can be a utility? 7 A. (Mullen) No. 8 Q. I think I'll leave it at that. 9 MR. WILLING: No further questions. 10 CHAIRMAN HONIGBERG: Commissioner 11 Scott. 12 INTERROGATORIES BY CMSR. SCOTT: 13 Q. Thank you. I think this is for Mr. Mullen, but 14 whoever, again, would like to answer is fine 15 with me. 16 Earlier yesterday we heard Mr. Campion 17 talk -- and I'm paraphrasing here, so I 18 apologize if I get anything wrong. What I got 19 out of some of his discussion was the reason 20 why he wanted to have a franchise is, you know, 21 to see gas service presumably low cost and fuel 22 oil be provided to that area; so, economic 23 development type of issue. We've also heard 24 testimony, some assertion that having two</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 60</p> <p>1 Q. Okay. I asked a lot of questions about safety 2 and reliability. My questions are about how 3 you ensure safety and reliability with your 4 employees at your gas company. So, other than 5 the president, who's ultimately responsible for 6 the safety and reliability of service? Who 7 would you say in your company is responsible 8 for ensuring that aspect of the service? 9 A. (Clark) Depending on which nature of the 10 business, we have different levels of 11 responsibility. We have a training center 12 located in Concord that has specific gas 13 training for our field operations people, as 14 well as our supervisors. We also have outside 15 and inside training for our LNG operators for 16 our plants, our propane and LNG plants. And we 17 have a director of operations on staff that 18 oversees our supervisors as well on the gas 19 side. 20 A. (Mullen) We also have an Environmental Health 21 and Safety Department that covers safety not 22 only in the field, but also at our various 23 buildings. And the director of that has the 24 ultimate responsibility for safety in various</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>



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<p>[WITNESS PANEL: MULLEN CLARK] Page 61</p> <p>1 aspects of business.</p> <p>2 Q. So I'm specifically focused on the distribution</p> <p>3 system. I understand the training is</p> <p>4 important. But the director of operations,</p> <p>5 would you say he's the person --</p> <p>6 A. (Clark) Director of operations.</p> <p>7 Q. And do you know how many employees work for</p> <p>8 him? I mean, you obviously have a much bigger</p> <p>9 territory to serve.</p> <p>10 A. (Clark) If you include the union employees,</p> <p>11 that would be over a hundred. I think about</p> <p>12 120.</p> <p>13 Q. Okay. Do you have any idea what the average</p> <p>14 salary of the union employees is, or the</p> <p>15 employees who are responsible for operations</p> <p>16 and maintenance of the distribution system?</p> <p>17 A. (Mullen) I'd hate to hazard a guess. I don't</p> <p>18 know, offhand. We can get that for you if you</p> <p>19 need it. But offhand, I'm not sure.</p> <p>20 A. (Clark) The supervisors and managers are</p> <p>21 salaried. The union is hourly wages. So we</p> <p>22 can get you some average with overtime.</p> <p>23 Q. That would be good. All right. Just an</p> <p>24 average for one person, and then I can apply</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 63</p> <p>1 Can you outline how a new entity might go</p> <p>2 about establishing the proper credentials to</p> <p>3 obtain the utility status? Because I can</p> <p>4 appreciate a new entity's unwillingness to</p> <p>5 commit to hiring a slew of people without</p> <p>6 knowing that they're actually going to have a</p> <p>7 business. How would they go about that, in</p> <p>8 your view?</p> <p>9 A. (Mullen) Sure. I think as a start, if you turn</p> <p>10 to Bates 30 of our testimony, this is a copy of</p> <p>11 the proposed organization chart. And I think,</p> <p>12 starting with that, if the Applicant were to</p> <p>13 come in and say, Okay, here's how we want to</p> <p>14 set the company up, and for each of these jobs</p> <p>15 that are listed here, here's who they're to be</p> <p>16 employed by -- because as I understand this</p> <p>17 chart, they're not all going to be employed by</p> <p>18 Valley Green. Some would be by Tri-Mont, some</p> <p>19 would be by Gulf, some would be third-party</p> <p>20 contractors. For those various positions, then</p> <p>21 they could have a detailed job description</p> <p>22 about what they expect each one of those</p> <p>23 individuals to be doing, who would be reporting</p> <p>24 to whom, and exactly how those reporting</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: MULLEN CLARK] Page 62</p> <p>1 that.</p> <p>2 A. (Clark) Both management and union? Front-line</p> <p>3 supervisor and a union --</p> <p>4 Q. Yes.</p> <p>5 CHAIRMAN HONIGBERG: So is that a</p> <p>6 record request, Commissioner Bailey?</p> <p>7 CMSR. BAILEY: Yes.</p> <p>8 A. (Mullen) And you want that fully loaded with</p> <p>9 benefits?</p> <p>10 Q. Could you give it to me with and without</p> <p>11 benefits?</p> <p>12 A. (Mullen) Yes. Sure.</p> <p>13 Q. All right. Thank you.</p> <p>14 CHAIRMAN HONIGBERG: So, Mr. Patch,</p> <p>15 do you understand the request? That will be</p> <p>16 No. 16.</p> <p>17 (Exhibit 16 reserved.)</p> <p>18 CMSR. BAILEY: Thank you. That's all</p> <p>19 I have.</p> <p>20 INTERROGATORIES BY CHAIRMAN HONIGBERG:</p> <p>21 Q. Mr. Mullen, I'm going to direct these to you</p> <p>22 because you seem to be the one who was offering</p> <p>23 up the answers regarding employees and</p> <p>24 contractors and what would be required.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: MULLEN CLARK] Page 64</p> <p>1 requirements kind of go up and down the line.</p> <p>2 Each one of those should have various</p> <p>3 responsibilities. Right now, all I see are --</p> <p>4 Q. I understand you see it being completely</p> <p>5 deficient. I'm trying to get a sense of what</p> <p>6 would be sufficient rather than -- I'm not -- I</p> <p>7 understand this is somewhat hypothetical. But</p> <p>8 what would be sufficient, in your view?</p> <p>9 A. (Mullen) Okay. So, that's for the employees.</p> <p>10 Now, for the contractors, they've only</p> <p>11 described in general terms what they intend for</p> <p>12 those parties to do. I think they could have</p> <p>13 at least provided some draft form of contracts</p> <p>14 that laid out in much more detail exactly who</p> <p>15 was going to be -- which contractor was going</p> <p>16 to be responsible for what. Part of this goes</p> <p>17 to what we heard yesterday when there was a</p> <p>18 question of who's ultimately responsible for</p> <p>19 safe and reliable service. And even then, I</p> <p>20 think there was some -- they were unsure about</p> <p>21 whether it was going to be a contractor or --</p> <p>22 Q. Again, I got that. I understand that. I'm not</p> <p>23 trying to rehash yesterday's testimony.</p> <p>24 Because I know you have experience with this,</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: MULLEN CLARK] Page 65</p> <p>1 I'm trying to get a sense what is the minimum, 2 at what point does someone get over the line? 3 A. (Mullen) Where I was going with that was, if 4 that was laid out in much more detail in some 5 documents and contracts, even in their draft 6 form for the Commission to review, you'd have a 7 much better idea how those were laid out. 8 Q. All right. Thank you. That's all I have. 9 CHAIRMAN HONIGBERG: Mr. Patch, do 10 you have any further questions for your 11 witnesses? 12 MR. PATCH: No further questions. 13 Thank you. 14 CHAIRMAN HONIGBERG: All right. You 15 gentlemen may return to your seats. 16 Off the record. 17 (Discussion off the record) 18 (WHEREUPON, PRADIP K. CHATTOPADHYAY was 19 duly sworn and cautioned by the Court 20 Reporter.) 21 DIRECT EXAMINATION 22 BY MR. CICALÉ: 23 Q. Good morning. Would you please state your name 24 and occupation for the record.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: CHATTOPADHYAY] Page 67</p> <p>1 questions today under oath, would your answers 2 be the same as they are contained in the 3 testimony? 4 A. Other than what I just mentioned before this, 5 yes. 6 MR. CICALÉ: Mr. Chairman and 7 Commissioners, I would like permission to ask 8 that we mark Dr. Chattopadhyay's testimony for 9 identification as Exhibit 16, is it, or 17? 10 CHAIRMAN HONIGBERG: Seventeen. 11 MR. CICALÉ: And the attachments 12 contained therein. 13 CHAIRMAN HONIGBERG: Before we do 14 that, I think in the list, the unredacted, 15 confidential version has a No. 9 reserved for 16 it, and I assume that there's a redacted 17 version that we don't have that would also be 18 marked. Is that what's happening? 19 MR. CICALÉ: No, no, that's my 20 mistake, Mr. Chairman. The premarking of 9 is 21 sufficient for the purposes of 22 Dr. Chattopadhyay's testimony. 23 CHAIRMAN HONIGBERG: Well, don't we 24 need in the record the unredacted version?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: CHATTOPADHYAY] Page 66</p> <p>1 A. My name is Pradip Chattopadhyay, and I am the 2 Assistant Consumer Advocate with the Office of 3 Consumer Advocate. 4 Q. Dr. Chattopadhyay, do you have a copy of the 5 20-page document that was premarked as your 6 direct testimony in front of you? 7 A. Yes, I do. 8 Q. Is this an accurate copy of the prefiled 9 testimony that you provided to the Commission 10 on January 15, 2016? 11 A. Yes. 12 Q. This testimony consisted of nine pages and four 13 attachments; is that correct? 14 A. That is correct. 15 Q. Do you have any corrections or updates to the 16 prefiled testimony? 17 A. Just to the extent that I had a question in the 18 testimony about what other testimonies are 19 provided. This was written on January 15th. 20 We are in May right now. I've done two other 21 testimonies: One of them is the DG 15-289 and 22 the other is DG 15-494. So I just wanted to 23 state that, to be accurate. 24 Q. Dr. Chattopadhyay, if you were asked the same</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: CHATTOPADHYAY] Page 68</p> <p>1 Because, I mean, without looking at it in 2 detail as I'm sitting here, there are parts of 3 the testimony that are not confidential; are 4 there not? I mean, the filing letter I'll note 5 says there was one redacted original filed with 6 the redacted version. So there is a redacted 7 version. 8 MR. WILLING: For what it's worth, 9 the confidential version has the gray shading. 10 CHAIRMAN HONIGBERG: I have no doubt 11 that's true. So there is a redacted version. 12 MR. CICALÉ: That is correct. We're 13 more than happy to mark that as an exhibit as 14 well. 15 CHAIRMAN HONIGBERG: So we'll make 16 the redacted version No. 17. The unredacted 17 version is No. 9, because that number was 18 already reserved for it. So, 17 will be the 19 redacted version. 20 (Exhibit 17 marked for identification.) 21 CHAIRMAN HONIGBERG: I'm going to ask 22 you, Mr. Cicalé, to work with Staff and the 23 clerk's office to get that in the record and 24 where it needs to be. Okay?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: CHATTOPADHYAY] Page 69</p> <p>1 MR. CICALE: Certainly.</p> <p>2 CHAIRMAN HONIGBERG: All right.</p> <p>3 MR. CICALE: I have no questions for</p> <p>4 the witness on direct examination at this time.</p> <p>5 He's available for cross.</p> <p>6 CHAIRMAN HONIGBERG: All right. Ms.</p> <p>7 Geiger, do you have any questions for</p> <p>8 Dr. Chattopadhyay?</p> <p>9 MS. GEIGER: Yes, please.</p> <p>10 CROSS-EXAMINATION</p> <p>11 BY MS. GEIGER:</p> <p>12 Q. Good morning, Dr. Chattopadhyay. Can you hear</p> <p>13 me okay?</p> <p>14 A. Yes.</p> <p>15 Q. Could you please turn to Page 9 of your</p> <p>16 prefiled testimony.</p> <p>17 A. Yeah.</p> <p>18 Q. And there, on Line 6, you stated, "Whether the</p> <p>19 requested franchise is in the public interest</p> <p>20 requires understanding the rate impact of</p> <p>21 company investments on each and every customer</p> <p>22 class, including the residential customer</p> <p>23 class." Is that your testimony?</p> <p>24 A. That is correct.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: CHATTOPADHYAY] Page 71</p> <p>1 On Page 6 of your prefiled testimony,</p> <p>2 Lines 3 to 5, you say that Valley Green has</p> <p>3 provided some projections, but they cannot be</p> <p>4 construed as definite plans to provide natural</p> <p>5 gas service to residential customers even</p> <p>6 several years after the inception of the</p> <p>7 franchise; correct?</p> <p>8 (Witness reviews document.)</p> <p>9 A. That is correct.</p> <p>10 Q. And then the same page, Lines 15 to 17, citing</p> <p>11 this docket and also DG 15-289, you say that</p> <p>12 among the issues the OCA wants to highlight is</p> <p>13 that a thorough examination of the franchise</p> <p>14 request requires addressing unique implications</p> <p>15 of a start-up entity being granted a franchise</p> <p>16 as opposed to an existing utility being granted</p> <p>17 the same franchise; is that fair?</p> <p>18 A. That is fair.</p> <p>19 Q. Later, actually on Page 8, you say that,</p> <p>20 although it is not a foregone conclusion, more</p> <p>21 experience in regulated utility business can</p> <p>22 lead to managerial and technical advantages; is</p> <p>23 that fair?</p> <p>24 A. Can you just point me to the line numbers,</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: CHATTOPADHYAY] Page 70</p> <p>1 Q. Do you have sufficient information in this</p> <p>2 docket to form an opinion as to whether or not</p> <p>3 you have -- or do you have an understanding of</p> <p>4 what the rate impact of this franchise request</p> <p>5 is on customers in the franchise area?</p> <p>6 A. Not at the granular level that I would like it</p> <p>7 to be. So I don't have sufficient information</p> <p>8 to inform myself about exactly what different</p> <p>9 classes would be faced with.</p> <p>10 Q. Thank you. I have no further questions.</p> <p>11 CHAIRMAN HONIGBERG: Mr. Corwin, do</p> <p>12 you have any questions?</p> <p>13 MR. CORWIN: No.</p> <p>14 CHAIRMAN HONIGBERG: Ms. Arwen?</p> <p>15 MS. ARWEN: No.</p> <p>16 CHAIRMAN HONIGBERG: Mr. Patch?</p> <p>17 MR. PATCH: Yes.</p> <p>18 CROSS-EXAMINATION</p> <p>19 BY MR. PATCH:</p> <p>20 Q. Good morning. I have a couple of questions.</p> <p>21 A. Good morning.</p> <p>22 Q. I'm referring to Exhibit 17, the redacted</p> <p>23 version, but the page numbers I believe are the</p> <p>24 same.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: CHATTOPADHYAY] Page 72</p> <p>1 please?</p> <p>2 Q. Okay.</p> <p>3 A. You said Page 8.</p> <p>4 Q. Page 8, yes, Line 19.</p> <p>5 A. Okay. That is correct.</p> <p>6 Q. And then you go on to say, "An experienced</p> <p>7 utility with a pre-existing customer base and</p> <p>8 infrastructure can provide long-term advantages</p> <p>9 resulting in desired cost-effectiveness;</p> <p>10 correct?</p> <p>11 A. Again, can you just give me the line number? I</p> <p>12 want to be sure.</p> <p>13 Q. It's right at the bottom of that page. I think</p> <p>14 it's 22 and 23.</p> <p>15 (Witness reviews document.)</p> <p>16 A. Line 22 and 23?</p> <p>17 Q. Yes.</p> <p>18 A. That is correct.</p> <p>19 MR. PATCH: That's all the questions</p> <p>20 I have. Thank you.</p> <p>21 CHAIRMAN HONIGBERG: Mr. Speidel.</p> <p>22 MR. SPEIDEL: Thank, you Mr.</p> <p>23 Chairman. I don't have any questions on behalf</p> <p>24 of Staff. However, I would like to mention</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS: CHATTOPADHYAY] Page 73</p> <p>1 something regarding the OCA testimony that's 2 redacted.</p> <p>3 CHAIRMAN HONIGBERG: Sure.</p> <p>4 MR. SPEIDEL: I don't think it has to 5 be refiled with the clerk. I believe, Clerk 6 Deno, at Tab 38, the redacted testimony has 7 been prefiled into the docket book. So I 8 believe under the 200 Rules, if you have that 9 available in your docket book, we don't have to 10 have a refiling. It can simply be noticed as 11 Hearing Exhibit 17.</p> <p>12 CHAIRMAN HONIGBERG: Perfect. Thank 13 you, Mr. Speidel. Thank you, Ms. Deno.</p> <p>14 Mr. Willing, do you have 15 questions for Dr. Chattopadhyay?</p> <p>16 MR. WILLING: I do not.</p> <p>17 CHAIRMAN HONIGBERG: Commissioner 18 Scott.</p> <p>19 INTERROGATORIES BY CMSR. SCOTT:</p> <p>20 Q. Thank you. I'm sure you recall yesterday there 21 was some discussion about what I think the 22 Applicant termed the "Catch 22" in that, to 23 expect to have customers in advance of having a 24 franchise was problematic for them. Do you</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS: CHATTOPADHYAY] Page 75</p> <p>1 requesting a franchise, obviously there are 2 huge costs to have things to the level of 3 already hiring people who will be doing exactly 4 what they're told to do. So, yes, in a general 5 sense, more information is helpful as to what 6 the company is wishing to do with regards to 7 personnel and what the plans are. But I also 8 understand the situation that, when you're 9 requesting a franchise and you don't know 10 whether you're going to get it or not, that a 11 new entrant is in a different position than an 12 existing, say, utility that has a lot of 13 experience and have already people who have 14 similar experiences as to how a utility should 15 be run. You know, those two situations are 16 very different.</p> <p>17 Q. I don't have any other questions.</p> <p>18 CHAIRMAN HONIGBERG: Mr. Cicale, do 19 you have any follow-up for your witness?</p> <p>20 MR. CICALÉ: Nothing further. Thank 21 you, Mr. Chairman.</p> <p>22 CHAIRMAN HONIGBERG: All right. Dr. 23 Chattopadhyay, I think you can return to your 24 seat.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS: CHATTOPADHYAY] Page 74</p> <p>1 remember that?</p> <p>2 A. Yes, I do.</p> <p>3 Q. Is it your opinion that it's reasonable to 4 expect some level of customer commitment before 5 granting a franchise?</p> <p>6 A. That is my position.</p> <p>7 Q. Thank you.</p> <p>8 CHAIRMAN HONIGBERG: Commissioner 9 Bailey.</p> <p>10 CMSR. BAILEY: No questions. Thank 11 you.</p> <p>12 INTERROGATORIES BY CHAIRMAN HONIGBERG:</p> <p>13 Q. Dr. Chattopadhyay, you heard my questions to 14 Mr. Mullen earlier?</p> <p>15 A. Yeah.</p> <p>16 Q. Do you agree or disagree or have different 17 thoughts from what Mr. Mullen said on that 18 question?</p> <p>19 A. Can you remind me again exactly what it was?</p> <p>20 Q. What should a new company have in place in 21 order to satisfy the requirements of being a 22 utility, in your view?</p> <p>23 A. I can speak to it very generally. I would find 24 that for a new company or a new entrant that is</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 76</p> <p>1 And I also think it's time to 2 take a short break. So we're going to break 3 for 15 minutes, and when we come back we'll 4 hear from Staff's witnesses.</p> <p>5 (Whereupon a brief recess was taken at 6 10:24 a.m., and the hearing resumed at 7 10:44 a.m.)</p> <p>8 (WHEREUPON, STEPHEN P FRINK, RANDALL S. 9 KNEPPER and ROBERT J. WYATT were duly 10 sworn and cautioned by the Court 11 Reporter.)</p> <p>12 CHAIRMAN HONIGBERG: Mr. Speidel, you 13 may proceed.</p> <p>14 MR. SPEIDEL: Thank you, Mr. 15 Chairman. I would like to introduce Staff 16 Witnesses Frink, Knepper and Wyatt.</p> <p>17 DIRECT EXAMINATION</p> <p>18 BY MR. SPEIDEL:</p> <p>19 Q. Mr. Frink, could you please state your full 20 name and business title.</p> <p>21 A. (Frink) Steven P. Frink, and I'm the Assistant 22 Director of the Gas and Water Division.</p> <p>23 Q. Could you very briefly summarize your 24 educational history, in terms of degrees</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 77</p> <p>1 awarded.</p> <p>2 A. (Frink) I have an undergraduate degree and</p> <p>3 bachelor's of arts and master's degree in</p> <p>4 business administration.</p> <p>5 Q. Thank you. What was your role in Staff's</p> <p>6 evaluation of the Valley Green franchise</p> <p>7 request?</p> <p>8 A. (Frink) I evaluated the economic feasibility of</p> <p>9 the project; so, mainly looking at their</p> <p>10 finances.</p> <p>11 Q. So, as part of your responsibilities in</p> <p>12 reviewing this filing by the petitioner, did</p> <p>13 you prepare the testimony that was filed on</p> <p>14 January the 15th of 2016 in your name?</p> <p>15 A. (Frink) Yes, I did.</p> <p>16 MR. SPEIDEL: And that is, for the</p> <p>17 Clerk's benefit, within the docket book at Tab</p> <p>18 No. 37. And I would request that this be</p> <p>19 marked as Hearing Exhibit 7.</p> <p>20 CHAIRMAN HONIGBERG: That makes</p> <p>21 sense. It's on the list.</p> <p>22 (Exhibit 7 marked for identification.)</p> <p>23 MR. SPEIDEL: Thank you.</p> <p>24 BY MR. SPEIDEL:</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 79</p> <p>1 primarily focused in on the seven-day storage</p> <p>2 requirement.</p> <p>3 Q. And is it correct that you have long industry</p> <p>4 experience in gas operations?</p> <p>5 A. (Wyatt) That is correct. I have 27 years I</p> <p>6 worked for EnergyNorth and earlier companies</p> <p>7 prior to EnergyNorth, but the same company,</p> <p>8 basically. And my primary professional career</p> <p>9 at EnergyNorth was in the gas supply area of</p> <p>10 gas dispatch and senior gas supply analyst.</p> <p>11 Q. Thank you, Mr. Wyatt.</p> <p>12 Mr. Knepper, and Mr. Wyatt, I'd ask you to</p> <p>13 respond in sequence. Did you each have a role</p> <p>14 in the preparation of the testimony filed under</p> <p>15 your name on January 15, 2016?</p> <p>16 A. (Knepper) Yes.</p> <p>17 A. (Wyatt) Yes.</p> <p>18 Q. And you do recognize the material that was</p> <p>19 filed as your testimony.</p> <p>20 MR. SPEIDEL: And to the clerk, it is</p> <p>21 at Tab 34. I would ask that it also be marked</p> <p>22 as an exhibit. That would be Exhibit 8.</p> <p>23 CHAIRMAN HONIGBERG: Exhibit 8.</p> <p>24 (Exhibit 8 marked for identification.)</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 78</p> <p>1 Q. Mr. Knepper, could you please state your name</p> <p>2 and title here at the Commission.</p> <p>3 A. (Knepper) Randall S. Knepper. I'm Director of</p> <p>4 Safety and Security.</p> <p>5 Q. And could you please briefly summarize your</p> <p>6 educational background.</p> <p>7 A. (Knepper) Yes. I have a bachelor's and</p> <p>8 master's degree in engineering, both mechanical</p> <p>9 and civil engineering.</p> <p>10 Q. And what was your role in the evaluation of the</p> <p>11 Valley Green franchise request?</p> <p>12 A. (Knepper) We looked at particularly the</p> <p>13 engineering, operations, safety and security</p> <p>14 aspects of the project.</p> <p>15 Q. Thank you. Mr. Wyatt, could you state your</p> <p>16 full name, please, and also your title for the</p> <p>17 record.</p> <p>18 A. (Wyatt) My name is Robert Wyatt, and I am the</p> <p>19 Assistant Director of the Safety Division at</p> <p>20 the New Hampshire Public Utilities Commission.</p> <p>21 Q. And what was your role in the evaluation of the</p> <p>22 Valley Green franchise request?</p> <p>23 A. (Wyatt) I assisted Mr. Knepper in review of the</p> <p>24 operations aspects of the company, and</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 80</p> <p>1 Q. Mr. Knepper, would you be able to provide some</p> <p>2 further explanation of your testimony, in light</p> <p>3 of what you've heard over the last two days in</p> <p>4 testimony and presentations by the other</p> <p>5 parties.</p> <p>6 A. (Knepper) Before I answer that question, can I</p> <p>7 make a couple corrections to the prefiled</p> <p>8 testimony?</p> <p>9 Q. You do have corrections to make, sir? Okay.</p> <p>10 A. (Knepper) They're minor, but I just want to</p> <p>11 make sure they're in the record.</p> <p>12 Q. Okay. Thank you. Go ahead, please.</p> <p>13 A. (Knepper) Page 7 of the prefiled testimony,</p> <p>14 Line 4. I'd like to change the word "are,"</p> <p>15 A-R-E, to "area." So, add the letter A at the</p> <p>16 end so it says "area."</p> <p>17 Q. All right. Any others?</p> <p>18 A. (Knepper) Page 9, Line 19, the word "leaks,"</p> <p>19 L-E-A-K-S, should be changed to "leads,"</p> <p>20 L-E-A-D-S.</p> <p>21 And last one I have is Page 10, Line 19,</p> <p>22 add the word "to," T-O, after the word "apply."</p> <p>23 Q. Okay. Well, Mr. Knepper, thank you for those</p> <p>24 corrections.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 81</p> <p>1 Do you have any further explanation of</p> <p>2 your testimony, in light of what you've heard</p> <p>3 over the last two days?</p> <p>4 A. (Knepper) Just that this has -- the context</p> <p>5 should be given.</p> <p>6 We wrote this in January. It seems to be</p> <p>7 somewhat of an evolving project that we've</p> <p>8 heard into May. And so what we wrote, some of</p> <p>9 that was based on what was -- what we examined</p> <p>10 then.</p> <p>11 Q. And Mr. Wyatt, do you have any further</p> <p>12 explanation of your testimony in light of what</p> <p>13 you've heard over the last couple days?</p> <p>14 A. (Wyatt) First of all, I'd like to just add, if</p> <p>15 I may, I do have a bachelor of science degree</p> <p>16 from New Hampshire College, now known as</p> <p>17 Southern New Hampshire University; it was in</p> <p>18 technical management. And I have an associate</p> <p>19 degree in electronic engineering.</p> <p>20 And to answer your question as regards to</p> <p>21 the seven-day storage requirement, we had</p> <p>22 initially met with -- Staff had initially met</p> <p>23 with Valley Green almost a year before the</p> <p>24 docket was opened. They presented a conceptual</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 83</p> <p>1 Mr. Frink, regarding your testimonial</p> <p>2 presentation, if you were asked the same</p> <p>3 questions today as those delineated in your</p> <p>4 testimony, would your answer be the same?</p> <p>5 A. (Frink) No, they wouldn't be. Based on the</p> <p>6 testimony we heard yesterday from Valley Green,</p> <p>7 I would change my answers to two of the</p> <p>8 questions.</p> <p>9 On Page 10 of 18, Line 1, the question</p> <p>10 asked if the assumptions used in Valley Green's</p> <p>11 rate analysis is reasonable. And in response</p> <p>12 to that question on Line 2, I answered, "The</p> <p>13 rate base costs and capital structure appear</p> <p>14 reasonable to serve projected demand." I no</p> <p>15 longer believe that the rate base costs and</p> <p>16 capital structure used in Valley Green's rate</p> <p>17 analysis are reasonable.</p> <p>18 On the first page of my testimony, when</p> <p>19 asked to summarize Staff's findings -- that's</p> <p>20 on Line 22 -- on Lines 23 and 24, I recommended</p> <p>21 that the Commission not grant the petition and</p> <p>22 suspend the proceeding. My recommendation now</p> <p>23 is that the petition be denied and the docket</p> <p>24 be closed.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 82</p> <p>1 plan of what they were going to do. And after</p> <p>2 that meeting, I did have a side conversation</p> <p>3 with one of the Tri-Mont engineers about</p> <p>4 expectations on the seven-day storage</p> <p>5 requirement and shared with him information</p> <p>6 sources that are available for Concord, New</p> <p>7 Hampshire degree days -- if they can get degree</p> <p>8 days specific to Lebanon, that would be</p> <p>9 acceptable as well -- but degree days, and send</p> <p>10 out daily -- send out requirements would be</p> <p>11 very useful in doing regression analysis coming</p> <p>12 up with heat load and base load coefficients to</p> <p>13 determine demand. Just went over some of the</p> <p>14 basics of that. I'm quite familiar with it</p> <p>15 because I used to do that when I worked in my</p> <p>16 role as a senior analyst at EnergyNorth, and I</p> <p>17 also reviewed those filings from EnergyNorth as</p> <p>18 a utility analyst here at the Commission.</p> <p>19 Q. All right. So, aside from those elaborations,</p> <p>20 you both adopt the conclusions of your</p> <p>21 testimony; is that correct?</p> <p>22 A. (Wyatt) That is correct.</p> <p>23 A. (Knepper) Yes.</p> <p>24 Q. Thank you.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 84</p> <p>1 Q. Mr. Frink, would you please elaborate on why</p> <p>2 you no longer believe that the companies -- or</p> <p>3 Valley Green's projected rate base costs and</p> <p>4 capital structure are reasonable?</p> <p>5 A. (Frink) Yes. In advance, I'd like to refer</p> <p>6 people to Exhibit 5, Tab E, Bates Page 102.</p> <p>7 I'll wait until everybody's there. Actually,</p> <p>8 I'll be referring to three pages in that area,</p> <p>9 but to start.</p> <p>10 Yesterday we heard that Valley Green</p> <p>11 expects to hire five employees, including a</p> <p>12 CFO, and that personnel costs for a trained and</p> <p>13 certified utility worker, for a CFO, the</p> <p>14 personnel costs associated with having an</p> <p>15 employee on call 24 hours a day for emergency</p> <p>16 response, those expenses are very likely to</p> <p>17 exceed the expenses in Valley Green's</p> <p>18 projections. If you turn one page to Bates</p> <p>19 Page 103, you'll see that there's an Expense</p> <p>20 section, the third section down, and you'll see</p> <p>21 what the total Distribution expenses are. And</p> <p>22 this is confidential information, so I won't</p> <p>23 divulge what that number is. But it seems</p> <p>24 unreasonable to think that the personnel costs</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 85</p> <p>1 of five employees necessary to do this kind of 2 work wouldn't exceed the total annual expense 3 that's projected here. So the cost is a 4 concern. It doesn't appear reasonable. 5 Then, if you flip back to Page 102, you'll 6 see a rate base number. And again, that's 7 Valley Green's projections that this scenario 8 here on Bates Page 102 is for the initial 9 build-out. So this is the smallest build-out. 10 And as you can see, there's a rate base number 11 projected for the first year in service. And 12 when we had the confidential portion of 13 yesterday's hearing, we heard what Valley Green 14 has already spent to this point in time. And 15 what they've spent from inception to date 16 exceeds what they have for rate base in their 17 projections, and they're a very long way from 18 final design and construction of this project. 19 So I question the reasonableness of the rate 20 base. 21 And then, lastly, if you refer to 22 Page 107, that provides the capital structure, 23 projected capital structure. And I originally 24 testified that I questioned the revenue</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 87</p> <p>1 think what would be more helpful, if Valley 2 Green wants to pursue this further, is to 3 further develop their business plan and 4 implement parts of it and submit new testimony 5 that supports that plan and better describes 6 and clarifies what those plans are and how 7 they'll be achieved. 8 So that is -- I don't think there's much 9 value in leaving this open if Valley Green 10 wants to pursue this. I think they can just as 11 easily pursue it through a new docket and that 12 it be -- we'd be better served if it was a 13 complete new filing with new testimony. 14 Q. And by "new testimony," you mean new testimony 15 that's very solid on the final business plan 16 parameters? 17 A. (Frink) Yes, I do. 18 Q. Okay. Thank you very much. 19 MR. SPEIDEL: The witnesses are 20 available for cross-examination. 21 CHAIRMAN HONIGBERG: Ms. Geiger, do 22 you have any questions for these witnesses? 23 MS. GEIGER: No, thank you, Mr. 24 Chairman.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 86</p> <p>1 projections. I didn't think they could achieve 2 the sales they were including. And now I think 3 that they've overstated the revenue and 4 understated the rate base and annual costs. So 5 I imagine their expected income is going to be, 6 when it comes time to go out and issue debt, or 7 for investors to invest in this enterprise, 8 that investors are going to be wary, and 9 there's likely to be a risk premium involved if 10 investors are indeed going to invest in this 11 project. 12 So, these assumptions -- so, again, while 13 originally I thought the assumptions were 14 reasonable, based on yesterday's testimony of 15 Valley Green, I no longer feel that's the case. 16 Q. Mr. Frink, why have you changed your 17 recommendation to suspend the proceeding? 18 A. (Frink) Valley Green's business plan has 19 changed fairly significantly, and it seems to 20 continue to evolve. And I think what was 21 originally filed, while I thought it would be 22 helpful going forward if it was suspended, that 23 they could update what was there, I no longer 24 think that really would be all that helpful. I</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 88</p> <p>1 CHAIRMAN HONIGBERG: Mr. Patch, do 2 you have any questions for the witnesses? 3 MR. PATCH: I do have a few 4 questions. Thank you. 5 CROSS-EXAMINATION 6 BY MR. PATCH: 7 Q. Mr. Frink, I'll start with you. I don't have 8 that many questions. But Commissioner 9 Honigberg asked a question of Mr. Mullen and 10 Mr. Clark with regard to an entity that wants 11 to start as a utility, what more essentially 12 should we look for. I think you've gotten into 13 that a little bit with what you just said this 14 morning. And so I don't know if you heard the 15 answer that Mr. Mullen gave, but is there 16 anything you'd like to say in addition to that? 17 A. (Frink) I do. I was anticipating that 18 question. 19 I don't think this is unsimilar to when 20 Liberty purchased EnergyNorth, in that Liberty 21 had to run a natural gas utility prior to its 22 purchase of EnergyNorth. And while they had 23 the existing service people, they didn't have 24 the back-office people, and they signed a</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 89</p> <p>1 two-year management or service agreement with 2 National Grid, the prior owner, to provide 3 those services while they acquired the 4 expertise and staffed up. And that's -- so I 5 think in Valley Green's instance, what they're 6 doing, as far as -- you know, you have to hire 7 somebody, people that have the experience and 8 expertise to perform those while you transition 9 and develop that experience and expertise or 10 are able to hire it. So that's where we're at 11 here. 12 I will say that, as with any new 13 experience, there's a learning curve. And this 14 is a pretty complicated business, and there's 15 bound to be bumps along the way, as there were 16 when Liberty acquired EnergyNorth. And I 17 expect that that would be the instance in most 18 cases. 19 Q. In Liberty's case, isn't it true that they 20 actually hired people like Mr. Delvecchio, and 21 I think Mr. Saad and a few people like that, 22 and they had contracts that were contingent on 23 getting approval from the Commission for the 24 franchise, but they were hired before and as</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 91</p> <p>1 standard that the Commission uses in evaluating 2 a petition for franchise approval, you know, 3 which is whether the Applicant has the 4 requisite financial, technical and managerial 5 capability to construct, own and operate, in 6 this case, a natural gas distribution system; 7 correct? 8 A. (Frink) That's correct. 9 Q. And in your testimony, I believe even before 10 what you said this morning, you said that you 11 did not believe that Valley Green has that 12 expertise; is that correct? 13 A. (Frink) That's correct. 14 Q. And so is there anything you want to add to 15 what you put in your testimony to support that 16 conclusion? 17 A. (Frink) Well, the only thing I would add is 18 that, as I state here, it's in the process of 19 acquiring that expertise. And it's out there. 20 It can be done. They might be able to contract 21 with EnergyNorth. I don't -- but it's... on my 22 end, on the financial end, it's not difficult 23 to find people that can do the billing or can 24 do the bookkeeping and the reporting and that</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 90</p> <p>1 part of the process of going through the 2 franchise? 3 A. (Frink) That's true. They did hire -- they had 4 employees before the franchise, before the 5 acquisition was approved, which of course was 6 very useful in evaluating, you know, what 7 experience they need and where to get that. 8 And so it helps. Yes, that's correct. 9 Q. You were here yesterday, obviously, and heard 10 the testimony with regard to the different 11 companies that they have created, one of which 12 is Choice Storage, and Valley Green Energy 13 Services, LLC; is that correct? 14 A. (Frink) That's correct. 15 Q. Is it your understanding that those companies 16 would be "affiliates" under the -- as that term 17 is defined in the statute and in the rules that 18 the Commission has in place? 19 A. (Frink) Absolutely. 20 Q. And so they would be subject to all of the 21 affiliate requirements. 22 A. (Frink) They would. 23 Q. And do you -- in your testimony at Page 3, 24 Lines 8 to 9 I think it is, you cite the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 92</p> <p>1 sort of thing. It's more the managerial and 2 technical side of things. I'll leave that to 3 the safety division to assess. That's really 4 not my role. But I do think, as far as the 5 ability to -- they've hired Steve St. Cyr, who 6 does have regulatory experience and actually 7 prepared these schedules for their revenue 8 requirement and the rate analysis that Valley 9 Green did. 10 Q. But it's my understanding that it's your 11 position that they haven't made that showing, 12 that requisite showing to the Commission. 13 A. (Frink) That's correct. 14 Q. Mr. Knepper and Mr. Wyatt, I just have a couple 15 questions for you. 16 I mean, the plan for the facility has 17 obviously changed since it was originally 18 filed. I mean, it's a much -- it's one tank as 19 compared to a number of tanks. Does that raise 20 any additional concerns, as well as the 21 ownership of the tank? Are there any 22 additional concerns that were not expressed in 23 your original testimony that you'd like to 24 mention this morning?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>



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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 93</p> <p>1 A. (Knepper) I think I addressed some of the 2 things about whether it was one tank versus 3 five tanks in data responses. And if you give 4 me a second, I'll tell you which one that is so 5 we can talk about that issue first. 6 (Witness reviews document.) 7 A. (Knepper) And I don't know if this is -- 8 WITNESS KNEPPER: Alex, I don't know 9 if this is in the record or not. 10 A. But there's pluses and minuses of having a 11 large, single-gallon -- single tank versus 12 having multiple ones, and advantages and 13 disadvantages of both. When I wrote the 14 testimony, I was thinking primarily that they 15 were going to have 60,000-gallon horizontal 16 tanks versus a single tank. So that was the 17 basis of what I wrote. As Staff safety person, 18 either way it's going to be the option of the 19 company to design and build it. They're just 20 going to have some -- there's trade-offs on 21 each way you configure things. 22 Q. What about the ownership of that? You know, 23 does that give you concerns depending 24 whether it's owned by a regulated utility or</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 95</p> <p>1 versus what's owned. 2 Q. On Page 9 of your prefiled testimony, Lines 13 3 to 14, you expressed a concern based on the 4 information that Valley Green had presented, as 5 of that point in time at least, that they had 6 limited experience designing and operating 7 natural gas distribution systems. Is that fair 8 to say? 9 A. (Knepper) Can you give me a second to get 10 there? 11 Q. Sure. Page 9, Lines 13 and 14. 12 (Witness reviews document.) 13 A. (Knepper) I'm sorry. I was looking at the 14 wrong testimony. I was looking at Mr. 15 Mullen's. 16 Q. If you want to adopt his testimony... 17 A. (Knepper) It's funny because we talked somewhat 18 on the same subject. 19 (Witness reviews document.) 20 A. (Knepper) Okay. So what was the lines you were 21 referring to, Mr. Patch? 22 Q. Lines 13 and 14, where it says, "The 23 information presented shows have limited 24 experience in designing and operating</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 94</p> <p>1 not? 2 A. It doesn't give me that much of a concern 3 because all the codes are based on an operator, 4 not the owner. It does get a little bit more 5 complicated because you have to make sure that 6 the person has the authority to do certain 7 things. We'll chase that down if we have to if 8 those come into issues. But you have to 9 operate it safely, regardless of whether you 10 actually own the assets or not. 11 Q. What about jurisdiction of the Safety Division? 12 Is that affected by the ownership? 13 A. (Knepper) If there are -- no, it's not. 14 Actually, the Safety Division, as you well 15 know, or people don't know in this room, we 16 oversee non-public utilities, as well as public 17 utilities. So the owners and operators, it's 18 not something -- "owner" is typically not a 19 term used for regulations, safety regulations; 20 it's mostly operator systems. And they do that 21 purposely because you can have multiple 22 entities being owners. If you have 10 23 companies form an ownership of something, 24 you're really concerned about how it's operated</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 96</p> <p>1 distribution systems." 2 A. (Knepper) Yeah. So do you want me to expand 3 upon that? 4 Q. Sure. I mean, has your testimony changed at 5 all in light of what you've heard since then? 6 A. (Knepper) No. 7 Q. On Page 9, Lines 14 to 23, you also expressed a 8 concern about who has ultimate authority for 9 the operations and maintenance of the 10 distribution system, given the framework that 11 was presented; is that fair to say? 12 A. (Knepper) What line was that again? I'm sorry. 13 Q. Just below what I just cited, 14 to 23, same 14 page. 15 (Witness reviews document.) 16 A. (Knepper) Yeah. What I'm trying to say there 17 is the further removed you get from -- you 18 know, if the operator -- the owner relies on 19 the operator, the operator relies on the sub 20 operator, and the sub operator relies on the 21 contractor, and the contractor relies on a 22 subcontractor. The further removed you get and 23 down the line, it gets just more difficult to 24 try to enforce and follow things. But we</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 97</p> <p>1 encounter that all the time. And at the end, 2 we're going to hold -- at the beginning of the 3 chain, that person's responsible because that's 4 where ultimately it lies. And so, while we may 5 have a discussion with a subcontractor out in 6 the field, the person we're going to hold 7 responsible for that, just like we do with 8 Liberty, who subcontracts a lot of their field 9 work, we will -- the entity responsible for 10 that is the operator. 11 Q. And then on Page 13 of your prefiled testimony, 12 Lines 6 to 7, after noting that Valley Green 13 selected Gulf to provide operational and 14 maintenance services and personnel to Valley 15 Green, you noted that the Safety Division 16 couldn't find within the testimony submitted 17 support for Gulf's prior experience for 18 providing such operations and maintenance 19 services within a regulated environment, like 20 with a state public utility commission or 21 federal agency; is that correct? 22 A. (Knepper) That's correct. 23 MR. PATCH: I have no further 24 questions. Thank you.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 99</p> <p>1 A. (Frink) I absolutely agree. In my testimony, I 2 recommend that there be a certain level 3 achieved before that's granted. There's an 4 example of that in the 13-362 docket, which is 5 Liberty requested a franchise to serve Pelham 6 and Windham, and there's a developer that 7 signed a contract in advance of the franchise 8 approval. So, there are customers that it's in 9 their interest to enter into a contract and 10 push the project forward. So, it definitely 11 can be done. And that's certainly Staff's 12 preference. 13 Q. Now, other than to go forward and do this sort 14 of business development, you've changed your 15 testimony today, that the Commission should 16 deny the Applicant's petition. If you had to 17 advise Mr. Campion and his team what he should 18 go forth and do, other than business 19 development, to get this cart pushed over the 20 hill so that they may get their franchise 21 approved, what is it that they should do? It's 22 a little different than a utility that can't go 23 back and regroup. He's very much a start-up. 24 So how would you advise him in this context?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 98</p> <p>1 CHAIRMAN HONIGBERG: Mr. Corwin, do 2 you have any questions for these witnesses? 3 MR. CORWIN: No, thank you. 4 CHAIRMAN HONIGBERG: Ms. Arwen, do 5 you have any questions? 6 MS. ARWEN: No, thank you. 7 CHAIRMAN HONIGBERG: Mr. Cicale? 8 MR. CICALÉ: Yes, just a couple, Mr. 9 Chairman. 10 CROSS-EXAMINATION 11 BY MR. CICALÉ: 12 A. Mr. Frink, now, you've heard a lot 13 reverberating throughout these franchise 14 dockets about the "Catch 22" and whether an 15 Applicant, whether it be a current 16 investor-owned utility or a start-up, should 17 have some anchor customers under contract in 18 order to protect residential ratepayers and 19 demonstrate the viability and fitness of the 20 franchise. Do you agree that an Applicant 21 should demonstrate that they have some form of 22 contracts, whether it be option-based or 23 contingent on the approval and success of the 24 franchise?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 100</p> <p>1 A. (Frink) Well, the -- and it's certainly not 2 entirely his fault. The energy market has 3 changed materially since he started this 4 project. When he first came to the Commission 5 with his plans to do this, seeking help, it was 6 a much more favorable environment. And as you 7 heard, Mr. Wyatt and others have sat with him 8 and explained that it is a -- there's a lot to 9 it. There's a lot of regulation. It's 10 capital-intensive. It requires a certain level 11 of labor, and skilled labor at that. And 12 obviously, he's put in a tremendous effort, and 13 he's put in a lot of money into this project. 14 And that's -- but he's still a long way from 15 having a solid plan, that I'm not convinced 16 that his sales projections are realistic. And 17 I think the fact that their investor hasn't put 18 any money into the project yet and that, as he 19 said, even if he gets the franchise, he's not 20 going to start construction until he has 21 customers, tells you that there's a lot of 22 uncertainty there, particularly in this current 23 energy environment. 24 MR. CICALÉ: Nothing further. Thank</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 101</p> <p>1 you.</p> <p>2 CHAIRMAN HONIGBERG: Mr. Willing.</p> <p>3 MR. WILLING: I have an initial</p> <p>4 question here. The testimony has changed</p> <p>5 rather dramatically. I think you would agree.</p> <p>6 We haven't had a chance to talk within our team</p> <p>7 about what questions we would ask in response</p> <p>8 to dramatically changed testimony. May we be</p> <p>9 given an opportunity to do that?</p> <p>10 CHAIRMAN HONIGBERG: Does not seem</p> <p>11 like an unreasonable request. Do you want to</p> <p>12 take an early lunch break and confer, with an</p> <p>13 eye toward returning, say at quarter to one?</p> <p>14 MR. WILLING: That would work.</p> <p>15 CHAIRMAN HONIGBERG: All right. Is</p> <p>16 there any objection to proceeding in that way?</p> <p>17 MR. CICALA: None.</p> <p>18 CHAIRMAN HONIGBERG: I didn't think</p> <p>19 so. So we'll take an early lunch break, and</p> <p>20 we'll be back at 12:45.</p> <p>21 (Whereupon the lunch recess was taken at</p> <p>22 11:18, and the hearing resumed at 12:48)</p> <p>23 CHAIRMAN HONIGBERG: All right.</p> <p>24 Mr. Willing, are you ready to proceed?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 103</p> <p>1 you think it's overbuilt, then you expect to</p> <p>2 grow into some of it. So, determining, you</p> <p>3 know, what the right amount is to include or</p> <p>4 what should be excluded, if at all, is a gray</p> <p>5 area. And then, if you -- even if you approve</p> <p>6 the rates and they're right, well, if the</p> <p>7 company fails, then that's a risk to customers</p> <p>8 that, okay, they've made an investment to</p> <p>9 convert to natural gas, and now their provider</p> <p>10 is in financial trouble, and they didn't grow</p> <p>11 into this rate base that was approved. Then</p> <p>12 there is either going to be another rate case</p> <p>13 or it could go bankrupt. There's all sorts of</p> <p>14 risks involved with approving rates for a</p> <p>15 company that -- a new company or where there's</p> <p>16 been additional investments made that you have</p> <p>17 to decide the prudence of.</p> <p>18 Q. Has Valley Green proposed a particular set of</p> <p>19 costs to be included in the rate base?</p> <p>20 A. (Frink) Valley Green has, based on their</p> <p>21 preliminary plans, done some analysis. Their</p> <p>22 investment company -- or the company planning</p> <p>23 to invest in them has done a discounted cash</p> <p>24 flow analysis that made some assumptions that</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 102</p> <p>1 MR. WILLING: Yes.</p> <p>2 CROSS-EXAMINATION</p> <p>3 BY MR. WILLING:</p> <p>4 Q. Good afternoon, gentlemen. Mr. Frink, on</p> <p>5 Page 10 of your testimony, which is Exhibit 7,</p> <p>6 Line 20 -- Page 10, Line 20, you discuss the</p> <p>7 risk that a LNG project and the distribution</p> <p>8 system may be overbuilt or underbuilt relative</p> <p>9 to the actual customer base; right?</p> <p>10 A. (Frink) That's correct.</p> <p>11 Q. You go on to say that, to the extent that some</p> <p>12 customers could be protected from some risks --</p> <p>13 you go on to say, to some extent, customers</p> <p>14 could be protected from such risks through the</p> <p>15 rate process; right?</p> <p>16 A. (Frink) Yes, that's true.</p> <p>17 Q. Wouldn't customers be entirely protected from</p> <p>18 financial risk if Valley Green received a</p> <p>19 franchise, but then had to come back and get</p> <p>20 conditional approval of a rate case before it</p> <p>21 would begin serving customers?</p> <p>22 A. (Frink) Well, if rates are set to where -- it's</p> <p>23 hard to determine in a rate case just how much</p> <p>24 you're going to put in a rate base. I mean, if</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 104</p> <p>1 included costs, both rate base and expenses,</p> <p>2 annual expenses and so forth. So there is --</p> <p>3 there are numbers out there tied to what the</p> <p>4 expected plan's going to be.</p> <p>5 Q. Has Valley Green told you which of its costs</p> <p>6 that it would propose to include in the rate</p> <p>7 base?</p> <p>8 A. (Frink) Well, the Staff data request that I</p> <p>9 referred to in Exhibit 5 is actually the</p> <p>10 request to do a revenue requirement based on</p> <p>11 what your expectations are within different</p> <p>12 scenarios. So, in response to that request,</p> <p>13 your consultant, Steve St. Cyr, did that. And</p> <p>14 I assume what's in there, that was the</p> <p>15 Company's intention to seek recovery of those</p> <p>16 expenses.</p> <p>17 Q. One of your issues, if I understood your</p> <p>18 testimony earlier correctly, is that Valley</p> <p>19 Green's confidential indication of the amount</p> <p>20 of money that it has spent on this project is</p> <p>21 different than the rate base number that's in</p> <p>22 the schedules --</p> <p>23 A. (Frink) Well, it's higher. Right.</p> <p>24 Q. Has Valley Green proposed that it would attempt</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 105</p> <p>1 to recover the higher number through its rate  2 base?  3 A. (Frink) Well, I don't have the transcript  4 before me from yesterday's hearing, but I  5 believe the witness said that he hoped to  6 recover those costs. So, to me, that implies  7 that --  8 Q. That he definitely planned to --  9 A. (Frink) No, that he hoped to recover those  10 costs, which indicates that he's seeking  11 recovery.  12 Q. Can you read for the record your testimony on  13 Page 12, Lines 1 through 7 of your written  14 testimony in response to the question, "Are  15 there any advantages in approving Valley  16 Green's petition either now or at a later  17 date?"  18 A. (Frink) Sure. "Yes. Prior to commencing  19 service, the financial risks are entirely  20 Valley Green's. Organizational, design,  21 marketing, permitting, regulatory, construction  22 and other start-up costs incurred by Valley  23 Green will not be recovered from New Hampshire  24 ratepayers until Valley Green files a rate</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 107</p> <p>1 A. (Frink) You're saying they have to prove that  2 they have customers before the Commission would  3 approve a rate case?  4 Q. I would imagine that the Commission would not  5 approve a rate case if it did not have actual  6 customers and did not propose a rate base that  7 the Commission found reasonable.  8 MR. SPEIDEL: If I could sort of  9 interject, I think it would be ill-advised for  10 Mr. Frink to respond as to what the Commission  11 would rule. Mr. Frink can certainly be asked  12 what he would recommend, but I don't think he  13 can be asked how the Commission would rule.  14 CHAIRMAN HONIGBERG: Mr. Willing, is  15 that an acceptable modification to the  16 question?  17 MR. WILLING: That's an acceptable  18 modification.  19 CHAIRMAN HONIGBERG: Mr. Frink, do  20 you understand the question?  21 WITNESS FRINK: (Frink) I do.  22 A. (Frink) When it comes to growth, we don't --  23 utilities, when they invest in plant and  24 facilities and rate base, they're doing it with</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 106</p> <p>1 case, receives Commission approvals of tariff  2 rates and commences service. If Valley Green  3 does not commence service, the cost of service  4 will be borne by its Lebanon and Hanover  5 customers, with no risk of cross-subsidies for  6 ratepayers outside of the franchise area."  7 CHAIRMAN HONIGBERG: For the record,  8 I don't believe you read that correctly, the  9 last sentence.  10 WITNESS FRINK: I'll try again.  11 A. (Frink) "If Valley Green does commence service,  12 the cost of service will be borne by its  13 Lebanon and Hanover customers, with no risk of  14 cross-subsidies from ratepayers outside of the  15 franchise area."  16 BY MR. WILLING:  17 Q. Isn't it the case that Valley Green, at the  18 rate case stage, would have to show actual  19 customer commitments to the Commission to meet  20 its burden of proof that its investments were  21 prudent, and used and useful, and that its  22 rates will be just and reasonable, and  23 similarly it would have to propose a rate base  24 be folded into that rate case?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 108</p> <p>1 an eye towards the future. I mean, a lot of  2 these are done in steps. As I mentioned  3 earlier, it's a very capital-intensive  4 business. So, typically you don't -- your rate  5 base isn't just to serve your existing customer  6 base, but it's also to serve expected future  7 growth. So I would have to see what the -- if  8 Valley Green comes in for rates and they have a  9 certain number of customers, and it appears  10 reasonable that they're going to double those  11 customers, then my recommendation may be that,  12 yes, go ahead, even though you don't have a  13 firm commitment. I might recommend to the  14 Commissioners they should go ahead and approve  15 the proposed rate increase based on  16 expectations.  17 Q. Doesn't the fact that Valley Green is proposing  18 an approach to storage, whereby Valley Green  19 could subscribe to a capacity on an as-needed  20 basis, offer further protection to customers?  21 A. (Frink) Well, it depends on how that's priced.  22 But theoretically, yes, I'd agree with that.  23 Q. Mr. Frink, in your testimony on Page 5,  24 Line 22, through Page 6, Line 4, you state</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 109</p> <p>1 that, without Dartmouth College as a customer, 2 fixed costs would be spread over lower sales, 3 and failure to sign an anchor customer could 4 cause financial stress, and therefore Valley 5 Green may not be able to offer reasonable 6 rates; is that right? 7 A. (Frink) That's correct. 8 Q. When a new utility comes in for its first rate 9 case, the Commission's policy is to base just 10 and reasonable rates on full build-out; 11 correct? 12 A. (Frink) I don't think I agree with that. When 13 you come in for rates... again, it's by steps. 14 Full build-out could be accomplished in 10 or 15 20 years. You could put in an amount of plant 16 to serve for 10 years and then add to it as you 17 grow into it or need it. So I wouldn't say I'm 18 looking at full build-out, as far as what I'd 19 recommend for approval in setting rates. I'm 20 looking at what's a reasonable expectation for 21 growth and the most cost-effective way to 22 satisfy that growth. 23 Q. Isn't it the case that, when there's a stage 24 build-out, the fixed costs are not passed along</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 111</p> <p>1 that page. 2 A. (Frink) Okay. 3 Q. Those orders involve the Commission assessing 4 whether a take-or-pay contract between a 5 utility and an anchor customer with the utility 6 was in the public good; right? 7 A. (Frink) Yes. 8 Q. In those cases, if I understand correctly, the 9 customer knew there was one big anchor customer 10 in each case, and the customer knew if it 11 committed, the franchise would very likely be 12 awarded, and it would receive the service that 13 it was contracting for; is that right? 14 A. (Frink) In both instances I'm sure the anchor 15 customer realized that approval of the contract 16 that they -- the risk to them was really in 17 whether the Commission would find a special 18 contract was reasonable. It wasn't really a 19 concern as to whether they had a franchise. 20 Q. It was a much simpler process to look forward 21 to it from a customer standpoint, wouldn't you 22 agree, than -- 23 A. (Frink) I would agree, yes. 24 Q. -- and to complete the comparison -- than the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 110</p> <p>1 to just the initial customers of that 2 build-out? 3 A. (Frink) Yes, that's correct. 4 Q. We discussed earlier that the financial risk is 5 borne by the utility at the initial stage and 6 not through the ratepayers; right? 7 A. (Frink) That's true. 8 Q. Okay. I'd like to ask you some questions 9 regarding your analysis on Page 8 regarding the 10 discounted cash flow analysis. 11 Your concern on Page 8 is that you're 12 trying to measure Mr. Campion's ability to 13 generate revenues to meet operating costs; 14 correct? 15 A. (Frink) Yes. 16 Q. Lines 8 and 9. And you're applying a DCF 17 method that the Commission used with past 18 regulated natural gas utilities line 19 expansions; right? 20 A. (Frink) Well, I didn't actually perform a DCF 21 analysis. But I said -- 22 Q. The equivalent. I'm sorry. 23 A. (Frink) Yes. 24 Q. And you cited two orders that are footnoted on</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 112</p> <p>1 situation that we're presented with today? 2 A. (Frink) That's correct. 3 CHAIRMAN HONIGBERG: I'm going to 4 remind both of you to wait until the other is 5 finished before you start talking. It'll be 6 much easier for our stenographer. 7 BY MR. WILLING: 8 Q. So that anchor customer -- those anchor 9 customer dockets were special contract analyses 10 under RSA 378:18; right? 11 A. (Frink) They were, yes. 12 Q. Okay. In weighing special contracts, would you 13 agree that the Commission traditionally 14 considers four aspects of benefits: Benefit to 15 the public, benefit to the utility, benefit to 16 the special contract customer, and the benefit 17 to the utility customers? 18 A. (Frink) Would weigh all those factors, yes. 19 Q. And you're saying that the Commission has used 20 the DCF in that benefits analysis? 21 A. (Frink) In weighing those -- 22 Q. Special contracts. 23 A. (Frink) Yes. 24 Q. Cross-subsidization between the special</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 113</p> <p>1 contract customer and the existing customers is</p> <p>2 a concern that the Commission weighs while it</p> <p>3 assesses those benefits --</p> <p>4 (Court Reporter interrupts.)</p> <p>5 Q. Cross-subsidization between the special</p> <p>6 contract customer and existing customers is a</p> <p>7 concern that the Commission weighs when it</p> <p>8 assesses the four benefit prongs I talked about</p> <p>9 earlier?</p> <p>10 A. (Frink) That's correct.</p> <p>11 Q. Mr. Campion has no existing customers; right?</p> <p>12 A. (Frink) That's true.</p> <p>13 Q. And Valley Green isn't doing a line extension;</p> <p>14 right?</p> <p>15 A. (Frink) Well, they're extending lines from a</p> <p>16 plant. So I would say the entire system is a</p> <p>17 line extension.</p> <p>18 Q. It's not a line extension from an existing</p> <p>19 network of pipeline, is it?</p> <p>20 A. (Frink) No, it's not.</p> <p>21 Q. This is the first time that Staff is asking the</p> <p>22 Commission apply this analysis in a non-special</p> <p>23 contract, non-line extension case, to assess</p> <p>24 risk to the utility and its future customers;</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 115</p> <p>1 utility in a special contract situation would</p> <p>2 generate enough revenues to meet operating</p> <p>3 costs is partially based on backing out</p> <p>4 customer subsidiaries; right?</p> <p>5 A. (Frink) Repeat that, please?</p> <p>6 Q. The assessment of whether the regulated utility</p> <p>7 in a special contract situation will generate</p> <p>8 enough revenue to meet operating costs is</p> <p>9 partially based on backing out customer</p> <p>10 subsidies; right?</p> <p>11 A. (Frink) I do not agree with that. When you</p> <p>12 evaluate a special contract, you seek to make</p> <p>13 sure, above all else, that your marginal costs</p> <p>14 are covered to serve that customer. When you</p> <p>15 have a special contract, it's not that your --</p> <p>16 if you can meet the marginal costs, then it</p> <p>17 provides benefit to existing customers. So I</p> <p>18 guess, in a sense, it's to avoid subsidies,</p> <p>19 but -- yeah, I'll accept that, okay.</p> <p>20 Q. I think my question said "partially."</p> <p>21 A. (Frink) Yes.</p> <p>22 Q. And here, with Valley Green, you don't have</p> <p>23 that problem, right, because there are no</p> <p>24 existing customers?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 114</p> <p>1 right?</p> <p>2 A. (Frink) I don't think I understand your</p> <p>3 question.</p> <p>4 Q. Okay. Is this the first time that the Staff</p> <p>5 has asked the Commission to apply the DCF</p> <p>6 analysis or the equivalent to a brand new</p> <p>7 island start-up utility?</p> <p>8 A. (Frink) Yes. Absolutely. That's correct.</p> <p>9 Q. And there are some differences between such an</p> <p>10 enterprise and the line extension from an</p> <p>11 existing pipeline network, wouldn't you agree?</p> <p>12 A. (Frink) I would agree.</p> <p>13 Q. Yup. Okay. Now I want to go back to your</p> <p>14 initial statement on Line 8, that you were</p> <p>15 trying to assess Valley Green's ability to</p> <p>16 generate enough revenue to meet operating costs</p> <p>17 and achieve a reasonable rate of return, all</p> <p>18 right. It's up on Lines 8 and 9.</p> <p>19 A. (Frink) Right.</p> <p>20 Q. Isn't that a different analysis than whether</p> <p>21 there are cross-subsidies among customers?</p> <p>22 (Witness reviews document.)</p> <p>23 A. (Frink) Yes, it is.</p> <p>24 Q. So the assessment of whether the regulated</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 116</p> <p>1 A. (Frink) Right.</p> <p>2 Q. All right. I'm moving on.</p> <p>3 Can you read for the record your testimony</p> <p>4 on Page 10, Lines 10 through 13 in response to</p> <p>5 the question, "Can a customer contract for</p> <p>6 utility service with Valley Green prior to</p> <p>7 franchise approval?"</p> <p>8 A. (Frink) "Yes. There is nothing to prevent</p> <p>9 Valley Green from entering an agreement with</p> <p>10 potential customers. Agreements would be</p> <p>11 subject to Commission approval of the franchise</p> <p>12 request, tariffs and, if the terms of service</p> <p>13 differed from the approved tariff, approval of</p> <p>14 the special contract."</p> <p>15 Q. So your answer suggests that Valley Green</p> <p>16 should be able to obtain customer agreements</p> <p>17 before the grant of a franchise that would</p> <p>18 become effective after the Commission approves</p> <p>19 rates and/or a special contract; right?</p> <p>20 A. (Frink) That's correct.</p> <p>21 Q. What do you think the time lag would be between</p> <p>22 those two events?</p> <p>23 A. (Frink) Could be a matter of a few months to</p> <p>24 many months.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 117</p> <p>1 Q. Could it be longer than that?</p> <p>2 A. (Frink) Conceivably.</p> <p>3 Q. And as Mr. Evslin pointed out in his testimony,</p> <p>4 there could be a -- there are two companies</p> <p>5 competing for the same franchise. Doesn't that</p> <p>6 introduce additional uncertainty for the</p> <p>7 customer?</p> <p>8 A. (Frink) I don't know if that's true. I mean,</p> <p>9 if I'm a customer looking for natural gas</p> <p>10 service, there are two proposed utilities. I</p> <p>11 would expect to approach both utilities and</p> <p>12 possibly sign a contract with both or either.</p> <p>13 Q. Would you agree the Commission is looking for</p> <p>14 contracts that are binding, or as binding as</p> <p>15 possible?</p> <p>16 A. (Frink) Yes.</p> <p>17 Q. Do you think a customer would sign a binding</p> <p>18 contract with a proposed utility that is</p> <p>19 competing with another utility for a franchise</p> <p>20 on an indefinite time frame for service that</p> <p>21 would begin at some point in the future,</p> <p>22 probably years in the future?</p> <p>23 A. (Frink) These contracts are contingent upon --</p> <p>24 there are conditions that have to be satisfied</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 119</p> <p>1 interest in that and need for that and</p> <p>2 demonstrated it to the Commission. The</p> <p>3 Commission approved those contracts. But it's</p> <p>4 out of their hands that the project's fallen</p> <p>5 through. But it was the best solution to their</p> <p>6 situation at that time, and so that's what they</p> <p>7 did. And any customer on a interstate pipeline</p> <p>8 or utility would be in the same position.</p> <p>9 Q. So you're saying a manufacturing customer in</p> <p>10 the Lebanon/Hanover area would be willing to</p> <p>11 sign a contract with Valley Green or Liberty,</p> <p>12 or whatever company came forward, competing for</p> <p>13 a franchise for service that might begin for</p> <p>14 the winter of 2018 or 2019, depending on how</p> <p>15 processes unfolded here, and would be willing</p> <p>16 to sign that contract not knowing what pricing</p> <p>17 conditions might be like at that point in time?</p> <p>18 A. (Frink) I don't know what they would be willing</p> <p>19 or not willing to do. Again, it depends on</p> <p>20 their interest and what kind of terms they</p> <p>21 expect to get.</p> <p>22 When Valley Green was out seeking</p> <p>23 customers earlier to start this process, there</p> <p>24 obviously was a good deal of interest. And no</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 118</p> <p>1 for these contracts to be binding. So the</p> <p>2 contracts are never binding until there's</p> <p>3 Commission approval of the required, whatever</p> <p>4 you need approvals for. So, a customer</p> <p>5 interested in natural gas service in the</p> <p>6 Lebanon/Hanover area that saw it's in their</p> <p>7 best interest, they might choose one or the</p> <p>8 other, or they could enter into contracts with</p> <p>9 both, but they would not be bound by that</p> <p>10 contract until such time as the approvals were</p> <p>11 given.</p> <p>12 Q. But in that scenario, wouldn't they be offering</p> <p>13 up their commitment contingent on an event that</p> <p>14 they don't control; so, therefore, from their</p> <p>15 standpoint, it isn't a commitment if that event</p> <p>16 occurred [sic]?</p> <p>17 A. (Frink) They're signing on to a contract that</p> <p>18 they don't control, but that they could</p> <p>19 influence. And again, if it's in their best</p> <p>20 interest and they want this service, if there's</p> <p>21 a need for this service, then -- I'll give you</p> <p>22 an example, a very recent example, where</p> <p>23 Liberty signed for a capacity on the NED</p> <p>24 pipeline, and that failed. But they had an</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 120</p> <p>1 manufacturing customer is going to say, Oh, if</p> <p>2 you can give me cheaper energy prices, then I'm</p> <p>3 not going to talk to you. But when it gets</p> <p>4 more -- when the differential disappears, as it</p> <p>5 has at this point in time, even then I imagine</p> <p>6 they'll still talk to you. And if they are</p> <p>7 willing to sign -- if they thought it was in</p> <p>8 their interest, why wouldn't you do something</p> <p>9 to help and can get the terms you're looking</p> <p>10 for if all these events take place. Why</p> <p>11 wouldn't you enter into that contract to get --</p> <p>12 to help promote that process and get it done.</p> <p>13 Q. By entering into that contract, wouldn't you be</p> <p>14 foreclosing your other fuel options, propane</p> <p>15 or --</p> <p>16 A. (Frink) Not at all. No, because you're not --</p> <p>17 until these events come to pass, it's not</p> <p>18 effective. I mean, any customer out there,</p> <p>19 unless it's a brand new customer, has an</p> <p>20 existing fuel supply. And they'll draw on that</p> <p>21 until such time as -- and you could always put</p> <p>22 another condition in there, by date certain</p> <p>23 this has to happen. So you can control those.</p> <p>24 Q. You think that customers should be willing to</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 121</p> <p>1 sign contracts like that --</p> <p>2 A. (Frink) I'm saying --</p> <p>3 (Court Reporter interrupts.)</p> <p>4 A. (Frink) I'm saying if it's in their interest,</p> <p>5 yes.</p> <p>6 Q. Can you read for the record your testimony on</p> <p>7 Page 11, Lines 17 to 18, in response to the</p> <p>8 question, "Are there advantages in approving</p> <p>9 Valley Green's petition at this time?"</p> <p>10 A. (Frink) "Yes. Valley Green will have the legal</p> <p>11 authority to provide utility service, which</p> <p>12 could make it easier to attain customer</p> <p>13 commitments."</p> <p>14 Q. So, here you're saying that the franchise would</p> <p>15 make a difference in Valley Green's ability to</p> <p>16 get customer commitments.</p> <p>17 A. (Frink) It would make it easier. Doesn't mean</p> <p>18 it's not possible now. But it would make it</p> <p>19 easier, yes.</p> <p>20 Did you want me to continue?</p> <p>21 Q. No, it's okay.</p> <p>22 Can you read for the record your testimony</p> <p>23 on Page 11, Lines 11 through 15, in response to</p> <p>24 the question, "Do you see any other risks in</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 123</p> <p>1 approval, construct its project and begin</p> <p>2 serving customers; right?</p> <p>3 A. (Frink) It would need some of that time, yes.</p> <p>4 Probably a good deal of that time, yes.</p> <p>5 Q. So the risk of Valley Green not acting on its</p> <p>6 rights isn't really indefinite, is it?</p> <p>7 A. (Frink) I would agree it's not indefinite.</p> <p>8 Q. And you're also aware that the New Hampshire</p> <p>9 Supreme Court has ruled that the Commission has</p> <p>10 the right to franchise a utility within the</p> <p>11 franchise territory of another utility, under</p> <p>12 RSA 374:28; right?</p> <p>13 A. (Frink) I didn't know that, but --</p> <p>14 Q. I can give you the cite. It's Appeal of PSNH,</p> <p>15 141 NH 13, decided in 1996.</p> <p>16 A. (Frink) Okay.</p> <p>17 Q. So, if Valley Green were serving some, but not</p> <p>18 all of Lebanon and Hanover, and another company</p> <p>19 wished to serve the rest of the territory, the</p> <p>20 Commission could grant a franchise within</p> <p>21 Valley Green's territory to serve to [sic] that</p> <p>22 other company; right?</p> <p>23 A. (Frink) That's a legal opinion that I'm not</p> <p>24 qualified to make.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 122</p> <p>1 approving the petition?"</p> <p>2 A. (Frink) "Valley Green would hold exclusive</p> <p>3 rights to the franchise territory and could</p> <p>4 delay the provision of utility service</p> <p>5 indefinitely, denying potential customers the</p> <p>6 possibility of obtaining utility service at an</p> <p>7 earlier date, or at all, from a competing</p> <p>8 entity. Also, if Valley Green were to fail,</p> <p>9 what to do with the utility plant and</p> <p>10 distribution system would need to be</p> <p>11 addressed."</p> <p>12 Q. So you're saying that one risk is that</p> <p>13 customers would not have an energy choice if</p> <p>14 Valley Green received a franchise and didn't</p> <p>15 act on it; right?</p> <p>16 (Witness reviews document.)</p> <p>17 A. (Frink) Right. Yes, that's correct.</p> <p>18 Q. But the Commission can take away Valley Green's</p> <p>19 franchise under RSA 374:27 if it did not act on</p> <p>20 its franchise within two years; right?</p> <p>21 A. (Frink) Yes, that's correct.</p> <p>22 Q. And a utility receiving a franchise would need</p> <p>23 a large portion of that two-year period to</p> <p>24 design and permit its project, receive rate</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 124</p> <p>1 Q. The point being, the Commission has tools in</p> <p>2 its toolbox to protect customers from the risks</p> <p>3 that Valley Green might hold but not act on</p> <p>4 franchise rights; correct?</p> <p>5 A. (Frink) It appears that way.</p> <p>6 Q. Okay. Going to move on to a different topic.</p> <p>7 At Page 6, Line 19, you cite natural gas</p> <p>8 prices of 1.46 and 1.40 per therm; correct?</p> <p>9 A. (Frink) Yes, I did.</p> <p>10 Q. And those prices are the average residential</p> <p>11 heating customer per therm rate for Liberty and</p> <p>12 Northern; right?</p> <p>13 A. (Frink) Yes.</p> <p>14 Q. At Page 7, Line 1 of your testimony, you make</p> <p>15 note of those natural gas prices in order to</p> <p>16 conclude that Valley Green's rates will almost</p> <p>17 certainly be higher than those prices; right?</p> <p>18 A. (Frink) That is correct.</p> <p>19 Q. Liberty, through EnergyNorth, has about 90,000</p> <p>20 customers; is that about right?</p> <p>21 A. (Frink) Yes.</p> <p>22 Q. And Northern has about 30,000 customers; is</p> <p>23 that about right?</p> <p>24 A. (Frink) Yes.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>



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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 125</p> <p>1 Q. These natural gas prices aren't from an island  2 service territory, are they?  3 A. (Frink) No, they're not.  4 Q. A customer in the Upper Valley doesn't have the  5 option to buy pipeline gas for 1.46 or 1.40 per  6 therm; right?  7 A. (Frink) They don't. But I think you're missing  8 the point. I'm comparing this to alternative  9 fuel costs, not to Liberty's rates or  10 Northern's rates. I could have as easily  11 referred to the average per therm rate that was  12 in the Company's confidential revenue -- rate  13 analysis that they did. But to avoid going  14 into confidential information, I didn't do  15 that. But the point is you're not competing  16 with Northern and EnergyNorth rates in this  17 area. You're competing with oil and propane  18 rates.  19 Q. In the Upper Valley.  20 A. (Frink) In the Upper Valley, yes.  21 Q. Okay. Got it. That's the point I was trying  22 to make.  23 Just above on Page 6, Lines 11 and 12 of  24 your testimony, you cite an oil price of \$1.92</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 127</p> <p>1 you think it might be helpful for the other  2 parties to have access to the document that the  3 witness and Mr. Speidel are looking at?  4 MR. WILLING: Oh, sure. Yeah. It is  5 publicly available.  6 CHAIRMAN HONIGBERG: Yeah, but  7 they're not looking at it right now on the web,  8 unless you've got screenshots for everybody.  9 MR. WILLING: No.  10 (Ms. Brown distributing document.)  11 BY MR. WILLING:  12 Q. I'd like to ask you to go to the second page of  13 the document, which was oil price quotes in  14 south central New Hampshire -- I'm sorry. Go  15 to the third page of the document. Does this  16 list oil prices quoted by two Manchester  17 distributors as of February 22nd and 23rd?  18 A. (Frink) Yes, it does.  19 Q. What are those price?  20 A. (Frink) I see \$1.70 and I see \$1.64.9.  21 Q. Okay. Now turn to Page 2, which lists prices  22 for west central New Hampshire.  23 A. (Frink) Do you mean Claremont?  24 Q. Yes.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 126</p> <p>1 per gallon; right?  2 A. (Frink) That's correct.  3 Q. And that price represents the price of No. 2  4 fuel oil delivered to your house in Manchester;  5 right?  6 A. (Frink) Yes, it is.  7 Q. And this correlates, you say, to an equivalent  8 energy value of 1.53 per therm of natural gas;  9 right?  10 A. Yes.  11 Q. Manchester is not in the Upper Valley; right?  12 A. (Frink) No.  13 Q. Okay. I'd like to show you some pages from the  14 web site of New England Oil, which is at  15 www.newenglandoil.com, that indicates oil  16 prices quoted for the Manchester area and the  17 Upper Valley area.  18 (Discussion off the record among  19 counsel.)  20 BY MR. WILLING:  21 Q. Okay. Turn to the second page of the document  22 which lists oil price quotes in south central  23 New Hampshire--  24 CHAIRMAN HONIGBERG: Mr. Willing, do</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 128</p> <p>1 A. (Frink) Okay.  2 Q. Does this show the prices for two distributors  3 in Newport and Claremont as of March 1st?  4 A. (Frink) It does.  5 Q. And what are those prices?  6 A. (Frink) One's \$1.89.9 and one is \$1.78.  7 Q. No prices are listed for Lebanon and Hanover  8 specifically; right?  9 A. (Frink) Well, I don't see any.  10 Q. Are Claremont and Newport closer to Lebanon and  11 Hanover than Manchester is?  12 A. (Frink) I don't know the distances, but maybe  13 Mr. Knepper does.  14 A. (Knepper) I'd say you just accept that.  15 A. (Frink) Subject to check.  16 Q. So these prices would suggest that heating oil  17 in west central New Hampshire is in the range  18 of 8 to 25 cents more expensive than heating  19 oil in Manchester?  20 MR. SPEIDEL: I would object to that.  21 There's not adequate evidence to support that  22 assertion.  23 CHAIRMAN HONIGBERG: Mr. Willing?  24 MR. WILLING: The witness, you know,</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 129</p> <p>1 has testified that oil prices in Manchester are 2 relevant to oil prices in the Lebanon and 3 Hanover area with which Valley Green would be 4 competing. 5 A. (Frink) Well, I -- 6 CHAIRMAN HONIGBERG: Hang on, Mr. 7 Frink. 8 I think you're probably asking 9 him to do more than is -- than he can do based 10 on what you've given him. You can ask his 11 opinion about whether -- and he's entitled to 12 his opinion -- 13 MR. WILLING: Okay. I will do that. 14 BY MR. WILLING: 15 Q. Would you agree that it is likely that oil 16 prices in the Lebanon/Hanover area are more 17 expensive than oil prices in the Manchester 18 area? 19 A. (Frink) The oil prices for a residential 20 heating customer in Lebanon and Hanover is 21 probably slightly higher than the oil heating 22 price for a residential heating customer in 23 Manchester, New Hampshire. 24 Q. Okay. It's the oil price in Lebanon and</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 131</p> <p>1 That happens to be my supplier. I've gone 2 online and looked at what other suppliers offer 3 for price. There's never really a very big 4 delta between the two, and so I believe this is 5 representative. And I didn't call up to 6 Lebanon and Hanover to see what they were 7 offering for rates. If it's a few pennies 8 more, that wouldn't be a surprise. But I 9 believe the point is that this price of \$1.53 10 and \$1.92 is -- that's what -- somewhere in 11 that range is well -- I don't think it's enough 12 to incent people to convert from oil to natural 13 gas, let's put it that way. And you can look 14 at your, you know, average per therm rate and 15 compare it to this equivalent gas price and say 16 the Commissioners can judge that for 17 themselves. 18 Q. Okay. While we're on the subject of heating 19 fuel, you mentioned what you paid -- you 20 mentioned what you paid for heating fuel. If 21 your furnace or boiler were to die and you had 22 natural gas running by your house, would you 23 switch to natural gas? 24 A. (Frink) At this point, probably not. Actually,</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 130</p> <p>1 Hanover with which Valley Green would be 2 competing; right? 3 A. (Frink) The numbers in my testimony are for 4 residential heating. I think the customer base 5 that Valley Green is looking for is primarily 6 commercial and industrial, and I imagine they 7 get a better rate than the residential heating 8 customer. 9 Q. Would commercial and industrial customers in 10 Lebanon and Hanover pay a slightly higher rate 11 than commercial and industrial customers in 12 Manchester? 13 A. (Frink) They would. But, again, the rates I 14 cite in Manchester are residential heating. 15 Q. What is the utility of the rates that you cited 16 in Manchester to this discussion? 17 A. (Frink) It's Absco Heating. 18 Q. Of what usefulness is the information 19 consisting of residential oil pricing in 20 Manchester to an analysis of Valley Green's 21 competitiveness in Lebanon and Hanover? 22 A. (Frink) I used these numbers because typically 23 the heating oil market in Manchester, the 24 various oil suppliers are relatively close.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 132</p> <p>1 I've had natural gas for my fuel, and I prefer 2 it to oil. But my kids have grown. They've 3 left the house. I'm going to downsize and move 4 into a condominium -- 5 CHAIRMAN HONIGBERG: Mr. Frink, why 6 don't you just hang on for just a minute. 7 Are we really going to continue 8 along this line any further? 9 MR. WILLING: Two more questions 10 along this line. 11 CHAIRMAN HONIGBERG: About what Mr. 12 Frink might do in his personal life? I think 13 he's given you an answer to the question. 14 What's the next question? 15 BY MR. WILLING: 16 Q. Isn't it a fallacy to make a decision on a 17 franchise based on commodity prices at a moment 18 in time? 19 A. (Frink) This franchise could be created and put 20 in place. It could have been done two years 21 ago. It could have been, you know, looking to 22 do it now or two years from now. I think it's 23 relevant, in that, you know, you know what you 24 know. At that point in time, this is the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 133</p> <p>1 information you have, and you can allow for, 2 you know, expected changes. But I don't think 3 it's irrelevant, especially when you're looking 4 at a discounted cash flow that has high costs 5 early on and cash flows that, as you go out, 6 become more deeply discounted and have less 7 value than those in the early years. So if you 8 know at this point in time that the next couple 9 years is going to be tough to generate 10 revenues, then I think that's worth 11 considering. And there's nothing -- I'm not 12 suggesting that there shouldn't be a utility in 13 Lebanon and Hanover if it's economically 14 feasible. I'm suggesting at this point in time 15 that this is not the time really to do that. 16 That's my recommendation. 17 Q. If oil prices rose in a year or two, that would 18 be a more propitious time for a company to step 19 forward and propose -- 20 A. (Frink) Assuming gas prices stayed relatively 21 low. 22 Q. Could the oil prices then drop again after 23 that? 24 A. (Frink) Of course.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 135</p> <p>1 rates are designed to satisfy the revenue 2 requirement. 3 Q. There are other factors that go into customer 4 rates other than the revenue requirement; 5 right? 6 A. (Frink) Could you give me an example? I 7 don't -- 8 Q. Rate design issues? 9 A. (Frink) That's all part of the revenue 10 requirement. 11 Q. Other revenue sources? 12 A. (Frink) When you do a revenue requirement, you 13 look at all regulated revenue, be it customer 14 charges, delivery charges, late fees. There 15 are all sorts of things that would go into the 16 revenue requirements. So that's all part of 17 the revenue requirement. 18 CROSS-EXAMINATION 19 BY MS. BROWN: 20 Q. Mr. Frink, I believe the point we want to ask 21 you about is, when you're looking at the rate 22 comparisons on Schedules 3-10, those were per 23 therm -- or they took the revenue requirement 24 and divided it by therms; correct?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 134</p> <p>1 Q. Do you ever have certainty about how oil prices 2 and gas prices are going to compete in the 3 future relative to each other at any particular 4 point in time? 5 A. (Frink) No, you don't have certainty. 6 Q. I'm going to move on. 7 At Page 9, Line 14 and 15 of your 8 testimony, you cited Valley Green's revenue 9 requirement numbers for its build-out 10 scenarios; right? 11 A. (Frink) Where are you? 12 Q. Page 9, Lines 14 and 15. 13 A. (Frink) Okay. Thank you. 14 (Witness reviews document.) 15 A. Okay. 16 Q. And are those the numbers that you used to 17 represent Valley Green's potential customer 18 rates for purposes of comparing them to fuel 19 prices to determine viability? 20 A. (Frink) I am suggesting that should be 21 considered, yes. 22 Q. But revenue requirements aren't customer rates, 23 are they? 24 A. (Frink) Well, not directly, but the customer</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 136</p> <p>1 A. (Frink) Correct. 2 Q. So it's only a rate through a volumetric 3 analysis, not a fixed -- 4 A. (Frink) It is a very high-level analysis of 5 what an average rate might look like. You're 6 absolutely correct. 7 Q. And you would agree, would you not, that 8 revenues come from more than just a volumetric 9 charge; correct? 10 A. (Frink) That's correct. 11 Q. They can come from fixed charges, fixed rate 12 charges? 13 A. (Frink) Yes, but that's still all part of the 14 revenue requirement. 15 Q. Yes. And does a revenue requirement also -- is 16 it also fueled by revenues from, say, 17 connection fees? 18 A. (Frink) Yes. 19 Q. And the revenues from connection fees and flat 20 fees are not reflected in a volumetric rate; 21 right? 22 A. (Frink) It is not -- it's not in the volumetric 23 rate. But again, all these costs are borne by 24 the customers to satisfy the revenue</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 137</p> <p>1 requirement. So, even if it's a fixed rate in 2 a customer charge or if it's a volumetric 3 charge, in the end, those customers are going 4 to pay those charges. And the average price is 5 going to be reflective of that number, even 6 though, yes, there is a small portion that, you 7 know, if you're late with a check and there's a 8 late penalty or a hookup charge or something 9 like that, those factor in. But typically 10 those are relatively small. 11 Q. So, the point being, in your analysis you were 12 taking this per therm revenue rate and assuming 13 all of the revenues were coming out of a 14 volumetric charge and that that would be the 15 rate design. 16 A. (Frink) No, I'm not assuming it's all recovered 17 through a volumetric charge. I'm saying all 18 these costs will be recovered from customers, 19 and this is what a total, typical price cost is 20 going to be. Again, it's very high level, 21 so... 22 Q. Glad to have you say it is a high-level review. 23 But when you are comparing Valley Green's 24 high-level rates, these per therm revenue</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 139</p> <p>1 A. (Frink) I gave you my answer. No, I don't look 2 at it strictly as a volumetric charge. 3 BY MS. BROWN: 4 Q. So, then, your conclusion, then, that Valley 5 Green's rates are not competitive is not based 6 on a apples-to-apples comparison of rates then; 7 correct? 8 A. (Frink) No, I don't agree with that. When I 9 buy my oil from my oil dealer, he charges me 10 \$1.92. That covers everything. If I buy gas 11 from a gas utility, I pay a customer charge, I 12 pay a delivery charge, I pay a commodity 13 charge. When I compare my costs at the end of 14 the year, I say, okay, what was my total gas 15 bill and what's my total oil bill, and there's 16 my cost. That's what I'm comparing. 17 Q. And wouldn't Valley Green's per therm rate, as 18 determined on those schedules at Staff 3-10, be 19 lower if the revenues were backed out that were 20 attributable to fixed charges and other sources 21 of revenue, such as connection fees? I can ask 22 it a different way. 23 A. (Frink) Please do, because I... 24 Q. The "rate" -- and I use that term loosely -- in</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 138</p> <p>1 requirement rates, to rates that customers are 2 paying either at a propane level or an oil 3 level, you are essentially taking a 4 volumetric -- or assuming that Valley Green is 5 only having a volumetric rate design. 6 A. (Frink) No, I'm not doing that. If I'm a 7 customer looking to take Valley Green's 8 service, I'm not just going to look at your 9 delivery rate. I'm going to look at my 10 customer charge. I'm going to look at my 11 delivery rate. I'm going to look at my 12 commodity rate. I'm going to look at my hookup 13 fee. All that stuff calculates in, and so it's 14 not purely a volumetric charge. 15 Q. So when you're concluding that the rates are 16 not competitive, aren't you, in your testimony, 17 just looking at Valley Green's rate as if it 18 were a volumetric charge? 19 MR. SPEIDEL: Isn't that the fourth 20 time that same question has been asked? 21 MS. BROWN: Yes. I'm looking for the 22 answer. 23 MR. SPEIDEL: But he's already 24 answered "No."</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 140</p> <p>1 the revenue requirement schedules at Staff 3-10 2 would be lower if you backed out revenue 3 sources that are revenues that come from fixed 4 charges and connection fees. 5 A. (Frink) Those are rates. Those are rates. How 6 can you say a customer charge is not a 7 customer -- it's a rate. You have to pay that 8 customer charge. 9 Q. But in your analysis, you're using the per 10 therm revenue requirement as a customer rate; 11 correct? 12 A. (Frink) My analysis asked for an average per 13 therm rate. It's an all-in rate. It's 14 customer charges. It's everything. It's the 15 delivery charge. It's the commodity charge. 16 CHAIRMAN HONIGBERG: I think you can 17 keep arguing with him if you want, but I'm 18 pretty sure he's going to give you the same 19 answer the next time you go in this direction. 20 All right. Is there anything 21 else you want to ask him? 22 MS. BROWN: Yeah, we have other 23 questions. I was just cutting to the chase 24 here.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 141</p> <p>1 MR. SPEIDEL: Mr. Frink isn't a 2 broken vending, and it doesn't depend on the 3 number of kicks. So I think we're getting the 4 same thing here.</p> <p>5 CHAIRMAN HONIGBERG: Well, I think 6 they get the point.</p> <p>7 MR. WILLING: Okay. We'll move on.</p> <p>8 CROSS-EXAMINATION (cont'd)</p> <p>9 BY MR. WILLING:</p> <p>10 Q. Valley Green produced a business plan; right?</p> <p>11 A. (Frink) Yes.</p> <p>12 Q. Liberty did not produce a business plan, is 13 that right, in its filing?</p> <p>14 A. (Frink) Well, they might disagree. But what 15 they provided was not a detailed business plan.</p> <p>16 Q. Okay. Valley Green's business plan changed, 17 and that's part of your concern; right?</p> <p>18 A. (Frink) Well, it has changed, and it seems to 19 still be in flux.</p> <p>20 Q. Do you think that the changes in Valley Green's 21 business plan were made to adapt to market 22 conditions?</p> <p>23 A. (Frink) Yes, I do.</p> <p>24 Q. Do you think that Valley Green operating in the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 143</p> <p>1 its territory. Are you familiar with that 2 situation?</p> <p>3 A. (Frink) Only what I've heard here.</p> <p>4 Q. Okay. Would it surprise you to learn that they 5 started with only three customers --</p> <p>6 A. (Frink) No.</p> <p>7 Q. -- with the idea that it would grow into 8 something bigger?</p> <p>9 A. (Frink) That wouldn't surprise me either.</p> <p>10 Q. Okay.</p> <p>11 A. (Frink) May I ask what the size of the 12 customers were? Because it's really not the 13 number, it's the volume that matter.</p> <p>14 CHAIRMAN HONIGBERG: Mr. Frink, one 15 of the cool things is that they get to ask 16 questions. You had your shot at them earlier.</p> <p>17 WITNESS FRINK: All right. I'll 18 withdraw it.</p> <p>19 BY MR. WILLING:</p> <p>20 Q. Suffice to say, Vermont is encouraging this 21 sort of development based on the Middlebury 22 experience, wouldn't you say?</p> <p>23 A. (Frink) Sounds that way.</p> <p>24 Q. Yeah. How would you imagine that an island LDC</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 142</p> <p>1 real world needs to adapt to market conditions?</p> <p>2 A. (Frink) I do.</p> <p>3 Q. How would you suggest that Valley Green square 4 the circle of adapting to market conditions but 5 not adapting its plan?</p> <p>6 A. (Frink) Well, because of the change in the 7 energy market, it changes the whole economics 8 of that thing, which has been realized by 9 everybody in this room. And maybe this isn't 10 the time to open a utility, a gas utility in 11 Lebanon/Hanover. And maybe you should wait 12 until -- you know, come back when the plans -- 13 when the business plan is in place that will -- 14 is more feasible.</p> <p>15 Q. Aren't market conditions constantly changing?</p> <p>16 A. (Frink) Of course.</p> <p>17 Q. So there won't be a point in time in the future 18 where you could come in and say these are the 19 market conditions that we will experience going 20 forward.</p> <p>21 A. (Frink) No, of course not.</p> <p>22 Q. Okay. There was mention earlier about the 23 Middlebury gas system over in Vermont. Vermont 24 Gas wanted to start a gas island there within</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 144</p> <p>1 in New Hampshire should start? Should it not 2 follow the Middlebury experience in Vermont: 3 Start one up and let it grow?</p> <p>4 A. (Frink) Middlebury had customers when they did 5 that, apparently, and that's how I think it 6 should start.</p> <p>7 Q. With some number of customers.</p> <p>8 A. (Frink) Yes.</p> <p>9 Q. Is there a minimum volume that you have in 10 mind, in terms of what threshold a start-up 11 utility would have to meet to have viability?</p> <p>12 A. (Frink) It depends on the circumstances at the 13 time and the business plan. If there's a 14 business plan that -- if the conditions are 15 such again when Valley Green first came here 16 and gas prices were half of oil prices, and, 17 you know, I can see a plan that says we have 18 these customers that will save this kind of 19 money and there's all this interest in it and 20 they're on propane now and the cost conversion 21 is such, then the whole plan -- if there's a 22 detailed plan and an agreement with -- it 23 varies how many firm commitments it would take 24 for me to say, yeah, this is a good plan. And</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 145</p> <p>1 going way back to when EnergyNorth extended its 2 system out to Milford, there was one customer 3 that satisfied 40 percent of the 10-year 4 requirement. But there was also a very high 5 degree of confidence that they would pick up 6 customers along the way because they had a 7 business plan that said, okay, our experience 8 is such that we know we're going to pick up 9 90 percent of propane customers along this 10 route, and there's this many of them, and this 11 is what they generate. You know, there was a 12 very detailed plan that provided a lot of 13 confidence and one customer that provided a 14 substantial amount of revenue requirement. And 15 I could go forward with that. So, again, it's 16 not, okay, we need 50 percent firm commitment. 17 It's how realistic is the plan. That 18 EnergyNorth plan included a marketing program 19 and everything else following the installment 20 of the line. So it was very -- that sort of 21 thing goes a long way in determining whether -- 22 you know, when the Commission is considering 23 something like this, those are the kind of 24 things that will give it confidence and allow</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 147</p> <p>1 Q. But Staff asked Valley Green to develop 2 financial schedules that would be used in a 3 rate case; right? 4 A. (Frink) Yes. 5 Q. The schedules that Valley Green produced 6 reflected numbers that Valley Green was using 7 at the time it produced them; right? 8 A. (Frink) Correct. 9 Q. And now we're several months after those 10 numbers were produced. 11 A. (Frink) Yes. 12 Q. If Valley Green came back with another 13 petition, what you're saying is Valley Green 14 would then produce another set of numbers that 15 hopefully would meet your requirements. 16 A. (Frink) Yes. 17 Q. If that petition were successful, then Valley 18 Green would come back again at a later point 19 with another set of numbers in a rate case. 20 A. (Frink) Yes. 21 Q. All of the numbers prior to the rate case 22 numbers would be projected numbers; right? 23 A. (Frink) Yes. 24 CROSS-EXAMINATION (CONT'D)</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 146</p> <p>1 it to, and Staff, to recommend approval or 2 disapproval. I feel like what's before us in 3 this instance doesn't give me a lot of 4 confidence that you're going to be able to 5 acquire the customers, to support the 6 investment this it's going to take. 7 Q. So there is no volume threshold that you have 8 in mind that would be a minimum threshold to 9 cross for a utility to be viable; is that 10 right? 11 A. (Frink) I'd say it's based on various 12 circumstances. In my testimony, I believe I 13 cited -- I'd like to see -- I'd recommend 14 50 percent... again, it's a rough number based 15 on circumstances, so it could change. 16 Q. Would an initial build-out serving customers 17 that were in the range of the volume that Keene 18 Gas currently has, could that sort of a 19 build-out be viable initially? 20 A. (Frink) It would depend on the cost of the 21 build-out. 22 Q. Okay. Switching gears. 23 This is not a rate case, is it? 24 A. (Frink) No, it's not.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 148</p> <p>1 BY MS. BROWN: 2 Q. Mr. Frink, I just had some follow-up questions 3 regarding the testimony that you gave this 4 morning, that there were two reasons, as I 5 recall, that you changed your testimony: One 6 being regarding rate base and one regarding 7 cost of employees. Am I fair in 8 characterizing -- 9 A. (Frink) I questioned the rate base, the 10 reasonableness of the projected rate base, and 11 I questioned the annual operating cost. 12 Q. And I want to follow up on the rate base 13 questions. 14 So, the numbers that you were comparing, 15 the costs from yesterday in Mr. Campion's 16 testimony, implicit in your argument, correct, 17 is that you are assuming all of those costs are 18 going into rate base? 19 A. (Frink) I am not assuming all of those costs 20 are going into rate base. I am assuming that 21 Valley Green, when they become a utility and 22 hope to recover those costs, will seek recovery 23 of those costs. 24 CHAIRMAN HONIGBERG: And that's</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 149</p> <p>1 consistent with what you testified to a little 2 while ago in response to the same question, I 3 believe; is it not? 4 WITNESS FRINK: (Frink) I hope so. 5 CHAIRMAN HONIGBERG: Yeah. 6 BY MS. BROWN: 7 Q. So, if Mr. Champion testified -- or do you 8 recall him testifying yesterday that those 9 costs that he disclosed during the confidential 10 session would either go in equity, or if he 11 could recover them, recover them? Do you 12 remember that testimony? 13 A. (Frink) I remember the testimony, yes. 14 Q. So if they -- if the costs go into equity, then 15 they're not in the rate base; correct? 16 A. (Frink) No. Those costs, whether it's funded 17 through equity or debt, those costs represent 18 the organizational costs to build this system, 19 and so it goes into rate base, regardless of 20 what it's funded from. I mean, rate base is 21 generally supported by equity and debt. So, it 22 doesn't really matter whether it's equity or 23 debt; in the end, it's rate base. 24 Q. But rate base is only what gets into customer</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 151</p> <p>1 Q. Now, the schedules that you were referring to 2 this morning in response to Staff 3-10, they 3 included multiple build-out scenarios; is that 4 correct? 5 A. (Frink) Yes. 6 Q. And those multiple build-out scenarios are 7 based on assumed market conditions; would you 8 agree? 9 A. (Frink) Valley Green gave us various phases of 10 build-outs. And from yesterday's testimony, I 11 marked that exhibit as being Service Area B, 12 the smallest initial build-out. 13 Q. So, in answer to my question, with the 14 Scenarios A, B, C, those build-outs are based 15 on what market conditions will bear; correct? 16 A. (Frink) They're based on Valley Green's 17 projected build-out, what they expect. 18 Q. Okay. Let me just move on. 19 The scenarios in response to Staff 3-10 20 are based on estimated costs; would you agree? 21 A. (Frink) Yes. Absolutely. 22 Q. And those build-out scenarios do not represent 23 the universe of all build-out scenarios that 24 Valley Green could undertake; would you agree?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 150</p> <p>1 rates; correct? 2 A. (Frink) The Commission will decide what should 3 be allowed for recovery in a rate base. 4 Q. And the number that Mr. Champion disclosed 5 yesterday may not all go into rates; correct? 6 A. (Frink) That's correct. 7 Q. So, again, my question is: If that is the 8 case, then your reason for asking the 9 Commission to deny the petition based on the 10 rate case issue presumes Mr. Champion is going 11 to ask for more costs into rate base than what 12 is represented in the schedules; right? 13 A. (Frink) Yes, that's a concern. 14 Q. Okay. And with those costs that Mr. Champion 15 discussed, the number yesterday, if he were to 16 respond with more customer commitments and 17 finalize more of the business plans that you 18 were asking for today in your testimony, 19 doesn't that take money, or cost money to do 20 that? 21 A. (Frink) Of course. 22 Q. And that's going to also increase his expenses 23 that he disclosed yesterday. 24 A. (Frink) It would.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 152</p> <p>1 A. (Frink) Yes, I would. 2 Q. And in designing its project, Valley Green has 3 allowed it to have various projections to 4 accommodate various growth projections. Would 5 you agree with that? 6 A. (Frink) Yes. 7 Q. And the demand and the size of these 8 projections will impact the estimated costs 9 included in these revenue requirement 10 schedules; would you agree? 11 A. (Frink) It will. 12 Q. And more specifically, the cost estimates could 13 also change if equipment costs were lower; 14 would you agree? 15 A. (Frink) I would agree. 16 Q. And by way of example, if the natural gas 17 industry tanking in the mid -- in the Marcellus 18 Shale area offered up a glut of equipment, that 19 could result in Valley Green purchasing cheaper 20 equipment; would you agree? 21 A. (Frink) That's possible. 22 Q. Okay. So, would you also agree that the 23 revenue requirements in these schedules contain 24 numerous assumptions that are based on market</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 153</p> <p>1 conditions?</p> <p>2 A. (Frink) Of course.</p> <p>3 Q. Then, wouldn't logic flow that your</p> <p>4 recommendation to deny the petition based on</p> <p>5 these revenue requirement schedules is also</p> <p>6 impact -- is also only as good as the estimates</p> <p>7 that are in these schedules?</p> <p>8 A. (Frink) The difference between the alternative</p> <p>9 fuels and Valley Green's averaged costs per</p> <p>10 therm, the magnitude of that difference is</p> <p>11 really what concerns me. And if you are able</p> <p>12 to get costs lower and get more revenues,</p> <p>13 that's all good. But there's a pretty big</p> <p>14 delta there right now. So I understand these</p> <p>15 are high level and very, you know -- it's the</p> <p>16 best estimate at the time based on market</p> <p>17 conditions. And unfortunately, the results are</p> <p>18 what they are, and that's -- it's not like, you</p> <p>19 know, there's a very narrow margin there. If</p> <p>20 the numbers are off some, okay. I assume they</p> <p>21 are. But there's a fairly significant</p> <p>22 difference.</p> <p>23 Q. And would you also agree that the prices of</p> <p>24 today vary significantly from the prices, gas</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 155</p> <p>1 Q. What I'm trying to suss out is, I thought this</p> <p>2 morning you were giving the impression that you</p> <p>3 looked not favorably upon Valley Green changing</p> <p>4 its project from the time that it filed it to</p> <p>5 now.</p> <p>6 A. (Frink) It's not so much that it's changed from</p> <p>7 the initial filing. You should respond to</p> <p>8 market conditions. The problem is what I heard</p> <p>9 yesterday, I still don't have a clear</p> <p>10 understanding of what Valley Green's business</p> <p>11 plan is, and that is a concern. It's still</p> <p>12 changing. And part of that -- most of that is</p> <p>13 due to the changing market. But it just -- the</p> <p>14 market as it exists now makes it very difficult</p> <p>15 to make this project economically feasible.</p> <p>16 And what is before us I do not believe is</p> <p>17 economically feasible.</p> <p>18 Q. But that could change.</p> <p>19 A. (Frink) Absolutely.</p> <p>20 Q. Okay. I want to just move on to, you had</p> <p>21 asked, I believe, for business plans this</p> <p>22 morning; is that correct?</p> <p>23 A. (Frink) I don't -- I would -- my testimony says</p> <p>24 there should be detailed business plans. And</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 154</p> <p>1 prices that were available in 2012?</p> <p>2 A. (Frink) Absolutely.</p> <p>3 Q. Would you also agree it takes time to develop a</p> <p>4 utility before it's able to offer gas service?</p> <p>5 A. (Frink) Yes.</p> <p>6 Q. Mr. Frink, Valley Green filed its application a</p> <p>7 year ago. Would you agree with that?</p> <p>8 A. (Frink) Sure.</p> <p>9 Q. And I just want to make sure, because I don't</p> <p>10 have a transcript to read. Your testimony this</p> <p>11 morning, is it fair to characterize that you</p> <p>12 were critical of Valley Green changing its</p> <p>13 project?</p> <p>14 A. (Frink) My testimony this morning is not</p> <p>15 inconsistent with my testimony when I filed it,</p> <p>16 in that I didn't think Lebanon and Hanover</p> <p>17 right now will support a natural gas utility.</p> <p>18 Before, in my testimony I suggest that the</p> <p>19 Commission should not approve the petition and</p> <p>20 suspend it. Now I'm saying deny the petition</p> <p>21 and close it. I don't see a really significant</p> <p>22 difference between the two. The fact is I just</p> <p>23 don't think this proposal is economic -- this</p> <p>24 project is economically feasible at this time.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 156</p> <p>1 yes, if you come back -- if Valley Green -- if</p> <p>2 the Commission ultimately decides not to grant</p> <p>3 the petition and Valley Green wants to pursue</p> <p>4 this further, then I would want to see a very</p> <p>5 well-laid-out, detailed plan with strong</p> <p>6 support that would give us an indication that</p> <p>7 customers up there do want it, will support it,</p> <p>8 will take gas service, and that you can build a</p> <p>9 system that will provide that service at</p> <p>10 competitive rates.</p> <p>11 Q. Mr. Frink, how long have you been with the</p> <p>12 Commission?</p> <p>13 A. (Frink) About 25 years.</p> <p>14 Q. And as part of your responsibilities here, you</p> <p>15 review gas utility business plans; is that</p> <p>16 correct?</p> <p>17 A. (Frink) Yes.</p> <p>18 Q. And would you agree that a business plan for a</p> <p>19 start-up utility would be different than a</p> <p>20 business plan for an existing utility?</p> <p>21 A. (Frink) Yes, it would.</p> <p>22 Q. And in your 25 years of being with the</p> <p>23 Commission, have you reviewed a start-up</p> <p>24 business plan?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>



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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 157</p> <p>1 A. (Frink) No, I haven't.</p> <p>2 Q. So this is the first time you're reviewing a</p> <p>3 start-up business plan?</p> <p>4 A. This is a very unique situation, yes.</p> <p>5 Q. Have you ever run a start-up business?</p> <p>6 A. (Frink) Well, not really. I mean, I've done</p> <p>7 some -- I sold Christmas trees. How's that?</p> <p>8 Q. I'm so struggling to not ask you what was your</p> <p>9 detailed business plan.</p> <p>10 I think -- I don't know if you fully</p> <p>11 answered this, but we're trying to get a</p> <p>12 comparison on the business plan of Mr. -- or</p> <p>13 how you view the business plan of Valley Green</p> <p>14 compared to Liberty.</p> <p>15 Is it your opinion that Valley Green is</p> <p>16 farther along in deploying its business plan</p> <p>17 for the Valley Green -- for the proposed</p> <p>18 franchise area than Liberty?</p> <p>19 A. (Frink) I would agree, yes.</p> <p>20 Q. Now, going back to the rate case schedules</p> <p>21 briefly. Would you agree that the mere act of</p> <p>22 producing the rate case schedules in response</p> <p>23 to Staff 3-10 evidences a level of ability to</p> <p>24 conduct financial analyses?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 159</p> <p>1 utility?</p> <p>2 A. (Frink) I'd say he was looking at it before he</p> <p>3 came here. So I'd say that's fair, yes.</p> <p>4 Q. Okay. Thank you.</p> <p>5 MS. BROWN: We have no further cross.</p> <p>6 Thank you.</p> <p>7 CHAIRMAN HONIGBERG: Commissioner</p> <p>8 Scott.</p> <p>9 INTERROGATORIES BY CMSR. SCOTT:</p> <p>10 Q. Mr. Frink, do you remember, I think it was Mr.</p> <p>11 Evslin gave some testimony, where he suggested</p> <p>12 two different price points: One for</p> <p>13 maintaining a customer base so they don't</p> <p>14 convert to, in this case, to oil, and another</p> <p>15 one to get new customers? Do you remember</p> <p>16 that?</p> <p>17 A. (Frink) I remember it well, yes.</p> <p>18 Q. Do you agree with, maybe not the exact numbers,</p> <p>19 but there are two different price points?</p> <p>20 A. (Frink) Yes. When he was testifying -- maybe I</p> <p>21 didn't understand it correctly. But I thought</p> <p>22 what he was saying was that the -- his</p> <p>23 customers using compressed natural gas were</p> <p>24 still using compressed natural gas even when</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 158</p> <p>1 A. (Frink) Yes.</p> <p>2 Q. And wouldn't the ability to conduct financial</p> <p>3 analyses go toward the managerial, technical</p> <p>4 and financial test -- in specific, the</p> <p>5 financial capabilities test?</p> <p>6 A. (Frink) It gives the filing increased</p> <p>7 credibility. But again, the numbers in it are</p> <p>8 such that any analysis is really only as good</p> <p>9 as the numbers you put in it. And you have to</p> <p>10 wonder, when you have an annual expense that</p> <p>11 is -- doesn't seem reflective of what one might</p> <p>12 expect, you know, if the utility really knows</p> <p>13 what they're getting into.</p> <p>14 Q. Mr. Frink, I think I just have one follow-up</p> <p>15 question. Do you know when Mr. Campion first</p> <p>16 started looking into wanting a -- or looking at</p> <p>17 developing this Valley Green project? I guess</p> <p>18 I'll modify that question.</p> <p>19 When did Mr. Campion first approach Staff</p> <p>20 with the idea of looking at or forming a</p> <p>21 project?</p> <p>22 A. (Frink) I believe it was in 2012.</p> <p>23 Q. So would you agree he's had four years of</p> <p>24 experience in researching how to develop a gas</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 160</p> <p>1 oil was \$25 a barrel, even though it may have</p> <p>2 been a little more economically advantageous</p> <p>3 for those customers to burn oil. So, to me, I</p> <p>4 took that to mean that, basically at \$25, \$30 a</p> <p>5 barrel, a customer that has the capability to</p> <p>6 burn both will elect -- that's kind of a price</p> <p>7 point at which it's a break-even for the</p> <p>8 customer. So that doesn't -- but those people</p> <p>9 have sunk costs. They've converted to make the</p> <p>10 investment to burn compressed natural gas.</p> <p>11 What the delta is necessary to make that</p> <p>12 investment, this morning he testified during</p> <p>13 cross, he suggested that today's prices, when</p> <p>14 you get up into the \$40, \$45 a barrel, that the</p> <p>15 customers, good-size customers, might be</p> <p>16 willing to make that investment and realize a</p> <p>17 five-year payback.</p> <p>18 Q. So, do you agree, to some extent, once you're</p> <p>19 signed on as a ratepayer of a utility, there's</p> <p>20 some sunk costs, effectively, for lack of a</p> <p>21 better word? There's a certain amount of</p> <p>22 "capture" there?</p> <p>23 A. (Frink) Oh, absolutely.</p> <p>24 Q. And perhaps that's one of the basic tenets of</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 161</p> <p>1 why we regulate utilities generally?</p> <p>2 A. (Frink) Yes.</p> <p>3 Q. Okay. So, going back to the discussion about</p> <p>4 where oil prices are -- and certainly I think</p> <p>5 we all understand there will be some</p> <p>6 fluctuation of everything in the future -- is</p> <p>7 it your position that the most opportune time</p> <p>8 to get new customers is when there's a positive</p> <p>9 differential between, in this case, oil and</p> <p>10 natural gas?</p> <p>11 A. (Frink) Absolutely. For a commercial and</p> <p>12 industrial customer, I imagine the biggest</p> <p>13 driver is the payback on that investment. They</p> <p>14 can invest their money in a lot of things. And</p> <p>15 typically a business -- if you're in business,</p> <p>16 you're looking for the best payback.</p> <p>17 Q. You were also asked about this -- been a</p> <p>18 recurring theme with me, I guess -- this "Catch</p> <p>19 22" issue of not being able to get contracts</p> <p>20 and get customers; right?</p> <p>21 So you'd mentioned in a different case you</p> <p>22 understood Liberty Utilities had signed</p> <p>23 somebody prior to getting a franchise approval;</p> <p>24 is that correct?</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 163</p> <p>1 understandably, if they aren't allowed to bring</p> <p>2 service, there would be no customer</p> <p>3 responsibility for costs because there wouldn't</p> <p>4 be any cost for an extension.</p> <p>5 Q. And I think I had asked one of the other panels</p> <p>6 earlier -- it's a little bit different -- but</p> <p>7 my understanding is, for interstate pipelines</p> <p>8 to be built, to get a certificate of need from</p> <p>9 the Federal Energy Regulatory Commission, the</p> <p>10 first step in that is people sign precedent</p> <p>11 agreements with the pipeline before it's built.</p> <p>12 Is that correct?</p> <p>13 A. (Frink) That's correct.</p> <p>14 Q. And that's standard; correct?</p> <p>15 A. (Frink) That is standard.</p> <p>16 CMSR. SCOTT: That's all I have.</p> <p>17 Thank you.</p> <p>18 CHAIRMAN HONIGBERG: Commissioner</p> <p>19 Bailey.</p> <p>20 INTERROGATORIES BY CMSR. BAILEY:</p> <p>21 Q. I'm going to try to ask some questions to make</p> <p>22 sure that I understand an area that I'm not</p> <p>23 expert in, but I think you are, Mr. Frink.</p> <p>24 Can you look at Exhibit 5, Bates-stamped</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 162</p> <p>1 A. (Frink) That's correct.</p> <p>2 Q. So is it your understanding that that contract</p> <p>3 was firm, or was it conditional?</p> <p>4 A. (Frink) That customer had signed a service line</p> <p>5 agreement to take service from Liberty</p> <p>6 Utilities, and it's a firm contract. They</p> <p>7 signed a contract. They're responsible for</p> <p>8 the -- if they don't take service, they're</p> <p>9 responsible for the line extension costs to</p> <p>10 serve them. So there is a commitment there.</p> <p>11 Q. But having said that, since the franchise area</p> <p>12 wasn't granted yet, I assume -- to your</p> <p>13 knowledge, was that a condition of that</p> <p>14 contract, that it did not take effect unless</p> <p>15 the franchise was approved?</p> <p>16 A. (Frink) I'd have to look. I don't believe</p> <p>17 that's in the service line agreement, but they</p> <p>18 may have something on the side. Obviously,</p> <p>19 they can't do it if they don't get the</p> <p>20 franchise. But I don't remember the specifics</p> <p>21 of that. I think the service line agreement is</p> <p>22 a standard form, that any customer who can take</p> <p>23 service, Liberty has them sign that contract.</p> <p>24 It's not a special contract. But</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 164</p> <p>1 Page 103. And this is confidential, so we're</p> <p>2 not going to say the numbers out loud.</p> <p>3 A. (Frink) Okay. I'm there.</p> <p>4 Q. This is one of the schedules that you cited in</p> <p>5 your testimony. And this is the schedule that</p> <p>6 the Applicant has provided to show, for one</p> <p>7 thing, to show that the revenue that they</p> <p>8 expect based on all their assumptions will</p> <p>9 cover their costs. And it computes the average</p> <p>10 cost to a customer on a per therm basis.</p> <p>11 A. (Frink) That's correct.</p> <p>12 Q. Okay. So, under the Expenses, there's a number</p> <p>13 there that shows what they expect their</p> <p>14 expenses to be for distribution of operation</p> <p>15 and maintenance. Can you tell me what you</p> <p>16 think, what kind of expenses would be included</p> <p>17 in that estimate?</p> <p>18 A. (Frink) Well, so you see Distribution O &amp; M</p> <p>19 Costs.</p> <p>20 Q. Right.</p> <p>21 A. (Frink) So that would be the cost of -- and Mr.</p> <p>22 Knepper could answer it, what those costs</p> <p>23 entail better I could. But those are your</p> <p>24 linemen and your line supervisors and tools --</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 165</p> <p>1 well, that would be a capital cost. But gas.</p> <p>2 And along those lines, the administrative and</p> <p>3 general expenses, that would be your -- that</p> <p>4 would reflect regulatory costs and legal costs.</p> <p>5 So, just your billing, your accounting, all</p> <p>6 that falls under Admin and General Expenses.</p> <p>7 Q. So, Mr. Knepper, would that include the five</p> <p>8 employees that we were talking about yesterday</p> <p>9 who were going to ensure safe and reliable</p> <p>10 service?</p> <p>11 A. (Knepper) I would think it would be built into</p> <p>12 those lines.</p> <p>13 Q. Okay. Would it include -- would the</p> <p>14 Distribution O &amp; M number include things other</p> <p>15 than those five employees? Anybody can answer.</p> <p>16 What else would it include?</p> <p>17 A. (Knepper) It might be outside contractors,</p> <p>18 subcontractors, things like that that you hire,</p> <p>19 some of those costs.</p> <p>20 A. (Frink) When they submitted -- when Valley</p> <p>21 Green submitted this, obviously there's a place</p> <p>22 there for company full-time employees,</p> <p>23 full-time equivalence. But because they're</p> <p>24 using Tri-Mont and Gulf and things like that,</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 167</p> <p>1 the page, Net Income, can you tell me what "Net</p> <p>2 Income" means? Is that the money they have</p> <p>3 left over after they've collected their revenue</p> <p>4 and paid their expenses?</p> <p>5 A. (Frink) You take your total operating revenue</p> <p>6 and subtract your total operating expenses,</p> <p>7 that will give you your net operating income.</p> <p>8 Q. So that's the money they have left over in case</p> <p>9 the number for the Distribution O &amp; M expense</p> <p>10 is too low. That's all they have left to add</p> <p>11 to that and still have any revenue?</p> <p>12 A. (Frink) This is net operating income, so</p> <p>13 there's -- I don't know if their financier is</p> <p>14 going to -- you can make more equity</p> <p>15 investments, you could borrow money. But</p> <p>16 essentially, once you -- assuming they get that</p> <p>17 revenue that they're projecting, if their</p> <p>18 expenses exceed this, then that's going to</p> <p>19 reduce that net income. And once you go above</p> <p>20 that number, then they'd be operating in the</p> <p>21 red.</p> <p>22 Q. Okay. Thank you.</p> <p>23 INTERROGATORIES BY CHAIRMAN HONIGBERG:</p> <p>24 Q. Mr. Frink, I want to understand what hasn't</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 166</p> <p>1 at the time they weren't sure what their</p> <p>2 full-time equivalents would be in that first</p> <p>3 year. So this would reflect consulting fee --</p> <p>4 payment to the contractors.</p> <p>5 Q. So it would -- this number would include or</p> <p>6 should include the cost of what they're going</p> <p>7 to pay Tri-Mont for designing and inspecting</p> <p>8 the construction -- but not the construction,</p> <p>9 obviously.</p> <p>10 A. (Frink) Well, it may be a rate base item. But</p> <p>11 certainly their inspections, their training,</p> <p>12 their oversight of any employees, contractors</p> <p>13 that Valley Green might be using, that should</p> <p>14 all be part of the Distribution O &amp; M.</p> <p>15 Q. Okay. So, Mr. Knepper, based on your</p> <p>16 experience, do you have any idea whether that</p> <p>17 number is sufficient to, all by itself, cover</p> <p>18 the five employees, including the chief</p> <p>19 operating officer and the five employees that</p> <p>20 were going to be responsible for safe and</p> <p>21 reliable service, or does that number seem too</p> <p>22 low to you?</p> <p>23 A. (Knepper) In my opinion, it appears low.</p> <p>24 Q. Okay. And when we get down to the bottom of</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 168</p> <p>1 changed in your testimony, just to close the</p> <p>2 loop on that.</p> <p>3 I know you started your testimony this</p> <p>4 morning by saying that, if you were asked the</p> <p>5 same questions today, you actually wouldn't be</p> <p>6 giving all of the same answers, and you changed</p> <p>7 some of them. But you're not changing the rest</p> <p>8 of your testimony; right?</p> <p>9 A. (Frink) Right.</p> <p>10 Q. On Page 3 of your testimony, I think Attorney</p> <p>11 Patch may have alluded to this question and</p> <p>12 answer regarding whether the Company has</p> <p>13 managerial, technical and financial expertise</p> <p>14 to operate a natural gas utility. And your</p> <p>15 answer was "not at this time," and then you</p> <p>16 added a little bit. I want to make sure I</p> <p>17 understand. And maybe Mr. Knepper or Mr. Wyatt</p> <p>18 may need to contribute here as well.</p> <p>19 Is the problem managerial? Is the problem</p> <p>20 technical? Is the problem financial? Or is it</p> <p>21 some combination of those three?</p> <p>22 A. (Frink) I didn't delve too much into the actual</p> <p>23 managerial and technical because my point is</p> <p>24 that it fails financially, and so the other</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 169</p> <p>1 pieces are kind of irrelevant if it's not going 2 to work. I can't venture a guess -- 3 Q. I know Mr. Knepper has testimony on the 4 technical, and I think managerial as well. I 5 just want to make sure I've got it clear. 6 So, Mr. Frink, you're largely limiting 7 your concerns to the financial portion of those 8 three criteria; is that right? 9 A. (Frink) That's correct. 10 Q. All right. Mr. Knepper Mr. Wyatt, do you want 11 to offer up conclusions regarding managerial 12 and technical expertise? Because I know your 13 testimony alludes to those things, but I'm not 14 sure it actually closes the loop. 15 A. (Knepper) Well, it's hard to definitely say yes 16 or no based on what you look at. You have to 17 recognize our perspective is in the safety 18 review of things. We deal with operators that 19 are utilities and non-utilities. We have LP 20 operators that we look at that are 21 non-utilities. So we're not looking at rates 22 and revenues and all the things that Mr. Frink 23 is looking at. But they're obligated 24 regardless to provide safe service. We will</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 171</p> <p>1 A. (Frink) And if I could just clarify. When I 2 say, "they're in the process of acquiring," 3 they haven't entered into any contracts with 4 these vendors and consultants to do work beyond 5 what they've done as part of this filing. 6 Q. I was going to ask you about that because it's 7 similar to the testimony that Mr. Mullen gave. 8 And I know I had exchanges with Mr. Mullen and 9 Dr. Chattopadhyay about what they would want to 10 see. I think Mr. Patch asked you a little bit 11 about that exchange this morning. 12 But I guess I want to know, do you agree 13 with Mr. Mullen's testimony ultimately, that 14 one of the places where this falls short is 15 that there is no operating officer in place and 16 no time line to get one in place, so the people 17 who are by title and by responsibility 18 ultimately accountable don't have the kinds of 19 experience that you would want to see in 20 running a company like this? 21 A. (Frink) I would agree with what you said, other 22 than in two years you could bring somebody on 23 to do that. So when you say "they don't have 24 somebody in place now or in time to get</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 170</p> <p>1 not allow an operator to run a system that's 2 unsafe. That doesn't mean they don't have 3 compliance issues. Doesn't mean we're not 4 going to look at those things. So, for us, 5 we're going to be asking questions: Are you 6 familiar with the codes? Are you familiar with 7 the components that make up those things? And 8 I believe that they are. I think technically 9 they have worked with utilities before. 10 They've worked with small utilities. They 11 worked with some of the same utilities that are 12 here. They may not have been in this state. 13 They worked for -- so we looked at those things 14 as pluses. But we're not saying they do it 15 day-to-day and they're doing it every single 16 day and that's what their major course of 17 business is. So we recognize those things. 18 But I would say I didn't see any huge hurdles 19 that couldn't be overcome and anything that 20 caused us to have red flags. We kind of look 21 at this as a resume. We had some talks and 22 discussions. And in those discussions, I 23 didn't come away feeling that it was issues of 24 incompetency or any of those type of things.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 172</p> <p>1 somebody," well, they do have time to get 2 somebody. But they don't have somebody now 3 that would -- that we could actually evaluate 4 and know if this person knows what they're 5 doing and would be able to shepherd this 6 through. 7 Q. Should we feel comfortable in a situation like 8 that, granting a franchise with no one in place 9 but a promise to put someone in place before 10 they actually flip the switches? 11 A. (Frink) I wouldn't. 12 Q. I want to follow up on a line of questions 13 Attorney Brown was asking you about the 14 significance of the changes that the Company 15 has made to its plans over time. 16 I think through a fairly long series of 17 questions and answers with Mr. Willing and 18 Ms. Brown, you acknowledged that change is 19 sometimes and often is appropriate when 20 circumstances change; right? 21 A. Yes. 22 Q. I have a feeling, based on what you've 23 testified and the way you've said it, it's not 24 that they have made changes, it's that, as you</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 173</p> <p>1 sit here, you're feeling like you're trying to</p> <p>2 evaluate a moving target.</p> <p>3 A. (Frink) That's well put.</p> <p>4 Q. You may have even used that phrase, or maybe it</p> <p>5 was Mr. Knepper who used that phrase this</p> <p>6 morning. I don't think I made it up myself.</p> <p>7 What you contemplated before was suspend</p> <p>8 this and do some more to put yourself in a</p> <p>9 better position to go forward. Is that a fair</p> <p>10 way to put it?</p> <p>11 A. (Frink) Yes.</p> <p>12 Q. And your change this morning to say deny it is</p> <p>13 really just -- suspend or deny, you're still</p> <p>14 advising, if they want go forward, go back and</p> <p>15 do some more work to get yourself in a position</p> <p>16 to make a better presentation?</p> <p>17 A. (Frink) That's correct.</p> <p>18 Q. I want to talk a little bit about the</p> <p>19 acquisition of customers. I'm not sure I</p> <p>20 understood one of the points that you and</p> <p>21 Mr. Willing were having a back-and-forth about.</p> <p>22 A. I seem to hear you say that a company that</p> <p>23 signed on with Liberty in advance of a getting</p> <p>24 a franchise, or with Valley Green, would still</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 175</p> <p>1 market potential is for conversions and how</p> <p>2 quickly those conversions are going to take</p> <p>3 place. Typically, you build a line, and</p> <p>4 eventually customers along that line over time</p> <p>5 will -- you know, saturation rates are actually</p> <p>6 very good. But I just... I think the</p> <p>7 Commission in the past has approved franchise</p> <p>8 expansions that, you know, paid for themselves</p> <p>9 within 10 years. I have serious concerns that</p> <p>10 that won't be the case here, and I want to see</p> <p>11 some indication from customers that that's not</p> <p>12 the case.</p> <p>13 Q. No, I understand that. I just do want to</p> <p>14 focus, though, on one type of customer that I</p> <p>15 think you and Mr. Willing were talking about,</p> <p>16 and that is a prospect who is thinking that he</p> <p>17 or she might want to convert over the next</p> <p>18 three years, say. And if they were to sign a</p> <p>19 conditional contract with Valley Green that</p> <p>20 says, you know, I'm committed to you, as long</p> <p>21 as you get all your approvals within the next</p> <p>22 18 months, and as long as it's done in 18</p> <p>23 months, I'm your customer, that person would be</p> <p>24 foreclosed from then signing a contract with an</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 174</p> <p>1 be able to change its mind and not go with</p> <p>2 those companies under certain circumstances.</p> <p>3 Can I get a little clarification on that?</p> <p>4 Because there's binding, no contingencies, and</p> <p>5 then there's binding as long as certain</p> <p>6 conditions are met. I want to make sure I</p> <p>7 understand what you're saying. Can you clarify</p> <p>8 that for me, please?</p> <p>9 A. (Frink) Well, on a high level, it goes more to</p> <p>10 what Commissioner Scott was saying, that at the</p> <p>11 FERC you have to have customers to demonstrate</p> <p>12 a need. And I'm looking for customers not</p> <p>13 necessarily that are willing to move this --</p> <p>14 show enough desire in this project and for this</p> <p>15 service that they're willing to make some</p> <p>16 financial commitment. And obviously it's</p> <p>17 conditioned on if they get the approval first,</p> <p>18 the franchise and then the rates and everything</p> <p>19 else. You can condition it any way you want</p> <p>20 it. But to this point, I have not heard or</p> <p>21 seen anything from a customer that leads me to</p> <p>22 believe that they're going to commit to service</p> <p>23 in Lebanon and Hanover. And I'm not seeing</p> <p>24 supporting documentation as to what the real</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 176</p> <p>1 NG Advantage or someone else; would they not?</p> <p>2 A. (Frink) Yes, they would be.</p> <p>3 Q. So I do want to be clear, make sure I</p> <p>4 understand that when you were talking with</p> <p>5 Mr. Willing, you weren't saying that such</p> <p>6 customers, once they make commitments, can back</p> <p>7 out under any circumstance. It depends on what</p> <p>8 their contract says, doesn't it?</p> <p>9 A. (Frink) Yes, it does.</p> <p>10 Q. And savvy customers will build as many</p> <p>11 contingencies as they can into their contract.</p> <p>12 But the more certain they are, the more</p> <p>13 comfortable you'll be that the demand will be</p> <p>14 there if it goes live; right?</p> <p>15 A. (Frink) Yes.</p> <p>16 CHAIRMAN HONIGBERG: I don't think I</p> <p>17 have anything else.</p> <p>18 Mr. Speidel, do you have any</p> <p>19 further questions for your witnesses?</p> <p>20 MR. SPEIDEL: I do, indeed, a couple</p> <p>21 loose ends regarding Mr. Knepper's and Mr.</p> <p>22 Wyatt's testimony.</p> <p>23 REDIRECT EXAMINATION</p> <p>24 BY MR. SPEIDEL:</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 177</p> <p>1 Q. There was some mention within your recent  2 answers to Chairman Honigberg's questions, and  3 also some of the interrogatories that Mr. Patch  4 engaged in, for starters, Mr. Knepper, when you  5 were responding to Mr. Honigberg's questioning,  6 you were referring to Tri-Mont's capabilities,  7 is that correct, not necessarily Valley Green's  8 own capabilities?</p> <p>9 A. (Knepper) Yeah, we focused mostly on Tri-Mont  10 and Gulf's abilities to operate the plant.</p> <p>11 Q. So that's operational and technical expertise  12 within the context of the engineering of the  13 plant and the ongoing gas operations aspects;  14 correct?</p> <p>15 A. (Knepper) That's correct.</p> <p>16 Q. So it's not necessarily Tri-Mont's abilities to  17 manage the financial aspects of the business  18 or, for instance, the business planning or  19 business outreach elements.</p> <p>20 A. (Knepper) Correct.</p> <p>21 Q. And within Exhibit 4, I think there's a Valley  22 Green response to a Staff Data Request No. 1-4.  23 That's in Section B, Bates Pages 7 through 11.  24 I think this is what you were referring to in</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 179</p> <p>1 attorneys gave over to you?</p> <p>2 A. (Frink) Yes, I do.</p> <p>3 Q. Okay. Can we just take quick glance at that.  4 For starters, on the third page of this  5 three-page handout, there's a list of various  6 oil prices for south central New Hampshire.  7 You reside in south central New Hampshire;  8 correct?</p> <p>9 A. (Frink) Correct.</p> <p>10 Q. And you reside in the city of Manchester?</p> <p>11 A. (Frink) Yes.</p> <p>12 Q. You see that there's evidently two Manchester  13 oil dealers listed here. In your knowledge,  14 there's probably more than two oil dealers in  15 the city Manchester; right?</p> <p>16 A. (Frink) Many more.</p> <p>17 Q. Many more, yeah.</p> <p>18 And regarding the information presented on  19 the second page of the handout, there's two oil  20 dealers listed for the entire west central New  21 Hampshire region. Now, isn't it fair to say  22 that a Lebanon or Hanover resident might be  23 interested in ordering oil from, say, White  24 River Junction, Springfield, Vermont? There's</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 178</p> <p>1 shorthand as the "resume"; isn't that right?  2 It's materials such as this that you evaluated  3 in addition to in-person interviews of Tri-Mont  4 personnel that led you to believe that they had  5 the technical expertise; isn't that right?</p> <p>6 A. (Knepper) Yeah, I wouldn't say it was an  7 "interview." But it was a discussion, and we  8 looked at these things. If someone has  9 experience with a utility, that's good, better  10 than not having any. If you've got some  11 experience with LNG, that's good, better than  12 not having any. If you have some experience  13 with other supplemental fields, that's good,  14 better than not having any. And so when we're  15 having these discussions, we're not asking for  16 perfection. We're not, you know, trying to --  17 the question is: Can we have a discussion and  18 an understanding of what our expectations are,  19 and are they able to grasp that and understand  20 that? And I think that we were able to have  21 those.</p> <p>22 Q. Thank you very much, Mr. Knepper.  23 Mr. Frink, do you have, still, the  24 newenglandoil.com handout the Valley Green</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 180</p> <p>1 more oil dealers serving Hanover and Lebanon  2 than probably these two; isn't that fair to  3 say?</p> <p>4 A. (Frink) I'm sure there are.</p> <p>5 Q. So I think you would agree that this isn't the  6 entire universe of oil prices available to  7 residents of either Manchester or Lebanon and  8 Hanover; isn't that fair to say?</p> <p>9 A. (Frink) That is definitely the case.</p> <p>10 Q. Okay. So when you were describing your own  11 personal experience with oil prices in the city  12 of Manchester, it's indicative of pricing  13 levels for untaxed No. 2 oil in New Hampshire  14 generally; isn't that fair to say?</p> <p>15 A. (Frink) Yes.</p> <p>16 Q. And Manchester is a fairly liquid oil market,  17 lots of competitors; right?</p> <p>18 A. (Frink) Yes.</p> <p>19 Q. So it's not necessarily the worst case, but  20 it's a pretty good indication of the best case?</p> <p>21 A. (Frink) Yes.</p> <p>22 Q. Okay. All right. So there was quite a bit of  23 discussion and questioning by the Valley Green  24 attorneys, and I would say that we can start</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 181</p> <p>1 with the general question regarding the 2 inclusion of start-up expenses in the rate base 3 accounting of the de novo utility. Do you 4 recall that discussion? 5 A. (Frink) I do. 6 Q. Okay. So you did hear Mr. Champion testify 7 yesterday that he would hope that the expenses 8 related to start-up costs would be recovered 9 most likely through an equity item; is that 10 correct? 11 A. (Frink) That's my recollection. 12 Q. To your knowledge, is that prohibited by any 13 Commission precedent or any rate base 14 accounting convention, to your knowledge? 15 A. (Frink) No, it's not. 16 Q. So, in your experience as a rate analyst for 25 17 years, have you seen many instances where 18 companies that aren't precluded from seeking 19 recovery through a certain mechanism are 20 circumspect about seeking recovery? 21 A. (Frink) There have been instances for small 22 utilities with cash flow problems and market 23 issues. Concord Steam and Keene both have a 24 lot of competition for their alternative</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 183</p> <p>1 in excess of what was reflected in projected 2 costs, start-up costs. 3 Q. Okay. So I think what you have as a general 4 picture is you've relied on the discounted cash 5 flow analysis to serve as a test for the 6 financial viability of the Valley Green 7 proposal; isn't that right? 8 A. (Frink) Yes. 9 Q. So, certainly it's been used in the past to 10 assess the proposals of existing utilities that 11 have a fairly large physical plant and a large 12 base of customers -- large for New Hampshire, 13 of course. But in your professional opinion, 14 is it also a reasonable test for the financial 15 reasonableness and viability of a de novo 16 plant? 17 A. (Frink) Of course. And that is what their 18 investor said -- 19 (Court Reporter interrupts.) 20 A. (Frink) Their investor, NECP, testified that 21 they'd do a discounted cash flow analysis to 22 make an apples-to-apples comparison of various 23 investment opportunities. 24 Q. So, that was Mr. Bernstein's testimony to that</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 182</p> <p>1 supplies, and they've come in for rate cases 2 and foregone recovery or haven't sought 3 recovery that in a traditional ratemaking they 4 would be entitled to. 5 Q. But that usually happens when you've got a 6 pretty small boat and you're bailing out fast 7 to try to keep your customers. It's not the 8 usual convention; is that fair to say? 9 A. Frink That is fair to say. 10 Q. So, certainly I don't want to necessarily 11 disclose any confidences, but there was a 12 significant difference between the expected 13 expense figures that have been fleshed out in 14 the past and those that were testified to 15 yesterday; isn't that right? 16 A. (Frink) Say that again? 17 Q. There's a significant difference in the 18 expected expense figures, the start-up expense 19 figures that we've heard over the pendency of 20 this proceeding? 21 A. (Frink) Right. Again, referring to what was 22 filed, the Company projections, there's some 23 very specific expenses in there. And based on 24 the expenses incurred to date, they were well</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 184</p> <p>1 effect. 2 Now, would you agree that the utility 3 business, the gas utility business in 4 particular, is a fairly capital-intensive 5 business? 6 A. (Frink) Yes, it is. 7 Q. As I recall -- I don't want to testify myself, 8 but I have personal knowledge of this. 9 As I recall in the earliest discussion, I 10 think there was some indication to Mr. Champion 11 that that is the case, that it is a very 12 capital-intensive business; isn't that right -- 13 around 2012? 14 A. (Frink) Oh, absolutely. 15 Q. Yeah. And then there were subsequent 16 discussions prior to the May 2015 filing of the 17 petition. And as I recall, there was also 18 discussion of the need to file comprehensive 19 financial schedules relying on pro forma 20 revenues, pro forma expenditures, personnel 21 expenses, et cetera, I think; wasn't that 22 right? 23 A. (Frink) I remember having those discussions, 24 and it was -- we did our best to explain that</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 185</p> <p>1 this is for the Commission to approve something 2 like this. Develop it as completely and 3 reliably as you can possibly do. And that's 4 from everything to proposed rates and 5 everything else, that the more you put in 6 there, the better your chances. And that's -- 7 so, yes, I do remember those discussions. 8 Q. So when the petition came in, in the form of 9 Exhibit 1 and ancillary exhibits, there weren't 10 any of those schedules presented; isn't that 11 right? 12 A. (Frink) I don't know about any schedules, 13 but -- 14 Q. They were tariff pages. But pro forma 15 financials -- would you like to refresh your 16 memory with material? 17 A. (Frink) No, I think I recall that there was no 18 substantive schedules in there. 19 Q. So those were developed through discovery by 20 Staff and OCA and other parties; correct? 21 A. Yes. 22 Q. So that Valley Green, during the pendency of 23 this proceeding, used the time to amply add to 24 its submission with these detailed, granular</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 187</p> <p>1 had a de novo come across your desk yet. But 2 you're relying on industry standards of 3 financial analysis to gauge the appropriateness 4 of this filing; is that right? 5 A. (Frink) Yes. 6 Q. Okay. So there's two questions I wanted to ask 7 about the matter of de novo versus existing 8 utilities expanding their operations. 9 I think in the recent Liberty hearing we 10 had some discussion about discounted cash flow, 11 too. But what I'm going to ask you about, just 12 to clarify, because there were some questions 13 from Valley Green's attorneys about this, in 14 the case of an existing utility expanding its 15 operations into a new franchise territory, the 16 general concern would be cross-subsidization. 17 The existing ratepayers of the utility are 18 expected to bear the costs that cannot be 19 economically borne by revenues in the new area; 20 is that fair to say? 21 A. (Frink) That is definitely a major concern. 22 Q. Okay. So that would be the existing utility. 23 Moving on. 24 Now, in the de novo case, wouldn't it be</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 186</p> <p>1 pro forma schedules; isn't that right? 2 A. (Frink) They did. They added to it. I will 3 say their filing didn't include it. But, for 4 instance, the discounted cash flow analysis, 5 that wasn't -- they hadn't done that prior to 6 filing. They just had filed it as part of 7 their petition. 8 Q. Right. 9 A. (Frink) So we did get to that and then took it 10 further, of course, to try and get a revenue 11 requirement that the Commission might expect to 12 see for rates. So, yes, that was not in their 13 initial filing. 14 Q. So that was added to the attention of Staff and 15 the other parties over time. 16 And using the information that you 17 examined, I think you came to the conclusion 18 that the discounted cash flow analysis is a 19 reasonable metric for examining the different 20 aspects of capital investment versus revenue 21 for this proposal; isn't that right? 22 A. (Frink) Oh, yes. Well, I believed that well 23 before their filing. 24 Q. So you're new to this, insofar as you haven't</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 188</p> <p>1 fair to say that the primary concern that you 2 discussed, actually quite at length in your own 3 testimony, would be the risk of business 4 failure? There's too much capital investment. 5 It's too heavy. Operating expenses are too 6 heavy for the amount of sales that the de novo 7 can gin up in that franchise territory; isn't 8 that right? 9 A. (Frink) That's right. It was pointed out by 10 Valley Green themselves. There isn't a risk to 11 existing customers because there are no 12 existing customers. The risk is entirely with 13 the principals that have invested in this 14 project may not ever realize a return on that 15 investment. So, until they actually come into 16 service, the risk is entirely on the potential 17 utility. 18 Q. So, having examined all of the accounting 19 schedules in a generic way, without having to 20 necessarily engage in technical analysis, but 21 also using your own technical analyses, you've 22 concluded that there could be, without adequate 23 customer commitments, a risk of business 24 failure by Valley Green if it were to be</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>



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<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 189</p> <p>1 awarded the franchise; isn't that right?</p> <p>2 A. (Frink) That is correct.</p> <p>3 Q. Okay. So if there's a risk of business</p> <p>4 failure, would you agree that customer</p> <p>5 discouragement and wasted time are significant</p> <p>6 issues in a small area such as</p> <p>7 Hanover/Lebanon -- for instance, if a customer</p> <p>8 signs up for service and the de novo fails and</p> <p>9 then they're left in hot water and maybe they</p> <p>10 have conversion costs? Would you agree that</p> <p>11 such risks are significant here?</p> <p>12 A. (Frink) I would.</p> <p>13 Q. Okay. And would you agree that it's probably</p> <p>14 not optimal to rely on the ability of the</p> <p>15 Commission to withdraw a franchise after it's</p> <p>16 been awarded to a failed entity, as compared to</p> <p>17 not granting a shaky entity the franchise in</p> <p>18 the first instance?</p> <p>19 A. (Frink) I agree.</p> <p>20 Q. So, just avoiding all those "opportunity</p> <p>21 costs." I think that's how you had described</p> <p>22 them in your testimony.</p> <p>23 A. (Frink) Yes.</p> <p>24 Q. Okay.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p style="text-align: right;">Page 191</p> <p>1 be admitted as full exhibits? Ms. Brown? Mr.</p> <p>2 Willing. Sorry.</p> <p>3 MR. WILLING: I think you've already</p> <p>4 decided Exhibit 1 from the other hearing was</p> <p>5 admitted.</p> <p>6 CHAIRMAN HONIGBERG: Yes.</p> <p>7 MR. WILLING: The others do not need</p> <p>8 to be admitted.</p> <p>9 CHAIRMAN HONIGBERG: I think</p> <p>10 everyone's in agreement on that; correct?</p> <p>11 [No verbal response]</p> <p>12 CHAIRMAN HONIGBERG: All right.</p> <p>13 Commissioner Scott, I believe you have --</p> <p>14 there's another confidentiality question?</p> <p>15 CMSR. SCOTT: Yes.</p> <p>16 Attorney Willing, so, yesterday</p> <p>17 we had a discussion in a confidential session</p> <p>18 about Exhibits 4 and 5 -- Page 16 in Exhibit 4</p> <p>19 and 92 I think on Exhibit 5, the confidential.</p> <p>20 So my first question is: I</p> <p>21 think you agree that Page 92 in Exhibit 5 is no</p> <p>22 longer confidential?</p> <p>23 MR. WILLING: Yeah, we did agree to</p> <p>24 that, and then I think we discovered there were</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
<p>[WITNESS PANEL: FRINK KNEPPER WYATT] Page 190</p> <p>1 MR. SPEIDEL: I have no further</p> <p>2 questions. Thank you very much.</p> <p>3 CHAIRMAN HONIGBERG: All right. If</p> <p>4 there's nothing further for these gentlemen,</p> <p>5 they can return to their seats.</p> <p>6 There are no other witnesses;</p> <p>7 correct?</p> <p>8 [No verbal response]</p> <p>9 CHAIRMAN HONIGBERG: All right. I</p> <p>10 think we've got that established. Let's talk</p> <p>11 about exhibits for a moment. There's one</p> <p>12 record request pending, which is going to be</p> <p>13 16 -- just a second, Commissioner Scott --</p> <p>14 which is going to be Exhibit 16, which is to</p> <p>15 Liberty.</p> <p>16 Correct, Mr. Patch? We'll leave</p> <p>17 the record open for that.</p> <p>18 With respect to the other</p> <p>19 exhibits, 1 through 15 and 17, if there's no</p> <p>20 objection to striking I.D. on any of those</p> <p>21 exhibits, all right, we will do that.</p> <p>22 (Exhibits 1-17 admitted.)</p> <p>23 CHAIRMAN HONIGBERG: Are there any</p> <p>24 exhibits from the earlier hearing that need to</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p style="text-align: right;">Page 192</p> <p>1 slight differences between the two pages.</p> <p>2 CMSR. SCOTT: So my first question is</p> <p>3 how you're going to rectify that in the record.</p> <p>4 MR. WILLING: Whether we waive it or</p> <p>5 not or --</p> <p>6 CHAIRMAN HONIGBERG: I think what we</p> <p>7 may be looking for is a new version of the</p> <p>8 unredacted document, because currently I think</p> <p>9 Exhibit 5 may be -- no.</p> <p>10 MR. WILLING: Yeah, it's Bates</p> <p>11 Page 92 in Exhibit 5.</p> <p>12 CHAIRMAN HONIGBERG: But there should</p> <p>13 be the non-confidential version of that packet</p> <p>14 is 4. So there should be a version in 4 that</p> <p>15 then has the unredacted document in it;</p> <p>16 correct?</p> <p>17 MR. WILLING: Yeah, Page 16. And I</p> <p>18 think --</p> <p>19 CHAIRMAN HONIGBERG: It's already</p> <p>20 there. But as we've established, it is</p> <p>21 slightly different.</p> <p>22 CMSR. BAILEY: Can I ask a question?</p> <p>23 CHAIRMAN HONIGBERG: Sure.</p> <p>24 CMSR. BAILEY: Isn't Page 16 more</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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1 specific? The unredacted version is more  
2 specific, contains more possibly confidential  
3 information than the --  
4 MR. WILLING: I think that is  
5 correct.  
6 CMSR. BAILEY: So it's already  
7 public. So I think maybe we could just take  
8 the page out of the confidential filing,  
9 because it has less specific information in it.  
10 So there's nothing confidential on that page at  
11 all.  
12 CHAIRMAN HONIGBERG: Let's go off the  
13 record for a second.  
14 (Discussion off the record)  
15 CHAIRMAN HONIGBERG: Go back on the  
16 record. Commissioner Scott.  
17 CMSR. SCOTT: So, second question --  
18 CHAIRMAN HONIGBERG: Wait. We need  
19 to finish this on the record. We need to  
20 finish the conversation we just had.  
21 So we made a reference to  
22 Exhibit 4, and that was a mistake a moment ago.  
23 The non-confidential version of Exhibit 5 is  
24 Exhibit 6. And so, based on the conversation

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1 that took place yesterday and earlier, Page 92  
2 in Exhibit 6 needs to be replaced with the full  
3 version, which is no longer confidential. It  
4 exists in Exhibit 5 on Page 92 and needs to be  
5 recreated in Exhibit 6 as Page 92.  
6 All right. Commissioner Scott,  
7 another issue.  
8 CMSR. SCOTT: So, Attorney Willing,  
9 if you could go to Exhibit 5, the confidential  
10 material, Bates 133. Are you there?  
11 MR. WILLING: Yes.  
12 CMSR. SCOTT: Do you agree with me  
13 that, based on the discussion we just had,  
14 there's nothing confidential on this page?  
15 MR. WILLING: Yeah, the three  
16 paragraphs on that page should not be  
17 confidential any longer.  
18 CMSR. SCOTT: So that needs to be  
19 rectified also.  
20 MR. WILLING: Yeah.  
21 CHAIRMAN HONIGBERG: So, an  
22 unredacted version of that page will be  
23 provided for Exhibit 6. What page? What was  
24 the page number again?

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1 CMSR. SCOTT: It's 133.  
2 CHAIRMAN HONIGBERG: Page 133.  
3 All right. Are there any other  
4 exhibit matters we need to deal with before we  
5 allow the parties to sum up? Mr. Patch.  
6 MR. PATCH: Mr. Chairman, I don't  
7 mean to complicate things, but don't you mean  
8 he would provide in Exhibit 5 a  
9 non-confidential version of Page 92? Because  
10 there isn't one there now.  
11 CHAIRMAN HONIGBERG: You don't have  
12 Exhibit 5.  
13 MR. PATCH: I have 5. I don't have  
14 6.  
15 MR. WILLING: Six is the public  
16 version of 5.  
17 MR. PATCH: I'm sorry. It's got the  
18 wrong tab number in my book. Sorry. I'm  
19 confused.  
20 CHAIRMAN HONIGBERG: Sorry. You had  
21 me there for a minute, Mr. Patch. Getting  
22 worried.  
23 Is there anything else, real or  
24 imagined?

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1 [No verbal response]  
2 CHAIRMAN HONIGBERG: All right. So  
3 we're going to give the parties a chance to sum  
4 up. We'll be finishing with Valley Green, and  
5 we'll start in the back left, Mr. Corwin.  
6 MR. CORWIN: I don't have anything to  
7 add. Thank you.  
8 CHAIRMAN HONIGBERG: Ms. Arwen.  
9 MS. ARWEN: Yes, I have a closing  
10 statement. It's about four minutes, if I'm  
11 allowed.  
12 CHAIRMAN HONIGBERG: Four minutes  
13 sounds wonderful.  
14 CLOSING STATEMENTS  
15 MS. ARWEN: Great. A happy  
16 occurrence for me in the last year was becoming  
17 part of a national project with the Upper  
18 Valley Sierra Club Steering Committee, working  
19 on a funded grant initially seeking commitments  
20 from Hanover and other communities to become  
21 100 percent renewable by 2050 in all three  
22 sectors.  
23 We are facing a crisis, one that  
24 will, one way or the other, change our

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<p>1 civilization forever. Our climate is changing, 2 and because of the failure so far of our 3 legislators and regulators to act decisively, 4 the options that remain for us to respond to 5 the crisis have diminished. I believe that the 6 Commission and all of the parties to this 7 procedure share a common basic understanding. 8 I believe we all accept the truth in the data, 9 the models and the conclusions of climate 10 scientists. If we believe the scientists, then 11 we must accept the conclusion that global 12 carbon-equivalent emissions must be reduced to 13 net zero within the next three and a half to 14 five decades if global warming is to be limited 15 to 2 degrees. Human-generated greenhouse gas 16 emissions must be eliminated in this century. 17 We must accept the conclusion that failure to 18 meet those targets will have catastrophic 19 consequences for civilization and the natural 20 world. Most projects show that even a 2-degree 21 Celsius rise in average temperatures will be 22 devastating. I note that all of the more than 23 190 national governments who signed the Climate 24 Agreement in Paris last December made</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>1 2050. The plan describes some consequences of 2 failure to reduce greenhouse gas emissions, and 3 it spells out benefits to the economy from 4 emission reductions. The Commission has 5 previously ruled that it does not, quote, find 6 questions relating to the Climate Action Plan 7 relevant to our inquiry, end quote. Even after 8 acknowledging that the Commission enjoys, 9 quote, broad discretion in the management of 10 discovery, end quote, by way of explanation of 11 the denial of my request to compel a response 12 related to the Climate Action Plan, the 13 Commission wrote, quote, If we perceive of no 14 circumstance in which the requested data would 15 be relevant, we will deny your request to 16 compel its production, end quote.</p> <p style="text-align: center;">With respect, I urge the Commission to reconsider the relevance of the state's climate plan in this docket, or presumably in any case that comes before it. Every build-out of new fossil fuel infrastructure locks in an increment of greenhouse gas emissions for decades to come. The term is "carbon lock-in." You may well</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
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<p>1 commitments to achieve the goal of limiting 2 warming to 2 degrees, but then went further by 3 acknowledging that we should strive to limit 4 warming to 1.5 degrees. Indeed, 13 of the 15 5 hottest years on record have all occurred since 6 the year 2000. If we accept those conclusions 7 as fact, then a petition for the granting of a 8 franchise that would require the building of 9 new fossil fuel infrastructure must be 10 understood and examined within the context of 11 the climate crisis; otherwise, there can be no 12 understanding of whether the proposal is in 13 the, quote, public good.</p> <p style="text-align: center;">New Hampshire's Climate Action Plan was released in 2009 by a task force chaired by the Commissioner of the Department of Environmental Services pursuant to an executive order by Governor John Lynch. The plan is out of date and does not reflect advances over the past seven years in the understanding of climate change. It does, however, set out goals for the reduction of greenhouse gas emissions: 20 percent below 1990 levels by 2025, and 80 percent lower by</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>1 decide that neither this project, nor the one 2 proposed by a competitor in another docket will 3 be in the public good, based merely on 4 considerations of momentary energy prices and 5 the number of angry customers. That would be a 6 welcomed decision. However, with time running 7 out to limit the most catastrophic effects of 8 climate change, the people of New Hampshire 9 need regulators who have the courage to 10 exercise the broad discretion that the law 11 allows. Please, I urge you to consider the 12 effects on global climate. Thank you very 13 much.</p> <p style="text-align: center;">CHAIRMAN HONIGBERG: Ms. Arwen, are we bound by state law? Is it your opinion that the Commission is bound by state law or not? MS. ARWEN: Surely. CHAIRMAN HONIGBERG: Thank you. Ms. Geiger. MS. GEIGER: Yes. Thank you, Mr. Chairman. NG Advantage appreciates the opportunity to participate in this docket and to share its perspective regarding the role of compressed natural gas in an island LDC for the</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>1 Upper Valley, as well as the importance of</p> <p>2 obtaining gas supply and related services for</p> <p>3 both LNG and CNG through a truly competitive</p> <p>4 RFP process.</p> <p>5 NGA favors the granting of a</p> <p>6 franchise in Hanover and Lebanon. However, the</p> <p>7 Commission should not grant Valley Green's</p> <p>8 petition without substantial changes, such as</p> <p>9 requiring that the system be designed to</p> <p>10 utilize both CNG and LNG, and requiring a truly</p> <p>11 competitive RFP process for trucked gas to the</p> <p>12 island system. Thank you.</p> <p>13 CHAIRMAN HONIGBERG: Mr. Patch.</p> <p>14 MR. PATCH: Thank you. Based on the</p> <p>15 evidence that's been presented to the</p> <p>16 Commission in this docket, we believe the</p> <p>17 weight of the evidence shows very clearly that</p> <p>18 Valley Green has not made the requisite showing</p> <p>19 in order to be granted a franchise by the</p> <p>20 Commission, the necessary financial, technical</p> <p>21 and managerial capabilities, nor do we believe</p> <p>22 it's in the public interest, based on all of</p> <p>23 the testimony that's been submitted. We don't</p> <p>24 think Valley Green possesses the experience or</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>1 recognition in private industry and regulatory</p> <p>2 bodies throughout the United States that</p> <p>3 competitive bidding, acquisition processes</p> <p>4 provide powerful benefits for ensuring prudence</p> <p>5 in utility expenditure and, by extension, cost</p> <p>6 savings for utility customers through the</p> <p>7 introduction of cost discipline, open</p> <p>8 participation by competitors, and choices in</p> <p>9 product acquisition, close quote. The fact</p> <p>10 that Valley Green has a sole-source contract</p> <p>11 with Gulf, and therefore no intention of</p> <p>12 procuring the supply of gas needed to serve</p> <p>13 customers through a truly competitive process</p> <p>14 should be a significant concern. It's also</p> <p>15 inconsistent with RSA 378:37, Least Cost</p> <p>16 Planning and implementation.</p> <p>17 None of the parties to this</p> <p>18 docket, other than Valley Green, believe that</p> <p>19 Valley Green should be granted the franchise.</p> <p>20 You've just heard from NG Advantage, which was</p> <p>21 probably the closest to suggesting that. But</p> <p>22 they obviously still have concerns. So, based</p> <p>23 on that, we think the Commission ought to deny,</p> <p>24 as Mr. Frink testified today.</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
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<p>1 capability to construct, own and operate a</p> <p>2 natural gas distribution company. It's</p> <p>3 attempted to compensate for that by contracting</p> <p>4 with others, but those contracts have not been</p> <p>5 finalized. The Commission really does not know</p> <p>6 who would fulfill those positions in a number</p> <p>7 of cases. And so we don't think they have made</p> <p>8 the requisite showing.</p> <p>9 We think there are also serious</p> <p>10 doubts that the rates would be just and</p> <p>11 reasonable, for a few reasons. Mr. Frink</p> <p>12 testified with regard to the projected capital</p> <p>13 structure and revenue projections. And based</p> <p>14 on that, he doesn't think that they have</p> <p>15 presented sufficient evidence on that. In</p> <p>16 addition to that, the issue that's been raised</p> <p>17 by NG Advantage with regard to Valley Green's</p> <p>18 failure to indicate that they would be</p> <p>19 purchasing commodity through an RFP process we</p> <p>20 think is a significant issue.</p> <p>21 And along those lines, I want to</p> <p>22 quote a Commission order from January of this</p> <p>23 year, in IR 15-124, Order 25,860. In that</p> <p>24 order, the Commission said, quote, There is a</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>1 There's one more item I just</p> <p>2 want to raise, Mr. Chairman. In his opening</p> <p>3 statement on March 2nd, Mr. Willing had said,</p> <p>4 quote, Liberty was not interested. Because</p> <p>5 Liberty was not interested, they decided to</p> <p>6 pursue the project on its own. At the time, I</p> <p>7 objected to this statement, and the Chairman</p> <p>8 overruled the objection, but said, "If at the</p> <p>9 end of the day they haven't delivered on their</p> <p>10 promise, certainly remind us." And so I just</p> <p>11 wanted to do that. I think the testimony now</p> <p>12 indicates that it is not the case that Liberty</p> <p>13 was not interested. I think we substantiated</p> <p>14 that on the record. Thank you.</p> <p>15 CHAIRMAN HONIGBERG: Mr. Cicale.</p> <p>16 MR. CICALÉ: Thank you, Mr. Chairman.</p> <p>17 The Office of Consumer Advocate is very</p> <p>18 sensitive to the investment and time that</p> <p>19 Valley Green has put into its petition.</p> <p>20 Substantial sums of money and planning have</p> <p>21 gone into the enterprise as it stands. And,</p> <p>22 you know, it's a rare day when a start-up comes</p> <p>23 through the doors of the Public Service</p> <p>24 Commission -- Public Utilities Commission</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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<p>1 seeking to serve an area for a franchise. Mr. 2 Frink testified that in his 25 years of 3 experience, a start-up's application has never 4 come before his desk for approval. That's a 5 quarter century. He's got a lot of experience 6 here.</p> <p>7 And, you know, it reminds me, to 8 look back, it reminds me basically, at the 9 breakout of the electrical system, there were 10 other entrepreneurs that sought to do things of 11 this nature: Bring utility systems to their 12 local community. In fact, in Connecticut, in 13 North Canaan, there was an individual 14 fascinated with hydropower, and he sought to 15 start a utility there in northwestern 16 Connecticut. And he partnered with people in 17 Connecticut. He had no formal utility training 18 or experience. He was an attorney. And he 19 wasn't a banker or engineer, but he partnered 20 with the right people. He partnered with the 21 United Gas and Improvement Organization company 22 out of Pennsylvania for financial support and 23 operations advice. And his charter was 24 approved by the Connecticut General Assembly</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>1 business development, accounting and billing, 2 engineering, technical and operations staff and 3 administrative support. Probably left out a 4 few. I mean, Valley Green has framed and 5 poured the foundation for a house. They can 6 complete the house with some insulation, 7 siding, a roof and some paint, and get that 8 business development off the ground, get some 9 customers signed.</p> <p>10 So, at this point, the Office of 11 Consumer Advocate is not going to recommend the 12 Commission deny or approve this application, 13 but suspend it for a period of at least six 14 months so that the Company can fill these holes 15 and bring some more knowledge and some more 16 weight to their application and some time. 17 Thank you.</p> <p>18 CHAIRMAN HONIGBERG: Mr. Speidel. 19 MR. SPEIDEL: Thank you, Mr. Chairman 20 and Commissioners. Similarly to the Office of 21 the Consumer Advocate, the Staff definitely 22 appreciates the ongoing efforts of Valley Green 23 and its principals to try to develop a de novo 24 start-up business plan for its prospective</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>
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<p>1 prior to the period when Connecticut would have 2 a Public Service Commission, and approved for 3 the Connecticut Light and Power Company. And 4 he was the founder of Northeast Utilities, 5 which is now Eversource. His name is J. Henry 6 Roraback. So it's not impossible for a 7 start-up to be successful with a utility. Even 8 in the 21st century it may not be impossible.</p> <p>9 Even though the Office of 10 Consumer Advocate is sensitive to the 11 petitioner in this matter, we're reluctant to 12 recommend that the Commission approve the 13 application as it stands. The issues that we 14 have with the application are somewhat in the 15 nature of managerial. You know, it would be 16 incredible to be a president of a utility, but 17 there's other things that need to be taken into 18 account in this application. Needs to be a 19 showing of a demonstration that, other than 20 just the organizational chart, a general 21 awareness in breadth of knowledge in regards to 22 the departments that a utility contains and how 23 they may be utilized and operated. There's 24 revenue rates, legal compliance, corporate</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>	<p>1 service territory. However, the threshold 2 question is whether or not there is sufficient 3 demand in the proposed franchise area to 4 support natural gas utility service -- that is, 5 a generation of sufficient revenue to support 6 Valley Green's capital costs and operating 7 costs. That is the question. At this time, it 8 does not appear to be the case that this 9 financial requirement will be met, as 10 demonstrated by Valley Green's inability to 11 obtain any customer commitments, and revisions 12 to the Valley Green business plan in 13 recognition of the fact that current energy 14 prices are far less favorable for natural gas 15 conversions than when its proposal was 16 officially contemplated in 2012 and 2013. 17 Whether or not Valley Green has the managerial, 18 technical and legal expertise to operate a gas 19 utility is to no avail if reasonably expected 20 revenues are insufficient to support ongoing 21 operations and to meet capital and debt 22 structure obligations. While the financing may 23 be in place to fund construction of utility 24 facilities, there needs to be sufficient</p> <p style="text-align: center;">{DG 15-155} [DAY 3] {05-06-16}</p>

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1 revenue from sales to fund ongoing operations.  
2 That is very much in question at this time.  
3 In light of this situation, the  
4 Commission should deny Valley Green's petition  
5 without prejudice. Without prejudice. Rather  
6 than a "build it and they will come" approach,  
7 Valley Green needs to demonstrate through  
8 signed customer commitments that there is  
9 sufficient demand for its services to produce a  
10 reasonable rate of return on its investment and  
11 to fund ongoing operations and obligations.  
12 Thank you.  
13 CHAIRMAN HONIGBERG: Mr. Willing.  
14 MR. WILLING: First of all, thank  
15 you, Commissioners, for your time, your  
16 considerable time and your consideration in the  
17 last two days.  
18 Two specific points I want to  
19 make before I go on. One is the Commission  
20 referenced an e-mail -- or this proceeding  
21 referenced an e-mail that was produced in  
22 Liberty Docket 15-289 regarding Mr. Campion's  
23 communications with Liberty. And we would ask  
24 for notice of that exhibit in this docket. We

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1 didn't produce it as an exhibit here, but to  
2 address Mr. Patch's point.  
3 CHAIRMAN HONIGBERG: So that is a  
4 motion that we take administrative notice of an  
5 exhibit from the Liberty proceeding?  
6 MR. WILLING: That's right.  
7 CHAIRMAN HONIGBERG: Does anyone  
8 remember the exhibit number? I know the  
9 document, but I don't remember the number. Ms.  
10 Geiger?  
11 MS. GEIGER: Fourteen.  
12 CHAIRMAN HONIGBERG: Fourteen.  
13 MR. WILLING: Yeah.  
14 CHAIRMAN HONIGBERG: We can take  
15 administrative notice of the existence of that  
16 exhibit.  
17 MR. WILLING: And one other thing.  
18 There's been a focus on Schedule 2 of Exhibit  
19 5E. The Commissioners should keep in mind that  
20 these are estimates that are based on different  
21 build-out scenarios. So the number on Schedule  
22 2 for O & M expenses will vary, depending on  
23 what the scenario actually is.  
24 I want to close with just a few

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1 points. First, the Valley Green project is the  
2 product of a spontaneous local effort to bring  
3 energy choice to the Upper Valley. Mr. Campion  
4 is from and of the Upper Valley. He knows his  
5 community well and is motivated to make a  
6 project succeed there, and stands the best  
7 chance of making a project succeed. He has  
8 assembled a well-qualified team that has all of  
9 the managerial, technical and financial  
10 expertise to operate a gas utility. He's  
11 relying on contractors to provide some of that  
12 expertise, but it cannot be any other way with  
13 a start-up utility. The capability for the  
14 Valley Green team are the right capabilities to  
15 operate a gas utility.  
16 Next, Valley Green's project is  
17 superior to Liberty's. Mr. Campion has the  
18 necessary land. The site is ideal for this  
19 project. He has zoning approval, and he has  
20 begun other permitting. This site is located  
21 much closer to the biggest customers than  
22 Liberty's site is; so, the length of pipe  
23 needed for Valley Green to reach those  
24 customers is much shorter. Valley Green has

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1 invested more time and effort into its project,  
2 and so the Valley Green project is much more  
3 advanced. For these reasons, it would be in  
4 the public good to grant the franchise to  
5 Valley Green.  
6 And we believe the franchise  
7 should be granted now for several reasons.  
8 You're not taking a chance by granting a  
9 franchise to Valley Green now. There's no risk  
10 of cross-subsidization because Valley Green has  
11 no existing customers. Valley Green must  
12 obtain approval of rates, special contracts and  
13 other aspects of its project from the  
14 Commission before it can ever begin serving  
15 customers. Until then, as Mr. Frink said in  
16 his testimony, all financial risk falls on  
17 Valley Green. Valley Green is willing to bear  
18 that risk. Meanwhile, if you don't grant the  
19 franchise now, the project might not advance  
20 forward at all. Design and permitting can't  
21 advance. Customers are unlikely to make  
22 commitments to buy gas from a company without a  
23 franchise, with an unknown start date and  
24 unknown price terms. Valley Green can't get a

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1 franchise without customer commitments, but it  
2 can't get customer commitments without  
3 franchise. That's the chicken-and-egg  
4 situation we've been talking about.  
5 Valley Green faces a particular  
6 challenge in developing its project as a  
7 start-up. Mr. Champion met with Staff, was told  
8 what he needed to do, did it, in his view, came  
9 back with a proposal and was told that his  
10 costs, which he is not yet seeking to recover,  
11 are too high. If he comes back, they will only  
12 be higher. That's yet another Catch 22 that he  
13 faces.  
14 Market conditions have changed  
15 since he first started his project, and indeed  
16 since the petition was even filed. But oil  
17 prices are coming back up again. Market  
18 conditions and oil prices will always change.  
19 Valley Green is ready to take the chance on  
20 changing oil prices in order to establish a  
21 business to operate over the long term. Denial  
22 would be sending a message to community-based  
23 efforts to find energy solutions, a very  
24 negative message: Why would anyone else do

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1 what Mr. Champion has done to find solutions for  
2 their communities if denial is the end result?  
3 If you are concerned about tying  
4 up franchise territory, as discussed, RSA  
5 374:27 requires a franchisee to act on his  
6 franchise within two years or lose the  
7 franchise. If you grant the franchise to  
8 Valley Green, Valley Green will be "on the  
9 clock," so to speak. If you suspend the  
10 proceeding despite our reasons for believing  
11 you should grant the --  
12 (Court Reporter interrupts.)  
13 MR. WILLING: If you suspend the  
14 proceeding instead of granting the franchise  
15 now, until customer commitments are obtained,  
16 Valley Green asks that, at a minimum, the  
17 Commission find that Valley Green possesses the  
18 managerial, technical and financial expertise  
19 to provide gas service and otherwise identify  
20 specifically what Valley Green still needs to  
21 do in order to get a franchise. This is  
22 obviously a second-best solution from our  
23 standpoint as compared to granting the  
24 franchise. But an order that is specific with

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1 conditions could allow Valley Green to speak to  
2 customers in concrete terms, which then might  
3 allow it to get customer commitments despite  
4 the lack of a franchise. Again, we thank you.  
5 CHAIRMAN HONIGBERG: All right.  
6 Thank you all. I don't think there's anything  
7 else we need to do, is there?  
8 [No verbal response]  
9 CHAIRMAN HONIGBERG: All right. We  
10 will adjourn. We'll keep the record open for  
11 the one record request and take the matter  
12 under advisement. We are adjourned.  
13 (WHEREUPON the hearing was adjourned at  
14 3:10 p.m.)  
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**DG 15-155 VALLEY GREEN NATURAL GAS, LLC PETITION FOR FRANCHISE APPROVAL**

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