

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 27, 2016 - 1:34 p.m.
Concord, New Hampshire

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RE DG 16-447
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES: Petition to Amend to
Include Managed Expansion Program
Rates. (Prehearing conference)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp.:
Michael J. Sheehan

Reptg. Residential Ratepayers:
Nicholas Cicale, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Stephen Frink, Asst. Dir./Gas & Water
Alexander F. Speidel, Esq.
Al-Azad Iqbal, Gas & Water Division

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



ORIGINAL

P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this afternoon in Docket DG 16-447, which is Liberty Utilities (EnergyNorth Natural Gas) Corp. filing for a proposed tariff regarding Managed Expansion Program -- or, its Managed Expansion Program. We issued an order suspending the tariff so the merits could be investigated.

We're here for a prehearing conference, following which there will be a technical session for you to work through whatever scheduling and other issues can be dealt with.

Before we go any further, let's take appearances.

MR. SHEEHAN: Good afternoon, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas). And with me, to my right, are David Simek, Bill Clark, and, to my far right, Steve Hall.

MR. CICALÉ: Good afternoon, Commissioners. Nicholas Cicale, here for the Office of Consumer Advocate, on behalf of residential ratepayers. Along with me is

1 Assistant Consumer Advocate, Dr. Chattopadhyay.

2 MR. DEXTER: Paul Dexter, for the
3 Commission Staff. With me is Steve Frink.

4 CHAIRMAN HONIGBERG: Are there any
5 preliminary matters we need to deal with before
6 hearing the Parties initial positions?

7 MR. SHEEHAN: None from the Company.

8 MR. DEXTER: None from the Staff.

9 MR. CICALÉ: No.

10 CHAIRMAN HONIGBERG: All right. Why
11 don't we hear from you all on your initial
12 positions. Mr. Sheehan.

13 MR. SHEEHAN: Thank you. This docket
14 proposes a new kind of distribution rate that
15 will allow the Company to provide natural gas
16 service to areas that may not otherwise be
17 cost-justified. At bottom, we're proposing a
18 35 percent premium on the customer and
19 distribution charges to identified and selected
20 group or proposed area for these rates. And,
21 by charging that higher rate, it would
22 eliminate or reduce the CIAC that would
23 otherwise be required to extend a main to that
24 area. For example, a residential neighborhood

1 that's just a little too far off the main to
2 otherwise be cost-justified to build.

3 In our filing, we've done some mock
4 presentations of how this rate would be applied
5 to a few specific neighborhoods to give
6 examples of how the plan would work. We've
7 estimated that, for a typical residential
8 customer, this rate would increase their yearly
9 bill from \$1,079 to \$1,271. So, in effect,
10 \$150 per year increase would be the result of
11 applying what we call the "MEP" rates to a
12 customer.

13 Combined with a computer system that
14 we are building with a contractor, ICF
15 International, that system is going to, as
16 inputs, have all of our information of where
17 the pipes are and where systems are, and we'll
18 have customers names, addresses, fuel types,
19 etcetera, will allow us to prepare what's
20 called "heat maps". So, we can look at a map
21 and decide where's the most profitable places
22 or likely places we can expand gas to.

23 That system also will take customer
24 calls. And, as people call and ask about gas,

1 either by calls, or through the e-mail, we can
2 see where interest is, *etcetera*, and through
3 that system we can really much better plan
4 where we want to grow next year, year after,
5 year after that.

6 Our presentation -- our testimony
7 also has descriptions of the process we will go
8 through to evaluate whether we're going to do a
9 project under traditional rates. And, if it
10 doesn't qualify costwise there, through MEP
11 rates, and prioritize which ones we would try
12 to do this year, next year, the year after.

13 So, all of that we think would result
14 in a program that would provide just and
15 reasonable rates for those customers. It would
16 not be cross -- it would avoid cross-subsidies,
17 because these customers would be paying their
18 share for these expansions. And it would allow
19 us to provide gas to customers that would
20 probably otherwise not be served or at much
21 greater out-of-pocket costs.

22 Thank you.

23 CHAIRMAN HONIGBERG: Mr. Cicale.

24 MR. CICALÉ: Good afternoon,

1 Commissioners. The Office of Consumer Advocate
2 at this time does not stand in support or
3 against the Company's application. We'd like
4 to further explore the terms of the Petition
5 through some thorough discovery.

6 There are some aspects of the
7 Petition which the Office really likes, you
8 know, alleviating the barriers to entry to
9 customers. Those are absolutely good things.
10 And having the Company put forth a plan to best
11 manage its expansion that is favorable to
12 customers and fair to the Company.

13 We want to identify and alleviate any
14 concerns where the Company may be required to
15 show some upfront customer commitments, you
16 know, finding the necessary amount of demand
17 for, you know, activating certain tariff
18 provisions for the Managed Expansion Program.

19 The Office really likes the fact that
20 the Company is sensitive to cross-
21 subsidization, because that is definitely a pet
22 peeve in the Office of Consumer Advocate.

23 And, furthermore, we wondered whether
24 there should be a certain investment threshold

1 for this, for this type of expansion.

2 And, yes. So, we stand ready to
3 represent residential ratepayers on this
4 Petition. And we look forward to participating
5 in meaningful discovery therein. Thank you.

6 CHAIRMAN HONIGBERG: Mr. Dexter.

7 MR. DEXTER: Thank you. Staff
8 believes the Managed Expansion Program has some
9 merits. We would like to take the -- make use
10 of the suspension period to investigate several
11 issues. In particular, Staff wants to look at
12 the 35 percent premium on delivery rates that
13 are going to be applied over a ten-year
14 program, with an eye towards ensuring that
15 there are no undue cross-subsidizations. And,
16 at the same time, that these rates provide a
17 sufficient economic incentive for the customers
18 to sign up and convert for natural gas.

19 Staff believes that we can complete
20 its review in this case in the three-month
21 suspension period, but notes that there is the
22 opportunity to request a further five-month
23 suspension period under RSA 378:6, I(b).

24 But, at this time, we're going to

1 endeavor to wrap this up by August 5th. Thank
2 you.

3 CHAIRMAN HONIGBERG: Do Commissioner
4 Scott, Commissioner Bailey have any questions?

5 CMSR. SCOTT: Sure. Thank you.
6 Mr. Sheehan, I was just curious. So, under the
7 MEP concept, ten years is a long time. So,
8 somebody could sign up for this in all good
9 faith, but, as a resident, you know, I could
10 get a new job in six years I didn't anticipate,
11 I have to move, or a commercial interest could
12 just go out of business, unfortunately, and
13 close. What happens in those situations?

14 MR. SHEEHAN: My understanding, and
15 I'll get -- go ahead, Bill, if you want to
16 address that, if that's okay with the
17 Commission?

18 MR. CLARK: Yes. Sorry. So, the
19 rate will be in effect for ten years for that
20 structure, whether it be residential or
21 commercial. The GPM calculation that we're
22 using to say whether this is an economic
23 endeavor is the regular line extension policy.
24 So, we'll only be using six years of commercial

1 on GPM and eight years of residential, even
2 though the rate will be in effect for ten years
3 at that location.

4 CMSR. SCOTT: Okay. So, in my --
5 thank you. In my hypothesis, if I'm a -- I'm
6 six years into my ten year contract, as a
7 resident, and I get a job on the West Coast and
8 I leave, you're saying, whoever buys that
9 house, they will get that rate also?

10 MR. CLARK: They will be paying that
11 rate, correct.

12 CMSR. SCOTT: Interesting. Is there
13 some kind of disclosure you would anticipate,
14 so people would know that?

15 MR. SHEEHAN: I mean, that's a good
16 question. I mean, the tariff would be the
17 primary disclosure. There would be language in
18 the tariff. When that customer signs up for
19 service, after four years, the question I think
20 you're asking is, would we flag that and say
21 "You're going to get the rate that was there
22 before, which is X, and not Y."

23 Right. That's a good point.

24 CMSR. SCOTT: And, if I'm the one

1 buying it, and I don't know this is coming,
2 would that be a rude surprise to me?

3 MR. SHEEHAN: Again, the tariff
4 provides the official notice. And we can
5 certainly look at how we can provide more
6 hands-on notice during those transitions.

7 CHAIRMAN HONIGBERG: Mr. Sheehan,
8 might not that be a real estate -- a matter of
9 real estate law and a matter between the buyer
10 and seller?

11 MR. SHEEHAN: Yes. And that's the
12 first thing that struck me. It's almost like a
13 lead water -- lead-in-the-water kind of
14 disclosure that someone has to make.

15 CHAIRMAN HONIGBERG: I mean, I
16 suppose that, when the name, the person
17 responsible for payment, taking over the
18 account, I mean, that might be a time when it
19 would trigger something for you to have some
20 communication with the new customer. But it's
21 not -- I am just musing. It's not at all clear
22 to me that this isn't your responsibility.

23 MR. SHEEHAN: Yes.

24 CHAIRMAN HONIGBERG: But something to

1 think about.

2 MR. CLARK: The way we looked at it
3 internally was that, if somebody moves out of
4 the residence currently, they call our call
5 center to activate service in their name, and
6 they're at that time told "you're an R-3,
7 "you're a G-41 rate". They would be told what
8 that tariff rate for that location is. If they
9 would ask, you know, for a copy of that, we
10 could certainly send out a copy of that with
11 that bill.

12 CMSR. BAILEY: Could I ask one?

13 CHAIRMAN HONIGBERG: Commissioner
14 Bailey.

15 CMSR. BAILEY: And, in the case that
16 we were just talking about, the new customer
17 buying the house wouldn't be required to buy
18 gas service, right?

19 MR. CLARK: Correct.

20 CMSR. BAILEY: Okay.

21 CHAIRMAN HONIGBERG: All right. If
22 there's nothing else, then I think we will
23 leave you to your technical session. And
24 that's all for us. And, if you need us, we're

upstairs. Thank you all.

*(Whereupon the prehearing
conference was adjourned at 1:44
p.m. and a technical session was
held thereafter.)*