

1                                   **STATE OF NEW HAMPSHIRE**2                                   **PUBLIC UTILITIES COMMISSION**3   **February 10, 2017 - 9:13 a.m.**  
4   Concord, New Hampshire

NHPUC FEB27'17 PM 3:40

5                   RE: **DG 16-827**6                   **CONCORD STEAM CORPORATION**  
7                   **NON-GOVERNMENTAL CUSTOMERS:**  
8                   **Joint Petition to Establish**  
9                   **Interconnection/Transition Fund**  
10                   **for Non-Governmental Concord**  
11                   **Steam Customers.**12                   **PRESENT:**   Chairman Martin P. Honigberg, Presiding  
13                                   Commissioner Robert R. Scott  
14                                   Commissioner Kathryn M. Bailey15                                   Sandy Deno, Clerk  
16                                   Clare Howard-Pike, Clerk (at 4:11 p.m.)17                   **APPEARANCES:**18                   **Reptg. the Joint Petition:**19                   State Senator Dan Feltes (District 15)  
20                   Kenneth E. Traum (*Concord Family YMCA*)  
21                   James Doremus (*Concord Family YMCA*)  
22                   Remi Hinxhia (*Associated Enterprises, Inc.*)  
23                   Peggy Senter (*Concord Community Music School*)  
24                   Michael Gfroerer (*South Congregational Church*)  
                     Hansi Glahn (*Woman's Club of Concord*)  
                     Carolyn Stiles (*Woman's Club of Concord*)  
                     Linda Graham (*Woman's Club of Concord*)  
                     Ron Snow (*Brain Injury Assn. of New Hampshire*)  
                     Nicolette B. Clarke (*Capitol Center for the Arts*)  
                     Peter Wright (*First Church of Christ, Scientist*)  
                     Mark Ciborowski (*Ciborowski Associates*)  
                     Dana Nute (*Resilient Buildings Group*)  
                     James W. Kennedy, City Solicitor (*City of Concord*)25                   **Court Reporter:   Steven E. Patnaude, LCR No. 52****CERTIFIED**  
**ORIGINAL TRANSCRIPT**

**APPEARANCES: (c o n t i n u e d)**

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Kate Foley

Roy Schweiker, *pro se*

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**Reptg. Residential Ratepayers:**

D. Maurice Kreis, Esq., Consumer Advocate

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**Reptg. PUC Staff:**

Alexander F. Speidel, Esq.

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

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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: Good morning, everyone. We're here in Docket DG 16-827, which is a Petition to Establish a Transition Fund for Concord Steam customers. There were numerous parties that signed on to the Petition. We have at least one pending intervention petition. We've had a flurry of filings in the last few days, including a modification to the Proposal. There's some testimony that came in this morning. So, lots of moving pieces here.

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

SEN. FELTES: Good morning, Mr. Chairman, members of the Commission. Dan Feltes, State Senate District 15.

MR. HEAVENER: Stephen Heavener, Capital Regional Development Council.

MR. TRAUM: Ken Traum and Jim Doremus, on behalf of the Concord YMCA.

MS. GLAHN: Hansi Glahn. I'm with the Woman's Club of Concord. I'm with Linda Graham and Carolyn Stiles.



1 MR. GFROERER: Michael Gfroerer,  
2 South Congregational Church, Concord.

3 MR. SHEEHAN: Good morning,  
4 Commissioners. Mike Sheehan, on behalf of  
5 Liberty Utilities (EnergyNorth Natural Gas)  
6 Corp.

7 MR. SCHWEIKER: Roy Schweiker,  
8 intervenor.

9 MR. SNOW: Ron Snow, on behalf of the  
10 Brain Injury Association of New Hampshire.

11 MR. NUTE: Dana Nute, with Resilient  
12 Buildings Group.

13 MS. HEARD: Rosemary Heard, CATCH  
14 Neighborhood Housing.

15 MS. FOLEY: Kate Foley, CATCH  
16 Neighborhood Housing.

17 MR. HINXHIA: Remi Hinxhia, with  
18 Associated Enterprises, Inc.

19 MR. KENNEDY: Jim Kennedy, with City  
20 of Concord.

21 MR. KREIS: Good morning. I'm D.  
22 Maurice Kreis, of the Office of the Consumer  
23 Advocate, here today on behalf of residential  
24 ratepayers.

1 MR. SPEIDEL: Good morning,  
2 Commissioners. Alexander Speidel, representing  
3 the Staff of the Commission. And I have with  
4 me Stephen Frink, Assistant Director of the Gas  
5 and Water Division.

6 CHAIRMAN HONIGBERG: Anyone here from  
7 Brady Sullivan?

8 *[No verbal response.]*

9 CHAIRMAN HONIGBERG: Did anyone file  
10 anything in response to Brady Sullivan's Motion  
11 to Intervene? I don't remember seeing  
12 anything.

13 *[No verbal response.]*

14 CHAIRMAN HONIGBERG: Does Staff have  
15 any position on Brady Sullivan's Motion to  
16 Intervene?

17 MR. SPEIDEL: Staff does not object  
18 to the Motion to Intervene. And, as I may have  
19 recalled, I thought that their motion had been  
20 approved by the Commission at the prehearing  
21 conference. I'm trying to jog my memory. No?

22 So, no objection in any event.

23 CHAIRMAN HONIGBERG: I don't even  
24 recall that it was here before the prehearing

1 conference. I could be wrong about that.

2 Mr. Feltes.

3 SEN. FELTES: Obviously, the  
4 intervention petition was filed late. But I  
5 don't have a specific position on granting it  
6 or not granting it.

7 MR. SPEIDEL: Commissioners, there  
8 was a letter issued on January the 12th,  
9 "Secretarial letter approving procedural  
10 schedule and intervention matters". You may  
11 want to take a look at that.

12 CHAIRMAN HONIGBERG: Do you happen to  
13 have it?

14 MR. SPEIDEL: I don't have it at my  
15 fingertips, no. It's Tab 25, for the Clerk's  
16 purposes.

17 CHAIRMAN HONIGBERG: You are right.  
18 You're right, Mr. Speidel. That motion was  
19 granted in that secretarial letter. Thank you  
20 very much for refreshing our memories on that.  
21 But, since no one's here from Brady Sullivan,  
22 we don't have to worry about that.

23 How do you intend to proceed today,  
24 folks? Tell me who's grabbing the microphone

1 first and what's going to be happening.

2 MR. SPEIDEL: Would you like to  
3 speak, Senator Feltes?

4 SEN. FELTES: No. Go ahead.

5 MR. SPEIDEL: I can as well. Well,  
6 my understanding, I had a conversation with  
7 Senator Feltes, and he indicated that he would  
8 like to go by himself, as the moving party,  
9 first in testimony, then Mr. Heavener.

10 And he had indicated, Senator Feltes  
11 had, that a few of these ancillary intervenors  
12 may wish to have their own oral testimonial  
13 presentations. They haven't quite identified  
14 themselves. But I think, if we do a  
15 round-robin, we could find out exactly who  
16 would like to go up. And, then, Mr. Frink  
17 would go last, on behalf of Staff.

18 And just for your information, Staff  
19 has no cross-examination questions for  
20 Mr. Heavener or any of the other ancillary  
21 intervenors. We do have some limited cross for  
22 Senator Feltes.

23 CHAIRMAN HONIGBERG: Mr. Kreis, what  
24 do you anticipate doing today?

1 MR. KREIS: I kindly offered to  
2 conduct the direct examination of Senator  
3 Feltes, just so that he doesn't have to ask  
4 himself questions and then answer them, just  
5 for purposes, essentially, of entering his  
6 prefiled direct testimony into the record, so  
7 that he can then subject himself to  
8 cross-examination.

9 And I do not have a witness. We  
10 didn't file any prefiled testimony. We are  
11 signatories to the Settlement Agreement that  
12 you alluded to earlier that makes what we  
13 regard as a fairly important change in the  
14 terms of the Petition.

15 And, at the end of the hearing, I  
16 intend to offer up a brief argument for why we  
17 support the Petition as amended.

18 That's about all I intend to do  
19 today, Mr. Chairman.

20 CHAIRMAN HONIGBERG: All right. Mr.  
21 Feltes, anything you want to add? It sounds  
22 like you are the first witness, so --

23 SEN. FELTES: No. Just, you know,  
24 the Joint Petitioners will have the opportunity

[WITNESS: Feltes]

1 to testify, and I'm happy to go up first and be  
2 sworn in and get it going.

3 CHAIRMAN HONIGBERG: All right. If  
4 there's nothing else we need to deal with then,  
5 we'll have Mr. Feltes take the stand.

6 Let's go off the record for just one  
7 second.

8 *[Brief off-the-record discussion*  
9 *ensued.]*

10 CHAIRMAN HONIGBERG: Let's go back on  
11 the record. I note -- we'll note for the  
12 record that there was one of the Petitioners'  
13 representatives who came in late. So, why  
14 don't you identify yourself for the record  
15 while the stenographer has his hands working.

16 MR. WRIGHT: Yes. Peter Wright. I'm  
17 a member of the board of the First Church of  
18 Christ, Scientist, in Concord.

19 (Whereupon **Dan Feltes** was duly  
20 sworn by the Court Reporter.)

21 CHAIRMAN HONIGBERG: Mr. Kreis, I  
22 understand you are doing the honors here.

23 MR. KREIS: Yes, I am. It seems to  
24 me, Mr. Chairman, that as a preliminary matter

[WITNESS: Feltes]

1 we ought to assign exhibit numbers to Senator  
2 Feltes's prefiled direct testimony, and also to  
3 the Settlement Agreement that was filed by me,  
4 as it happens, on February 6th.

5 And I would suggest what the exhibit  
6 number ought to be, but I actually don't know.

7 CHAIRMAN HONIGBERG: It is "1" as it  
8 turns out.

9 MR. KREIS: That makes sense.

10 CHAIRMAN HONIGBERG: So, which you  
11 are you going to have be "1"? You want the  
12 Feltes testimony to be "1"?

13 MR. KREIS: Yes, sir.

14 CHAIRMAN HONIGBERG: And the  
15 Settlement Agreement is "2"?

16 MR. KREIS: That would be just great,  
17 from my standpoint this morning.

18 (The documents, as described,  
19 were herewith marked as  
20 **Exhibit 1** and **Exhibit 2**,  
21 respectively, for  
22 identification.)

23 MR. KREIS: Okay. With that, I think  
24 we're ready to go. Good morning, Senator

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[WITNESS: Feltes]

1 Feltes.

2 WITNESS FELTES: Good morning.

3 **DAN FELTES, SWORN**

4 **DIRECT EXAMINATION**

5 BY MR. KREIS:

6 Q. Will you be kind enough to identify yourself  
7 for the record.

8 A. Dan Feltes. I serve in the State Senate,  
9 representing Concord, Hopkinton, Henniker, and  
10 Warner. And one of the Joint Petitioners on  
11 this Petition and a signatory to the Settlement  
12 Agreement filed on Monday.

13 Q. So, just to be clear, you are yourself a  
14 Petitioner in this proceeding?

15 A. That's correct.

16 CHAIRMAN HONIGBERG: Mr. Kreis, it's  
17 probably best that we not go there.

18 MR. KREIS: Okay.

19 CHAIRMAN HONIGBERG: Because, in all  
20 honesty, there's some doubt about what  
21 Mr. Feltes's true standing is in this matter.  
22 Regardless of what it is, it's perfectly  
23 appropriate for Mr. Feltes to testify, for  
24 Mr. Feltes to make arguments on behalf of

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[WITNESS: Feltes]

1       however many Petitioners he feels he is  
2       representing here or speaking for, if  
3       "representing" is too loaded a word.

4               But, regardless, I don't think it's  
5       necessary, we don't think it's necessary to get  
6       too deep into what Mr. Feltes's status is here  
7       today.

8               MR. KREIS: That was as deep as I was  
9       planning on going. I just wanted to make clear  
10      that whatever he's doing in his representative  
11      capacity, he is also -- he considers himself to  
12      be a Petitioner.

13              CHAIRMAN HONIGBERG: We understand  
14      that as well.

15              MR. KREIS: Okay. Great.

16      BY MR. KREIS:

17      Q.     Senator Feltes, have you ever testified here at  
18              the PUC before?

19      A.     Yes, one time previously, in the divestiture  
20              docket, DE 14-238.

21      Q.     And you filed prefiled direct testimony on  
22              February 8th in this proceeding, yes?

23      A.     That's correct.

24      Q.     And your prefiled testimony is the document

[WITNESS: Feltes]

1       that we have marked for identification as  
2       "Exhibit 1", is it not?

3   A.   It is.

4   Q.   And, if I asked you all of the questions that  
5       are set forth in your prefiled testimony today,  
6       are those the answers that you would give under  
7       oath here in the hearing room today?

8   A.   They are, yes.

9   Q.   And do you have any changes or updates to that  
10       testimony?

11  A.   No, I do not.

12  Q.   Your testimony is in support of the Petition  
13       as -- well, as amended by Exhibit 2, which is  
14       the Settlement Agreement, yes?

15  A.   Correct.

16  Q.   Could you briefly describe for the Commission  
17       what the Settlement Agreement does to change  
18       the original terms of the Petition.

19  A.   Thank you.  Yes.  It does a couple important  
20       things.  First, in an effort to respond to Mr.  
21       Frink's testimony, regarding the lack of  
22       specificity of the Fund administration and the  
23       guidelines, we worked together as Joint  
24       Petitioners, in our individual capacities,

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[WITNESS: Feltes]

1 working together to flesh out what could be a,  
2 you know, a set of guidelines and a rubric for  
3 the Fund administration. And then we worked  
4 together with the Capital Regional Development  
5 Council on that Fund administration guidelines  
6 and administration, to put forward the Exhibit  
7 A to the Settlement Agreement that deals in  
8 detail, in my view, with the concerns raised by  
9 Mr. Frink, that we took carefully into  
10 consideration when crafting the Fund guidelines  
11 and administration.

12 The second key component is in terms of  
13 the rate recovery, adjusting the rate recovery  
14 provision of the Joint Petition, to do rate  
15 recovery, with respect to this regulatory  
16 asset, on non-residential customers. We think  
17 that's appropriate for a variety of reasons.  
18 First, there's only a few residential customers  
19 of Concord Steam that could potentially benefit  
20 from this Fund. And, if you look at the  
21 potential total amount, as I laid out in the  
22 testimony, upward bounds of maybe 12,000 for a  
23 conversion for those three. So, 36,000  
24 potentially upper bounds is only about

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[WITNESS: Feltes]

1       3.6 percent of, you know, the million bucks in  
2       the Fund. And, so, it is appropriate and it's  
3       reasonable to do cost recovery, because the  
4       beneficiaries of the Fund -- overwhelming  
5       majority of the beneficiaries of the Fund, both  
6       in terms of the accounts and the money, would  
7       be commercial and industrial accounts on  
8       Concord Steam. So, it makes sense to limit the  
9       cost recovery to commercial/industrial accounts  
10      of Liberty. And, so, that's why we did that  
11      approach in the Settlement Agreement.

12   Q.   And all of the Petitioners are signatories to  
13       the Settlement Agreement?

14   A.   There is only one Petitioner that did not sign,  
15       and that's -- I didn't hear back from him, and  
16       that's Snaphouse [Snaphaunce?] Real Estate  
17       Trust, Arthur Aznive. Everybody else signed  
18       the Settlement Agreement. I just didn't hear  
19       back from Arthur. And he's not here today.  
20       So, I don't know what his position may or may  
21       not be.

22               And, then, obviously, the intervenors  
23       Angela and Josh Ford signed on, CATCH Housing  
24       signed on as well, and, obviously, the Office

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[WITNESS: Feltes]

1 of the Consumer Advocate signed on to the  
2 Settlement Agreement.

3 Q. And if I told you that I inadvertently left off  
4 the name of "Associated Enterprise" in my cover  
5 letter, you would agree with me that that  
6 doesn't necessary -- nevertheless, that does  
7 not reflect that they are not, in fact, a  
8 signatory to the Settlement Agreement?  
9 Associated Enterprises is a signatory, is it  
10 not?

11 A. They are. And Remi, on behalf of Associated  
12 Enterprises, is here today, and they do support  
13 the Settlement Agreement.

14 MR. KREIS: And I apologize for  
15 leaving them off of my cover letter. There  
16 were just a lot of moving parts as that  
17 Settlement was coming together, as you know.

18 I believe that's all I have on direct  
19 examination. I am happy to make Senator Feltes  
20 available for cross-examination.

21 CHAIRMAN HONIGBERG: All right. Who,  
22 other than Staff, has questions for Senator  
23 Feltes, let me see hands?

24 *[Show of hands.]*

[WITNESS: Feltes]

1 CHAIRMAN HONIGBERG: Okay.

2 Mr. Kennedy, why don't you go first.

3 **CROSS-EXAMINATION**

4 BY MR. KENNEDY:

5 Q. Mr. Feltes, why did you raise the issue of this  
6 Transition Fund in the earlier dockets of  
7 Docket 16-769 and Docket 16-770? And that was  
8 APA docket and the closing of Concord Steam's  
9 docket.

10 A. As it's articulated in the Joint Petition, and  
11 also in the testimony, as I've heard from many  
12 nonprofits, business owners, and residential  
13 customers that needed some relief, and thought  
14 it was unfair they were not getting any relief  
15 for consumer protection in the transition to an  
16 alternative source, under a tight timeframe and  
17 unusual circumstances where a public utility is  
18 being shut down.

19 So, thought it was important to raise the  
20 issue. You know, obviously, during that  
21 discussion, you know, there was a discussion at  
22 the hearing about it on October 5th, and Mr.  
23 Frink testified, you know, we can consider this  
24 after the after-the-fact. And I think now

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[WITNESS: Feltes]

1       that's why we're here. So, --

2   Q.   Should this Transition Fund be considered  
3       completely separate discounted cash flow  
4       analysis than the one the Commission approved  
5       under the 770 docket?

6   A.   No, and my testimony I think is clear on that.  
7       There is no practical or legal reason to do  
8       that. As a practical matter, the collection of  
9       the 1.9 hasn't begun. And, as a legal matter,  
10      you know, again, we had this conversation on  
11      October 5th. If this was going to be an  
12      argument that was going to be raised, that, you  
13      know what, we can consider this petition  
14      after-the-fact, but we're not going to consider  
15      it part of a discounted cash flow, I think I  
16      would have bounced up right away and said  
17      "Well, then let's consider it right now." And  
18      I think everybody here relied upon that. And,  
19      to the extent that, you know, raising it as a  
20      technical issue, I think it's elevating a  
21      technicality over substance.

22           The reality is that, in terms of a  
23      discounted cash flow, it makes perfect sense to  
24      consider it together. As I said, as a

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[WITNESS: Feltes]

1 practical matter, it hasn't even started on the  
2 1.9. It's justified under 2.9. So, adding the  
3 one makes sense.

4 And I think, to the extent that there's an  
5 argument that was made, as I mentioned in my  
6 testimony, by Staff that somehow we don't have  
7 an ability to make that argument, I think they  
8 waived that ability on October 5th.

9 CHAIRMAN HONIGBERG: I think you're  
10 making a legal argument that goes far beyond  
11 Mr. Kennedy's question.

12 Mr. Kennedy, do you have another  
13 question?

14 BY MR. KENNEDY:

15 Q. Did you finish the answer to my prior question,  
16 Senator Feltes?

17 A. Yes.

18 Q. You touched on the Settlement Agreement on  
19 direct examination with Mr. Kreis. If you  
20 could expand a little bit here as to why it's  
21 appropriate under the Settlement Agreement for  
22 the Fund to be limited to recovery from the  
23 commercial and industrial customers of Liberty?

24 A. So, it's appropriate, in my view, as I

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[WITNESS: Feltes]

1 mentioned in response to Mr. Kreis's questions,  
2 is that, you know, the primary beneficiaries of  
3 this Fund will be commercial and industrial  
4 accounts and in transition. So, doing cost  
5 recovery with respect to the regulatory asset  
6 on commercial/industrial accounts makes sense  
7 and, in my view, is not unreasonable.

8 Q. Why do you think it's appropriate for the  
9 Commission to offer this Fund, this Transition  
10 Fund, for Concord Steam customers?

11 A. Well, again, this is an unusual situation.  
12 It's not every day that a public utility gets  
13 shut down, and on short notice. And, you know,  
14 I think, as a matter of customer protection and  
15 looking out for the public interest and the  
16 public good, it's my opinion anyways that some  
17 relief ought to be provided to non-governmental  
18 customers who are faced in the situation and  
19 need to transition. And, while it may be a  
20 legal argument, it's not inconsistent with what  
21 this Commission has done in the past.

22 And, you know, look, these nonprofits and  
23 businesses who are incurring these costs, even  
24 if they're in the midst of transition, these

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1 are costs that are hampering their  
2 organizations, their businesses. They're going  
3 to be passed on to tenants. They're going to  
4 be impacting programming. They're going to  
5 be -- you know, for all the reasons that are  
6 laid out in the testimonies, in the preliminary  
7 statements and in the testimonies filed,  
8 there's a real significant impact. And, you  
9 know, in my view, I think it's more than  
10 appropriate to not just let it happen without  
11 providing some help and some assistance.

12 Q. Do you think that it's a problem that the Fund  
13 is providing relief to customers in the Concord  
14 area only?

15 A. No. And I think it's perfectly appropriate.  
16 You know, this is -- the fact of the matter is  
17 that the customers of Concord Steam are in  
18 Concord. If it was Manchester Steam, and it  
19 was Manchester customers, I think it would be  
20 appropriate, too. It's a utility that's  
21 getting shut down, and the customers in that  
22 area need assistance, need some relief. It's  
23 only appropriate. And it's even short of what  
24 this Commission has approved in the past when

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1 utilities are going out of business.

2 So, if you look at the 1.9 million, in  
3 terms of a preference for Concord, you can make  
4 the same argument on the 1.9, that the, you  
5 know, cost recovery of the 1.9 was directly  
6 related to Concord's customers of Concord  
7 Steam. So, I don't think you can now make the  
8 argument that the one that also benefits  
9 Concord's customers is now somehow an  
10 unreasonable preference.

11 And, again, the question I think is  
12 whether or not it's unreasonable? And, under  
13 these circumstances, it's -- I think it's more  
14 than reasonable, but it's certainly not  
15 unreasonable.

16 Q. Do you have anything else to offer, Mr. Feltes?

17 A. No, I do not. Thanks.

18 CHAIRMAN HONIGBERG: Mr. Traum, you  
19 have a question for Mr. Feltes?

20 MR. TRAUM: Yes, I do.

21 CHAIRMAN HONIGBERG: Mr. Traum, of  
22 all people, I would expect you to know how to  
23 operate the microphones here.

24 MR. TRAUM: This is about five

[WITNESS: Feltes]

1 generations beyond where I left.

2 CHAIRMAN HONIGBERG: And probably  
3 three or four generations from being actually  
4 up-to-date.

5 MR. TRAUM: So be it.

6 BY MR. TRAUM:

7 Q. Senator Feltes, you talked a little bit about  
8 some Commission precedents. Specifically, I'd  
9 be looking at the Claremont Gas Corporation  
10 case, DE 94-056. Could you elaborate on why  
11 you would feel that provides some precedent?

12 A. Yes, I can. Although, it may be a legal  
13 argument, I think that --

14 CHAIRMAN HONIGBERG: I think that's a  
15 fair assumption, Mr. Feltes. I think, if you  
16 can limit your answer to why you think this is  
17 something we should do in light of Claremont,  
18 the Claremont decision, rather than making a  
19 technical legal argument about how binding or  
20 not it may be, that would probably be the best  
21 for you and for me.

22 WITNESS FELTES: Thank you, Mr.  
23 Chairman.

24 **CONTINUED BY THE WITNESS:**

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1 A. Mr. Chairman, members of the Commission, in  
2 Claremont, the customers of a failed utility, a  
3 utility getting shut down, were afforded a  
4 no-cost conversion option, no-cost conversion  
5 option. Here, we're not even asking for that.  
6 We're not asking for a no-cost conversion  
7 option. We're asking for a relief fund, a  
8 assistance fund.

9 CHAIRMAN HONIGBERG: I think you've  
10 answered the question, I think, which was that  
11 we should do that because, in Claremont, the  
12 customers there got a no-cost conversion. What  
13 it sounded like you were about to say beyond  
14 that was an awful lot like legal argument.

15 Is there any other factual reason  
16 that might be responsive to Mr. Traum's  
17 question that you'd want to get into?

18 WITNESS FELTES: No.

19 CHAIRMAN HONIGBERG: Mr. Traum, do  
20 you have any other questions for Mr. Feltes?

21 MR. TRAUM: Yes. I have one other.

22 BY MR. TRAUM:

23 Q. With regards to you had mentioned the last time  
24 you testified at this Commission was in the

[WITNESS: Feltes]

1 Eversource divestiture case?

2 A. Correct.

3 Q. In that specific case, as part of the  
4 Settlement, which was approved by the  
5 Commission, were their protections included for  
6 employees and for impacted towns?

7 A. There were. And this goes to the question of  
8 whether or not we're providing some kind of  
9 unreasonable preference for Concord. In DE  
10 14-238, part of the Settlement Agreement that  
11 was approved by this Commission was property  
12 tax stabilization payments to help relieve  
13 municipalities of the reduced -- potentially  
14 reduced, in all likelihood reduced in many  
15 situations, appraisal of the generation  
16 facilities, which would reduce the property tax  
17 assessment. And that was bundled in to the  
18 rate reduction bond, which, obviously, that  
19 hasn't proceeded, but, in all likelihood,  
20 upwards of tens of millions of dollars of  
21 ratepayer relief for specific municipalities,  
22 and ratepayer relief across all of Eversource's  
23 customers for those municipalities that have  
24 those generation assets in those

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1 municipalities.

2 So, I think, if you compare this situation  
3 to that, I think that situation is  
4 significantly more significant. That's  
5 redundant, but not a legal argument.

6 *(Laughter.)*

7 **CONTINUED BY THE WITNESS:**

8 A. And, so, I think it's more than reasonable in  
9 this particular situation to approve the Fund.

10 MR. TRAUM: Thank you. That's all I  
11 have.

12 CHAIRMAN HONIGBERG: I believe  
13 Mr. Schweiker, who is an intervenor, has a  
14 question for Mr. Feltes. Is that right,  
15 Mr. Schweiker? Why don't you find a  
16 microphone.

17 MR. SCHWEIKER: Right here.

18 BY MR. SCHWEIKER:

19 Q. Senator Feltes, in your proposed Settlement  
20 Agreement you state that the 10.15 percent rate  
21 of return that's being offered to Liberty  
22 Utilities is "just and reasonable", whereas  
23 most of the loans that are being offered on  
24 this are more like 4 percent. So, I'm kind of

[WITNESS: Feltes]

1 interested in why you think it is "just and  
2 reasonable" for them to be awarded a rate of  
3 return that's about triple what is ordinarily  
4 available in this case?

5 A. Thank you, Mr. Schweiker. I didn't determine  
6 the rate of return for Liberty. The Commission  
7 has previously. It's a regulatory asset, and  
8 the Commission has approved rate of returns on  
9 regulatory assets, including on the 1.9. So,  
10 the Commission has already approved that rate  
11 of return on the 1.9. It's the same treatment,  
12 in terms of the rate of return, on the one.

13 So, the Commission has already made this  
14 approval. The Commission, in prior cases, have  
15 determined the rate of return. And, so, I  
16 think it's more than appropriate.

17 Q. That sounded like a legal argument to me, which  
18 I thought you weren't to be making. I would  
19 ask a question, do you personally think it is  
20 reasonable for them to be awarded a rate of  
21 return that's three times what the going rate  
22 is?

23 A. This is public utility law, Mr. Schweiker.

24 Q. I'm not asking a legal question. I'm asking

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[WITNESS: Feltes]

1 your personal opinion.

2 A. My personal opinion? I didn't -- I was not  
3 part of the rate of return docket, when the  
4 rate of return for Liberty was constructed.  
5 So, I haven't reviewed all of the documents to  
6 determine whether or not the Commission's  
7 decision on their rate of return already  
8 approved is appropriate. I assume it was. It  
9 wasn't appealed.

10 MR. SCHWEIKER: Has he given me a  
11 nonlegal answer yet?

12 CHAIRMAN HONIGBERG: Believe it or  
13 not, he has. I think it would probably be best  
14 for, at the break, perhaps one of the Staff  
15 members of the Commission who's here could have  
16 a conversation with you about ratemaking, and  
17 where and how the rate of return on a utility's  
18 assets is determined.

19 The proposal here is to create an  
20 asset. Under the last --

21 MR. SCHWEIKER: Mr. Chairman, I --

22 CHAIRMAN HONIGBERG: I'm just going  
23 to try and explain this briefly. And, since  
24 I'm not a regulatory expert or an analyst or a

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[WITNESS: Feltes]

1 rate-maker myself, I try to speak in plain  
2 English about these things. But, basically, a  
3 utility is entitled to a reasonable rate of  
4 return on its regulatory assets, in exchange  
5 for its ability not to charge whatever rates it  
6 wants, because it is a monopoly. And,  
7 historically, those are developed in  
8 complicated, sometimes years-long what are  
9 called "rate cases".

10 This proposal would have the Company  
11 create a regulatory asset, which would then be  
12 entitled to the rate of return that all of its  
13 regulator assets earns. Its plant, its hard  
14 assets, the pipes in the ground, the  
15 compressors that push gas through, and  
16 everything else that they own, subject to  
17 depreciation and all kinds of other factors.

18 It may be a bad idea. Maybe we  
19 shouldn't create that asset. In which case,  
20 some other treatment of a similar fund might be  
21 created. Or, a decision might be made that we  
22 would do nothing, and say "no, that's what's  
23 going to happen."

24 But, if the asset is created as

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[WITNESS: Feltes]

1 proposed, it would be entitled to the same rate  
2 of return that every other asset that the  
3 Company would earn, and that's the rate that  
4 has been set.

5 It really bears little relation to  
6 what someone could borrow money at. And, so,  
7 the premise of your question misses the mark a  
8 little bit, and that's why Senator Feltes gave  
9 you the answer that he gave you, I think.

10 Is there -- is there some -- I think  
11 it's fair to say that you believe, and I think  
12 we read in your submission, that you believe  
13 that this rate of return is unreasonable. You  
14 disagree with Senator Feltes about how this  
15 should go. I think Senator Feltes is giving  
16 you the best answer he can give you under these  
17 circumstances.

18 Is there something else you want to  
19 ask him?

20 MR. SCHWEIKER: Yes.

21 BY MR. SCHWEIKER:

22 Q. In other words, I think I understand this legal  
23 lecture you gave me. I guess my question is,  
24 do you feel that, given that the rate of return

[WITNESS: Feltes]

1       that would have to be awarded to Liberty  
2       Utilities is 10.15 percent, do you feel that  
3       they should, instead of having this thing, come  
4       up with a better solution in which these poor  
5       people would pay a lower rate of interest?

6                   CHAIRMAN HONIGBERG:   Do you  
7       understand the question, Senator Feltes?

8                   WITNESS FELTES:   I think I do.   Thank  
9       you, Mr. Schweiker.

10   **BY THE WITNESS:**

11   A.   And I think that the grant program that was --  
12       that hopefully is established pursuant to  
13       Exhibit A of the Settlement Agreement will  
14       provide the necessary relief for nonprofits,  
15       businesses, and residential customers to  
16       transition and to help them transition, and for  
17       those who are also already in the midst of  
18       transitioning, help them defray and get some of  
19       that relief, so it doesn't have a negative  
20       consequential impact on the community.

21                   CHAIRMAN HONIGBERG:   In other words,  
22       "yes"?

23                                   *(Witness Feltes nodding in the*  
24                                   *affirmative).*

[WITNESS: Feltes]

1 CHAIRMAN HONIGBERG: You believe that  
2 that's the appropriate treatment, correct?

3 WITNESS FELTES: Yes, I do.

4 MR. SCHWEIKER: Thank you.

5 CHAIRMAN HONIGBERG: All right. Any  
6 of the other Petitioners or intervenors have  
7 any questions for Senator Feltes before  
8 Mr. Speidel goes?

9 *[No verbal response.]*

10 CHAIRMAN HONIGBERG: All right.  
11 Mr. Speidel, you may proceed.

12 MR. SPEIDEL: Thank you, Mr.  
13 Chairman.

14 BY MR. SPEIDEL:

15 Q. Senator Feltes, does the Fund proposal, as  
16 modified by the Settlement, adjust for the  
17 potential energy savings offered by conversion  
18 to natural gas, such as with a pro rata  
19 reduction of the grant to reflect such  
20 potential savings for a given customer?

21 A. The Fund helps with the up-front costs, and  
22 defraying the up-front costs of transitioning.  
23 So, you know, just like in Claremont, where  
24 there was a no-cost option for transitioning

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1       potentially to more efficient fuel sources,  
2       this is a grant fund to help with the up-front  
3       costs.

4   Q.   So, the answer is it does not modify it to  
5       reflect potential energy savings, just it's a  
6       strict grant to reflect up-front costs?

7   A.   It's a grant to reflect up-front costs,  
8       correct.

9   Q.   Would you recognize that there is a distinction  
10       between a statement on the part of a party that  
11       a separate proceeding to consider a given  
12       matter for administrative efficiency, on the  
13       one hand, and a substantive argument regarding  
14       the merits of such a proposal to be considered  
15       in a separate proceeding exists?

16   A.   I would think, if someone's going to argue  
17       "Look, let's have a separate proceeding, but  
18       the whole entire underlying basis of that  
19       separate proceeding, the DCF, you can't use  
20       it", that they would raise that argument when  
21       they make that statement.

22   Q.   Okay.  Regarding Page 6 of your testimony,  
23       which has been noticed as -- or, marked as  
24       "Hearing Exhibit 1", February the 8th, and also

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1       today you mentioned the property tax  
2       stabilization payments that were provided as  
3       part of the PSNH Divestiture Settlement?

4   A.   Correct.

5   Q.   Would you agree that, in the context of the  
6       PSNH Divestiture Settlement, the Legislature  
7       and the Governor enacted special legislation  
8       that approved the terms of the Settlement  
9       Agreement in 2015?

10   A.   The Legislature did not approve the terms of  
11       the Settlement Agreement. The Legislature gave  
12       to the Commission the opportunity to approve  
13       the Settlement Agreement on an expedited basis.  
14       And the Commission did approve the Settlement  
15       Agreement. And, now, we're -- there's an  
16       auction docket, and things are moving along.

17   Q.   But wouldn't you agree that the authorization  
18       for the Commission to examine the terms of the  
19       Settlement Agreement emanated from special  
20       legislation from the Legislature regarding one  
21       specific issue involving a specific utility?

22   A.   Specifically, the rate reduction bond mechanism  
23       needed to be -- and securitization needed to be  
24       legislatively authorized. There were other

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1 elements and guideposts provided to the  
2 Commission in its review of the Settlement  
3 Agreement, but it did not dictate to the  
4 Commission "Approve this Settlement Agreement  
5 and do this." In fact, it expressly did not.

6 Q. So, there were no findings that the Settlement  
7 Agreement was in the public interest by the  
8 Legislature?

9 A. The Legislature gave to the Commission the  
10 authority to approve the Settlement Agreement.  
11 Just like, as a general proposition, the  
12 Legislature, you know, giving the broad public  
13 interest and public good authority of this  
14 Commission, this Commission clearly has the  
15 authority to approve this Fund.

16 Q. And, Senator Feltes, did you originate the idea  
17 of the Transition Fund?

18 A. I don't know who came up with the idea. And I  
19 know that, obviously, I helped put together the  
20 Petition, and, you know, there was plenty of  
21 conversations amongst nonprofits and business  
22 owners and residential ratepayers about the  
23 concern that there was no relief being provided  
24 and no help being provided in transition. So,

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1 I don't know who actually came up with the idea  
2 of a fund. But I was the one that approached  
3 Liberty and said "Hey, we got to do something  
4 to help out." And looked at the DCF, and  
5 talked with them. And, then, you know, showed  
6 up here on October 5th and talked about it, and  
7 South Church was here, I think, and raised the  
8 issue. And, then, obviously, it was determined  
9 that it would be considered after-the-fact.  
10 And, so, that's now why we're here.

11 MR. SPEIDEL: Thank you. Staff has  
12 no further cross-examination -- hold on a  
13 second.

14 *(Atty. Speidel conferring with*  
15 *Mr. Frink.)*

16 MR. SPEIDEL: Thank you. No further  
17 questions from Staff. Thank you.

18 WITNESS FELTES: Thank you.

19 CHAIRMAN HONIGBERG: Commissioner  
20 Scott.

21 CMSR. SCOTT: Good morning.

22 WITNESS FELTES: Good morning.

23 BY CMSR. SCOTT:

24 Q. So, I understand your argument about I think,

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[WITNESS: Feltes]

1 effectively, regarding the DCF analysis, I  
2 think your argument is this is really just a  
3 continuation of the earlier docket. Is that  
4 a -- I know that's oversimplifying, but is that  
5 roughly --

6 A. Yes. I mean, just like 769 and 770 are  
7 connected, 827 is connected to those two, too.  
8 I mean, and I think, obviously, there's one  
9 component that the Commission can work on here,  
10 and that's helping with the relief in  
11 transition. But they are all connected, yes.

12 Q. So, given I understand your position on that,  
13 that we should be looking at the 2.9, rather  
14 than the 1.9. So, if you bear with me, to the  
15 extent they are discrete, we've already issued  
16 an order on the 1.9, you know, the original  
17 APA, help me out here. Because one of the  
18 balancing things we do to look at the existing  
19 Liberty ratepayers' impact, you know,  
20 basically, what's in it for them, right? So,  
21 we have issues generally, when we look at these  
22 type of things, for cross-subsidization and  
23 that type of concern. So, for the additional  
24 million dollars, which, again, is a grant in

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1       this request, can you help me a little bit more  
2       with what do existing Liberty customers get out  
3       of that additional 1 million that they wouldn't  
4       already get out of the already approved  
5       agreement for the purchase?

6   A.   I think that this Fund, if you look at the 1.9,  
7       you know, it's a customer list and there's some  
8       easements ostensibly, in terms of helping  
9       getting folks onto Liberty and defraying the  
10       fixed costs of the system. This Fund will help  
11       actually transition and actually get people  
12       interconnected, and arguably sooner than they  
13       would have otherwise done. And, you know, the  
14       more people that, obviously, are on the system,  
15       and that we ensure orderly transition to the  
16       system, the more people on the system, the  
17       quicker they are, the more the fixed costs are  
18       spread across the system, the more it benefits  
19       Liberty's customers. And there's already the  
20       infrastructure, you know, downtown to do that.  
21       And, you know, Liberty's customers across the  
22       state are already paying for the maintenance of  
23       that infrastructure in downtown Concord, and  
24       people just need to hook up. And, once they

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1 start hooking up to Liberty and paying, it  
2 defrays their costs for everybody.

3 Q. Do we expect any additional customers because  
4 of this or additional load because of this? I  
5 heard you just say that the temporal  
6 difference, it may mean people come on sooner.  
7 But do you think we'll see additional at the  
8 end of the day?

9 A. I think -- I think that's reasonable to assume.  
10 I don't know, but I think it's reasonable to  
11 assume. Because I think, if people don't have  
12 assistance to go to an alternative source, are  
13 they going to make the May 31 deadline? What  
14 happens if they don't? Do they go out of  
15 business? Do they -- I mean, if you're a  
16 landlord and you have tenants, you have a legal  
17 requirement to provide heat and hot water.  
18 What happens May 31 if you hadn't made it, and  
19 you hadn't had assistance or any relief in  
20 doing that? Do you reduce programming, if  
21 you're a nonprofit? That kind of thing.

22 So, I think it -- you know, the Fund  
23 guidelines also, Commissioner Scott, created in  
24 conjunction with Capital Regional Development

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[WITNESS: Feltes]

1 Council, and also, obviously, checking in with  
2 Liberty, say that the grant application  
3 materials will be mailed out to that customer  
4 list that -- in the 1.9 that Liberty got. So,  
5 it effectuates, you know, the process here.  
6 You get the grant materials. People, again,  
7 are reminded "Hey, you have to transition".  
8 You get the grant materials, you submit the  
9 grant application. I'm confident in Capital  
10 Regional Development Council's ability to  
11 administer this, and people will get the  
12 assistance to get on the -- you know, get on  
13 the system. And maybe folks that might  
14 otherwise slip through the cracks don't, and  
15 they actually get on the system, rather than  
16 potentially, you know, going out of business or  
17 whatever, or lingering throughout the course of  
18 the summer. You know, it is May 31 that is the  
19 cease operations. But, you know, it could be  
20 cooler in June, but also hot water is  
21 necessary. And there are legal obligations for  
22 landlords in particular that they have to do  
23 this for their tenants. And, you know, there's  
24 a number of landlords that intervened in this

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1 docket. So, --

2 Q. So, to paraphrase it, on my more granular  
3 point, you're not suggesting they would go to  
4 other fuel sources. You're suggesting there's  
5 a potential without this Fund that they would  
6 basically not be a customer at all and they  
7 would close perhaps. Is that a fair statement?  
8 And I don't want to --

9 A. I think it's conceivable that some customers  
10 may not go to another fuel source and close. I  
11 think it's also conceivable that, as it drags  
12 on through the summer, if someone hasn't  
13 transitioned yet, that maybe by the fall they  
14 go to an alternative, like maybe biomass.  
15 Maybe they shut down over the course of the  
16 summer and they go to biomass in the fall.

17 But the May 31 deadline, as Mr. Nute laid  
18 out in his testimony, as a practical matter,  
19 the only place to go, as a practical matter,  
20 paraphrasing his testimony, is Liberty. But,  
21 if you don't do it by May 31, and then maybe  
22 you shut down and you go through the fall and  
23 you do biomass, maybe later, next year or the  
24 year -- whatever, that's less people on the

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1 system, too, because people didn't get the  
2 relief or get any assistance in transition.  
3 And, right now, there's not any relief or  
4 assistance in transition.

5 If we effectuate that, if we, you know, I  
6 think the 1.9 for the customer list and the  
7 easements works better if you actually have the  
8 Fund, the Transition Fund in place. I think it  
9 makes more sense. And it's an opportunity for  
10 the -- in these interrelated dockets, for the  
11 Commission to approve that and really serve the  
12 public interest.

13 Q. Thank you. If we were to approve the  
14 Settlement, what is your expectation regarding  
15 the uptake for the million? Do you expect it  
16 all to be used, do you think?

17 A. I think there's -- I mean, there's certainly,  
18 obviously, people in the room that I would  
19 anticipate are going to apply for it. And I  
20 would anticipate many other folks would apply  
21 for it. To the extent that it's not used,  
22 there's provisions that it's remitted back. If  
23 you look at Item 10 of Exhibit A to the  
24 Settlement Agreement, titled "Remittance".

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1 "Consistent with Paragraph 11 of the Joint  
2 Petition, the CRDC shall remit to Liberty any  
3 unused and remaining Fund balance on or by  
4 October 31, 2017."

5 And, then, if you look at the Joint  
6 Petition, Liberty is required, under the Joint  
7 Petition, to not put those into rates. You  
8 know, if only 600,000 is used, then 400,000 is  
9 not going to end up going into rates. And  
10 Liberty can talk about that, too, I'm sure.

11 Q. So, let me ask the question another way. Why  
12 is a million dollars the right number?

13 A. It could be a lot more. I mean, it could be,  
14 you know, we heard at the preliminary hearing,  
15 you know, you hear people talking about 300,000  
16 individually for their cost of conversion.  
17 And, again, this is not a no-cost conversion  
18 option. This is helping -- trying to help  
19 everybody as much as possible.

20 And, Commissioner Scott, if you look at  
21 Page 1 of the Fund guidelines, Item 2, "Grant  
22 Program Allocation", it says "Grants of up to  
23 50,000 for residential or nonprofit customers,  
24 for the purpose of the direct grant support, or

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1 paying down/reimbursing expenses or refinancing  
2 existing loans."

3 "Grants of up to 75,000 for business  
4 customers, for the purpose of direct grant  
5 support, or paying down/reimbursing expenses or  
6 refinancing loans."

7 And, obviously, business customers, bigger  
8 enterprises, and we've heard in the preliminary  
9 hearing and we heard throughout the costs that  
10 they're facing.

11 But, if you look at Item 4, --

12 CHAIRMAN HONIGBERG: If you're going  
13 to read, read slowly, so Mr. Patnaude can keep  
14 up with you.

15 WITNESS FELTES: I'm sorry.

16 **CONTINUED BY THE WITNESS:**

17 A. If you look at -- if you look at Item 4, "Fund  
18 Management", second sentence: "Where the  
19 amount of eligible and qualifying applications  
20 exceeds either Paragraphs 2(c) or 2(d), grants  
21 will be provided on an equiproportional basis,  
22 subject to financial hardship determinations.  
23 And, if the amounts in Paragraphs 2(c) or 2(d)  
24 above are either not used or not committed by

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1 August 1, then a transfer...is allowed."

2 So, you know, it may be that 15 nonprofits  
3 apply and they all have expenses of \$100,000,  
4 and five businesses apply and they all have  
5 expenses of \$300,000. It just gives the  
6 flexibility to manage the grant program in the  
7 most effective way to provide some relief.  
8 Again, it's not going to be a no-cost  
9 conversion in all likelihood. And, if you look  
10 at the outstanding conversions, Commissioner  
11 Scott, you know, this is, I mean Liberty could  
12 tell you, probably, in terms of the load, I  
13 mean, but, you know, this is millions of  
14 dollars, I mean, that are out there in  
15 conversion costs that are hitting downtown  
16 Concord right now. So, this is not going to  
17 meet the need. It will provide some relief.  
18 And, obviously, we can't predict how many  
19 people will apply.

20 But, I think, in developing this, in  
21 response to carefully considering Mr. Frink's  
22 testimony, we tried to put in place clear  
23 guidelines, fair guidelines that the Joint  
24 Petitioners, and then, obviously, everybody who

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1 signed the Settlement agree with.

2 BY CMSR. SCOTT:

3 Q. Thank you. So, again, assuming this were  
4 approved, and to the extent there was -- you  
5 have some of these determinations I think that  
6 would go for the Capital Regional Development  
7 Council, you know, could be contentious. To  
8 the extent that somebody is aggrieved by one of  
9 their decisions, how does this Settlement  
10 address that?

11 A. So, the Capital Regional Development Council  
12 does retain final authority on all decisions.  
13 And this would only be modified to the extent  
14 that there would be a petition to the  
15 Commission for consideration. The grant  
16 program allocation, I think, Commissioner  
17 Scott, lays it out pretty clearly what's a  
18 qualifying and eligible expense. And it also  
19 clearly says that, to the extent that grant  
20 applications and amounts exceed those  
21 paragraphs, that the grants are filled on an  
22 equiproportional basis. So, you know, it's  
23 pretty clear.

24 One of the difficulties in doing, say,

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1 maybe a loan fund is that becomes a lot more  
2 subjective, and potentially leads to more  
3 subjectivity and more contentiousness. This is  
4 pretty clear. If you're eligible, you're  
5 eligible. Capital Regional Development Council  
6 will fund it. To the extent that the Fund  
7 requests exceed the certain mark, it will be  
8 equiproportional.

9 So, I think the short answer to your  
10 question is I anticipate that this won't be  
11 contentious or as contentious as some  
12 iterations. And, second, I'm also confident in  
13 Capital Regional Development Council's ability  
14 to, having worked on grants and applications,  
15 to know how to handle those, including CDBG  
16 grants and other grants that can become  
17 contentious, too.

18 Q. Well, I'm not suggesting CRDC would do a poor  
19 job. But I'm just -- any time, as you well  
20 know, when there's determinations to be made,  
21 somebody may be aggrieved.

22 A. Right.

23 Q. So, I guess my question again is, so, I have a  
24 hypothetical that the CRDC says "No, you don't

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1 meet the qualification for the grant." Would  
2 they then, if they're aggrieved, would they be  
3 able to go to the Commission? Is that what --

4 A. Under this, under Item 7, on Page 2, as  
5 written, "The CRDC has final, non-appealable  
6 authority on all decisions and amounts."

7 Q. I see that. Okay.

8 A. As written.

9 Q. Thank you. So, help me out here, too. Why a  
10 grant? Why not a low-interest or even  
11 non-interest loan? Maybe on-bill financing?  
12 Why a grant? Again, one of the things, you  
13 know, we're grappling with, at least I am, is  
14 concerns about cross-subsidy with existing  
15 Liberty ratepayers. Wouldn't something like  
16 that mitigate much of that risk to the existing  
17 ratepayers?

18 A. Well, I think a grant is, as formulated here,  
19 is not, in most situations, it's not going to  
20 be a no-cost conversion option. And, also, you  
21 know, if you look at the administration of this  
22 and the clarity of it, as opposed to a loan  
23 program, I think this is clearly administrable,  
24 provides the relief, albeit, in most cases, not

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1 a no-cost conversion option relief.

2 And I think, you know, if you -- you know,  
3 just in thinking about how this is administered  
4 and what people need, right now, in terms of  
5 refinancing, if they have already gone out and  
6 they're transitioning, in terms of refinancing,  
7 in terms of the different status of different  
8 customers in different locate -- you know, some  
9 are transitioning right now, some are starting  
10 to, some have no ability to right now. It  
11 offers the utmost flexibility to leverage  
12 private money to get that kind of transition  
13 done, and hopefully quicker, rather than done  
14 later.

15 Q. So, on the same vein, I believe some of the  
16 intervenors have what appear to be, because of  
17 the different cost of energy, certainly  
18 compared to Concord Steam right now, a fairly  
19 quick payback for the price of gas, you know,  
20 what they would pay for gas service for their  
21 investment. So, why wouldn't, again, some kind  
22 of loan financing make sense for those situated  
23 like that?

24 A. Well, I think it's just a matter of, if we want

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1 to provide, certainly, you know, that's a  
2 concept that folks have talked about. But, if  
3 we want to provide some relief and get it out  
4 the door and make it work right away,  
5 especially with the deadlines, you know, a  
6 direct grant program is the easiest and most  
7 effective way to do that.

8 And, so, yes, most customers are going to  
9 save money in the long run. But some customers  
10 are going to be doing loans. And, if you carry  
11 loans on your books, that, in some cases, and  
12 nonprofits are here and they can testify to  
13 this better than I can, but carrying loans on  
14 your book, that affects your ability to get  
15 other grants and other loans for your  
16 programming in carrying that kind of liability.

17 And, you know, on some of these cases,  
18 when these grants go out, Commissioner Scott,  
19 they're not going to -- like I said, it's not  
20 going to be a no-cost conversion for most, and  
21 they will pay down the life of existing loans.  
22 There's some flexibility built in here,  
23 refinancing and paying down. So, if someone  
24 already went out and got a loan, could pay down

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1 the life of the loan perhaps, and they provide  
2 relief -- it can provide relief that way. And  
3 then, hopefully, you know, a couple years, two  
4 years or whatever sooner you pay off the loan  
5 and you don't have the liability on the books,  
6 and it doesn't have the kind of same impact  
7 that it would otherwise have.

8 So, I think the grant program offers the  
9 kind of flexibility for the relief that's  
10 needed right now, given the time constraints.

11 Q. You were questioned about Claremont Gas  
12 Corporation. And, obviously, if you don't  
13 know, that's a good answer, too. My  
14 understanding was Claremont was not -- the  
15 owner of Claremont wasn't going out of  
16 business, they were just pulling out of  
17 Claremont. So, there was a corporate entity  
18 still there that had some money. Is that your  
19 understanding also?

20 A. That's my -- subject to check, that's my  
21 understanding.

22 Q. Sure. And that was -- that corporate entity,  
23 basically, the cost of conversions did not go  
24 to any ratepayers, *per se*, correct? You know,

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1 the corporate entity, to your knowledge, was  
2 not a utility that was -- that ratepayers were  
3 supporting, is that not correct?

4 A. I think that's correct.

5 Q. And, again, if you don't know, I'm not trying  
6 to --

7 A. You know, I read it a thousand times, but I  
8 think that's correct.

9 CMSR. SCOTT: Okay. Thank you. I  
10 think that's all I have.

11 CHAIRMAN HONIGBERG: Commissioner  
12 Bailey.

13 CMSR. BAILEY: Thank you. Good  
14 morning, Senator Feltes.

15 WITNESS FELTES: Good morning.

16 CMSR. BAILEY: I have a couple  
17 questions. But Commissioner Scott asked a lot  
18 of my questions, I may ask some follow-ups.  
19 But a couple on the mechanics of the Agreement.

20 BY CMSR. BAILEY:

21 Q. There's a provision in here that says "No  
22 person, owner, developer, business  
23 organization, or any subsidy thereof --  
24 subsidiary thereof, may qualify for more than

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1 one application to the Fund." That's number 7.

2 And I'm wondering if a business like the  
3 person who owns the Remi building or the CATCH  
4 buildings where they have residential units and  
5 business units in their building, would they  
6 only qualify for one \$75,000 grant or would  
7 they -- could they qualify for one \$75,000  
8 grant and one \$50,000 grant?

9 A. If it's the same -- the goal of this is, if  
10 it's the same entity, they would only qualify  
11 for one. So, they may have more accounts. You  
12 know, they may have, you know, they may have  
13 two or three accounts. But, if it's the same  
14 entity, they would only qualify for one grant.

15 Q. Okay. In Paragraph 2, where you divide the  
16 amount of the Fund between -- equally between  
17 commercial customers and residential customers,  
18 I think I heard you testify that you expect  
19 that there would probably only be three  
20 residential customers, and they would probably  
21 only need about \$12,000 each, so that would be  
22 \$36,000 out of the residential pool of  
23 \$485,000?

24 A. (Witness nodding in the affirmative).

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1 Q. But, then, the remainder of that would wait  
2 until August 1st and then be reallocated for  
3 commercial customers. Is that the way you  
4 think it would work?

5 A. The first part is correct, that, you know, to  
6 the extent that those three residential  
7 customers apply and they get, you know, the  
8 upper bound of, say, 12,000, roughly, that's  
9 36,000. However, that grant is for  
10 residential -- that bucket is for residential  
11 and nonprofits. So, if you look at 2(a), --

12 Q. Okay.

13 A. -- it says "Grants of up to 50,000 for  
14 residential and nonprofit customers". And,  
15 then, 2(c) is "485,000 of that amount will be  
16 set aside for grants for residential and  
17 nonprofit customers".

18 Q. Okay.

19 A. So, and there may be -- all three may apply,  
20 maybe just the Fords apply, I don't know, and  
21 there may be 15 nonprofits that apply, there  
22 may be only 5, I don't know.

23 But will then happen, to answer the back  
24 end of your question, is there's an opportunity

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1 to shift, subject to demand, in August. And  
2 should also note there's also reporting  
3 requirements from the Capital Regional  
4 Development Council to you, so you know what's  
5 going on and where the money's going, and  
6 making sure that you have oversight over how  
7 many people are actually being transitioned and  
8 interconnected as a consequence of this relief.

9 Q. Okay. Thank you. If the commercial  
10 customers in -- or, business customers in Item  
11 (d) each got \$75,000, how many grants would  
12 that fund?

13 A. Quick math, six or seven.

14 Q. Right.

15 A. Maybe 6.7. But, if it exceeds, so, based on  
16 Paragraph 4, if it exceeds, let's say there's  
17 ten businesses that are qualifying and  
18 eligible, and they all apply for -- they all  
19 need \$300,000, you're going to -- and they all  
20 qualified, "equiproportional" would mean that  
21 the 485,000 is divided by ten.

22 Q. So, they would each get \$48,500?

23 A. 500,000 --

24 Q. Okay.

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1 A. -- or, 48,500.

2 Q. Okay. So, let's say that happens. And, then,  
3 August 1st more money gets shifted into that  
4 bucket, and a new business customer comes along  
5 and says "I need 75,000"?

6 A. This Paragraph 3, last sentence, as it's  
7 written, says "Grant applications to the Fund  
8 shall be due within thirty (30) days of the  
9 date made available." So, folks, you know,  
10 there's a process here where everybody is made  
11 aware using the existing customer list, which  
12 the 1.9 helped get. The grant applications are  
13 made available on the website. There's going  
14 to be an effort to make public through the  
15 Concord Monitor, hopefully, Mr. Brooks will  
16 help with that. And people will be aware of  
17 it. They have to apply within 30 days. And,  
18 so, when you look at that August 1, what  
19 happens is is that all of that, let's say ten  
20 businesses apply under that scenario, and they  
21 each get 48 -- they're all qualifying, and they  
22 each get 48,500. But the 485,000 for  
23 residential and nonprofits had not been used,  
24 then the Capital Regional Development Council

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1       could supplement those existing ten with more  
2       assistance on an equiproportional basis.

3   Q.   Even if -- yes, okay. I get that. Even if  
4       they have secured other financing? Because by  
5       that point, by August, I think they would have  
6       had to, you know, get bank loans, and it might  
7       have been --

8   A.   Yes. There's going to be certain terms, you're  
9       right, there's going to be certain terms that  
10      they're not going to be able to refinance and  
11      not, you know, you're not going to be able to  
12      adjust to it.

13               But, I think, again, the language up in  
14      2(a) and (b), at least right now, is broad  
15      enough to capture paying down existing  
16      expenses, reimbursing expenses, or refinancing,  
17      but --

18   Q.   Okay. I'd like to talk a little bit about  
19      that.

20   A.   Sure.

21   Q.   Why do you think that that is reasonable, if a  
22      business is able to get financing, and they get  
23      it at a low-cost interest rate, why should  
24      utility customers pay back that loan early,

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1 effectively, that's what you're saying they  
2 should be allowed to do there?

3 A. They didn't have a choice. That those business  
4 customers, the nonprofits, the residentials had  
5 no choice. This is a, you know, in effect, a  
6 mandate not of their choosing to convert.

7 And, --

8 Q. But isn't that a business -- somewhat, to some  
9 extent, isn't that a business expense? I mean,  
10 I can understand your argument if they couldn't  
11 qualify for a loan because their, you know,  
12 debt covenants wouldn't allow it. But, for  
13 somebody who can get a loan, and has secured a  
14 loan, I don't understand why we would have  
15 utility customers pay that business -- other  
16 businesses actually pay back that expense for  
17 that particular business?

18 A. I mean, I think one of the -- this is going to  
19 a broader issue I think, I mean, some of the  
20 approach here, and I think in Mr. Frink's  
21 testimony and to some degree in prior  
22 Commission order, talking about folks can go  
23 do, you know, do their transition and go to an  
24 alternative. I think we need to come back to

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1 the fact that Concord Steam is a regulated  
2 public utility. And there's assuring help and  
3 relief and customer protection, and providing  
4 basic, you know, heat and hot water, they never  
5 chose -- I understand the notion that it's a  
6 potential unexpected business expense, but  
7 they're not the ones that created a failed  
8 utility.

9 You know, Concord Steam is doing okay.  
10 The principals of Concord Steam are doing okay.  
11 The business owners and the nonprofits, they're  
12 incurring expenses as a result of a failed  
13 utility, that was out of their hands, a closure  
14 May 31, it's out of their hands.

15 I believe, Commissioner Bailey, they  
16 deserve some relief, you know, rather than  
17 carrying these liabilities indefinitely into  
18 the future.

19 Q. Okay. I understand your position. I think it  
20 was attached to Mr. Frink's testimony. There  
21 was an indication that the City of Concord --  
22 the City of Concord had a meeting in November  
23 and they were going to grant the YMCA -- well,  
24 the Y had requested a \$500,000 grant to

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1 partially finance the renovation of the daycare  
2 facility, which included \$125,000 for the  
3 heating system. And, according to the minutes  
4 of this meeting, the body in Concord who were  
5 reviewing this were going to recommend approval  
6 of that grant. Do you know what the status of  
7 that is?

8 A. I think that, Commissioner, I think the Y is  
9 probably better to --

10 Q. Okay. All right. If they did receive that  
11 grant, should they also receive this grant?

12 A. I don't -- I'm not sure of the details of that.  
13 I'd be happy to come back up here and testify  
14 after Ken and Jim testify and give you my  
15 opinion. But I'm not sure of the details of  
16 that grant, and I'm not sure of all those --

17 Q. Well, let's just assume that they got that  
18 grant. How would it work, under the provisions  
19 of the Settlement Agreement, if they applied  
20 for a grant under this Settlement?

21 A. So, there's leveraging -- there's a leveraging  
22 requirement. Let's assume that it's the -- the  
23 Y has a couple buildings and a couple accounts.  
24 One of them transitioned and wouldn't be

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1 applicable for this Fund, one of them has not.  
2 Whether or not the one that has not  
3 transitioned yet and could be a qualifying  
4 expense under this Fund also went for the 125,  
5 I don't know.

6 But assuming, let's say, they would  
7 otherwise qualify under these grant  
8 applications, under the qualifying guidelines,  
9 and they received some assistance elsewhere,  
10 there is a leveraging component, Commissioner  
11 Bailey, in the Settlement Agreement and the  
12 guidelines, Item number 6, that you have to  
13 come up with a minimum of 10 percent elsewhere,  
14 either yourself financing it or elsewhere, and  
15 it says "Customers shall provide a minimum of  
16 10 percent of the total project costs in order  
17 to secure a grant, either by the applicant or a  
18 third party entity secured by the applicant."  
19 However, that required leverage could be waived  
20 if there's financial hardship. So, there's  
21 probably plenty of those applications that will  
22 be out there.

23 So, if -- but, to answer your general  
24 question, if the 125,000 has been paid and the

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1 Y has the support, and it costs \$100,000, I  
2 don't know, I mean Ken and Jim can talk about  
3 this. But, if they got all the support for  
4 their transition, I don't think they're going  
5 to be eligible for this. If they got partial  
6 support, it could qualify for leveraging, if  
7 that makes sense.

8 Q. So, in the minutes from the Community  
9 Development Advisory Committee meeting in  
10 Concord on November 3rd, it says that "The  
11 Concord YMCA submitted a proposal seeking  
12 \$500,000 to partially finance a \$700,000  
13 renovation at the daycare facility." So,  
14 that's the facility that we're talking about  
15 that they need money for.

16 It says "Proposed renovations would  
17 include, but not be limited to, conversion of  
18 the heating system, which is going to cost  
19 about 125,000."

20 So, if they get 500,000, they need  
21 700,000, the -- one of the reasons that the  
22 Community Development Advisory Committee  
23 approved it was to take care of the conversion  
24 costs of the heating system, which is only 125

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1 out of the 500,000. But they still have to  
2 come up with another \$200,000 to do the whole  
3 thing. Do they qualify under this?

4 A. Commissioner, I don't know --

5 Q. Okay.

6 A. -- if I should prejudge whether or not they  
7 qualify.

8 Q. Okay.

9 A. And, in terms of the specifics, the Y can  
10 certainly testify to that.

11 Q. Okay. I know Commissioner Scott asked you a  
12 similar question, but I'm going to ask it again  
13 just so I can hear the answer again. Is there  
14 a reason why you didn't include energy savings  
15 and property improvement values as an offset to  
16 the amount of money that would be granted?

17 A. So, in terms of getting the money out the door  
18 as much as possible -- as quick as possible,  
19 the grant program is the quickest way to do it.  
20 And, you know, we're bumping up to, depending  
21 on if this is approved, you know, we're bumping  
22 up -- we're on a short timeframe. And doing  
23 loan financing, just as a practical matter,  
24 grants are better able to get out the door and

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1 easier, number one.

2 Number two is, the grant programs have  
3 more flexibility in providing that relief to  
4 folks. You know, as we mentioned and we went  
5 over the language, it's broad language about  
6 how qualifying and eligible applications could  
7 get relief under the grants.

8 And, so, you know, whether or not someone  
9 has, for example, if there's an entity that  
10 already can convert or is in the process of  
11 converting, and financially they just took it  
12 out of their own pocket, they reduced  
13 programming, let's say, and took it out of  
14 their own pocket and paid for it, I mean,  
15 they're eligible for reimbursement, you know,  
16 it offers the maximum flexibility to deal with  
17 that.

18 Now, of course, Merrimack County Savings  
19 Bank is starting to help more with customers  
20 and people are reaching out to them. But also  
21 keep in mind there is a leveraging component.  
22 And, so, we want to make sure that we get the  
23 money, if it's created, that, in order to  
24 ensure what this Commission said, "an orderly

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1 transition", getting the money out the door  
2 sooner, rather than later, a grant program is  
3 the most effective way to do that.

4 Q. Did you consider the possibility of, rather  
5 than having the C&I customers repay Liberty the  
6 million dollars plus the return on their  
7 investment, did you consider maybe a long-term  
8 repayment by the people who benefit from the  
9 grant? But it wouldn't be a grant, in that  
10 case, --

11 A. Right. Yes.

12 Q. -- it would be a loan. But, I mean, if it's a  
13 cash flow problem right now, and they repaid it  
14 over ten years on their bill, is that something  
15 that you considered?

16 A. I think, I mean, you know, certainly Liberty  
17 could speak to this if they want to. But, I  
18 think, in terms of the purpose of this and  
19 helping people, and helping residential  
20 customers and nonprofits and businesses to help  
21 defray that cost right now, and to not carry on  
22 the books some more liabilities down the road,  
23 which can affect programming, which can affect  
24 the ability, for a nonprofit, it can affect

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1 your ability, in some cases, to get additional  
2 grants for programming. You know, a lot of the  
3 nonprofits are running very tight margins.  
4 You've heard it in the preliminary hearing  
5 statements, you saw it in their testimonies.  
6 Businesses are even running tight margins. So,  
7 you carry that expense moving forward, somebody  
8 incurs it. Maybe it's a tenant, the downtown  
9 tenant of one of the landlords that are part of  
10 this Joint Petition incurs that carrying cost  
11 moving forward. Someone pays. Right now, it's  
12 downtown Concord Steam customers are paying the  
13 full freight.

14 Now, in the end, down the road, they're  
15 going to save money on energy, yes. But, right  
16 up front, they're getting hit and getting hit  
17 hard. And, as of right now, there's no relief  
18 or assistance for those upfront costs.

19 CMSR. BAILEY: Okay. Thank you.

20 CHAIRMAN HONIGBERG: Mr. Feltes, I  
21 want to do one housekeeping thing with you  
22 before we go too much further. It seems to me  
23 that the original filing is probably something  
24 that you'd want marked as an exhibit, is it

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1 not?

2 WITNESS FELTES: Yes. The Joint  
3 Petition?

4 CHAIRMAN HONIGBERG: Right.

5 WITNESS FELTES: Yes.

6 CHAIRMAN HONIGBERG: So, we should  
7 probably make that "Exhibit 3".

8 (The document, as described, was  
9 herewith marked as **Exhibit 3** for  
10 identification.)

11 CHAIRMAN HONIGBERG: A lot of my  
12 questions were answered either in your initial  
13 testimony or questioning by others. So, I may  
14 rehash some things, although I hope not to.

15 BY CHAIRMAN HONIGBERG:

16 Q. From your perspective, I understand that where  
17 we are today, you believe a grant program is  
18 the simplest, most straightforward, least  
19 complicated way of getting money out where it  
20 needs to be. Is that right?

21 A. Correct.

22 Q. So, ultimately, you're less concerned about how  
23 it's paid back than you are to get that money  
24 out into the hands of those who need it.

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[WITNESS: Feltes]

1       You're concerned that it not be all on the  
2       "innocent", in quotation marks, because it's  
3       not really a guilt or innocence issue, --

4   A.   Right.

5   Q.   -- but the "innocent" rate customers of Concord  
6       Steam?

7   A.   I think it -- Mr. Chairman, I think it's a bit  
8       of both. Because I think, again, carrying  
9       costs, having that liability on the books, if  
10      provided some direct grant relief, including  
11      for people who have already gotten loans, pay  
12      down a little bit, it's not going to  
13      potentially get that asset or that liability  
14      off the books in the near term, but curbing the  
15      life of that loan could help them down the  
16      road. It's just some relief that's, I think, a  
17      matter of fairness, and a decision that, as you  
18      put it, you know, it's outside of their hands.  
19      It was a mandate not of their choosing.

20   Q.   But, focusing on how and who pays back, pays it  
21      back, and I'm not sure, really, if it's Liberty  
22      fronting the money, I, although it may not have  
23      seemed like it, I share Mr. Schweiker's  
24      concern, and the issue that he identified here

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[WITNESS: Feltes]

1       that treating this as a regulatory asset is a  
2       little odd, wouldn't you agree? This isn't  
3       something that's going to be used and useful in  
4       the rate base. And it's kind of a high return  
5       for what is essentially a guaranteed return  
6       what they're going to get, is it not?

7   A.   Well, I think this Commission already weighed  
8       in on that in approving the 1.9.

9   Q.   Well, I think you recognize the difference  
10       between the 1.9 and this 1 million. I mean,  
11       the 1.9, as you know, because you were part of  
12       that proceeding, had some very specific uses,  
13       did it not? And none of them have to do with  
14       those conversions that you're talking about,  
15       correct?

16   A.   Well, Mr. Chairman, respectfully, in the  
17       Commission's order, this Commission said that  
18       the 1.9 will "help with an orderly transition".  
19       So, --

20   Q.   Fair, if you speak broadly, yes. If you  
21       characterize the purpose as to "facilitate the  
22       transition", yes, you can make anything the  
23       same.

24   A.   Right. And, in terms of facilitating

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[WITNESS: Feltes]

1 transition, and making sure more people get on  
2 the system to effectuate that DCF analysis,  
3 this Fund builds off of, as I mentioned with  
4 the line of questioning with Commissioner  
5 Scott, it builds off of providing the customer  
6 list, providing the easements, and it builds  
7 off of that to make sure people get on the  
8 system, and then make sure that we effectuate  
9 that DCF analysis.

10 Q. And that may be fair from a 50,000 foot view of  
11 things looking down that this is all one thing.  
12 But, once you get past -- once you get a little  
13 bit closer to it, there's a very different  
14 usage of that kind of money here.

15 A. Well, I mean, you could say there's a different  
16 usage of a customer list, as compared to  
17 easements, theoretically. But the goal of the  
18 customer list, the easements, and this  
19 transition assistance, is to make sure people  
20 get to Liberty, get on the system, share the  
21 fixed costs, so that DCF is effectuated.

22 Q. I don't disagree with you. And I'm not -- I'm  
23 not trying to argue with you about that aspect  
24 of things. But, I mean, I want you to think

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[WITNESS: Feltes]

1       about whether there is something you would be  
2       comfortable with, if there were a lower return  
3       to Liberty. I mean, you're not Liberty, you  
4       wouldn't care, right, if Liberty only got  
5       4 percent or 5 percent on this particular  
6       asset? That may or may not be legal. But  
7       we're not here to make legal arguments at each  
8       other, just trying to --

9                       *[Laughter.]*

10   BY CHAIRMAN HONIGBERG:

11   Q.   -- find out from you if you'd be comfortable  
12       with that substantively?

13   A.   Mr. Chairman, I think the Commission has  
14       already approved the 1.9 at a rate of return  
15       that Liberty has been approved. As I said at  
16       the preliminary hearing, in other cases, in  
17       other jurisdictions, and can provide this to  
18       the Commission after-the-fact, but there are  
19       other cases in other jurisdictions where one  
20       utility stepping in to take care of a failed  
21       utility, again, not fully stepping in to take  
22       care of a failed utility, but stepping in to  
23       some degree, got not just the rate of return,  
24       but an adder on top of the rate of return.

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[WITNESS: Feltes]

1           So, I think it's reasonable for Liberty to  
2           get their already Commission-approved rate of  
3           return on the full 2.9. And I think it's  
4           reasonable.

5                   CHAIRMAN HONIGBERG: Mr. Sheehan  
6           appreciates your support.

7                   I believe Commissioner Scott has  
8           another question.

9                   CMSR. SCOTT: Apologize, I said I had  
10          no more questions, but the Commission knows  
11          that's rarely true.

12 BY CMSR. SCOTT:

13 Q.    I want to go back to the grant financing  
14          discussion. I appreciate and understand your  
15          position that a grant would be more nimble, a  
16          grant program. I think I heard you, not use  
17          that language, but say that to that effect. I  
18          want to talk a little bit more with you about  
19          on-bill financing.

20                So, I think it's understood that the cost  
21          of gas, compared to the Concord Steam service,  
22          would be a savings generally for, I think, all  
23          customers. Would you agree with that?

24 A.    Generally, yes.

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[WITNESS: Feltes]

1 Q. So, to the extent there were -- effectively,  
2 the utility fronted the money, so now people  
3 could do what they need to do to transition.  
4 And, to me, on-bill financing would be  
5 similar -- are you familiar with ESCOs, energy  
6 service companies?

7 A. Yes.

8 Q. Similar, right? So, you make the investment,  
9 and you pay back in the savings that you get.

10 A. Right.

11 Q. Correct? So, one of the things I struggle with  
12 is, given that even with that, the people we're  
13 talking about, the companies we're talking  
14 about would see that savings, you're using that  
15 savings, which you've already budgeted in  
16 favor, you're already expecting to pay your  
17 Concord Steam rate, that delta, if you will,  
18 goes to fund this back over time. How are they  
19 disadvantaged by doing it in that mode? Is  
20 that, in your view, it would be a liability  
21 still on their books that they couldn't do  
22 other things still? I mean, I think that's  
23 what I was hearing you say.

24 A. I'm certainly saying that with respect to

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[WITNESS: Feltes]

1 loans. In terms of on-bill financing, where  
2 there would be some reduction, but not as big a  
3 reduction as you would otherwise get, because  
4 you're paying back, I'm not sure that that  
5 would necessarily affect the books. I don't  
6 think it would. But the nonprofits here can  
7 talk about that.

8 In terms of a practical matter, and making  
9 sure that the money gets out the door, is as  
10 flexible as possible, and it's not just a  
11 matter of timing, Commissioner Scott, because  
12 we got this May 31 shutdown coming up and we  
13 got to get it out the door, and this is, I  
14 think, the best way to do it, it's also a  
15 matter of people couldn't wait, you know,  
16 there's a lot of folks who took money out of  
17 their own pocket to do this. And, so, you  
18 don't reimburse people money out of their own  
19 pocket with on-bill financing, right? The  
20 grant -- the direct grant can do that and can  
21 provide that relief to defray some of those  
22 costs. So, it's not just a matter of speed,  
23 it's a matter of flexibility. And I think  
24 that's why this is, I would respectfully

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[WITNESS: Feltes]

1 suggest, the preferred route.

2 CMSR. SCOTT: Okay. Thank you.

3 CHAIRMAN HONIGBERG: All right. I  
4 don't think we have any further questions for  
5 you, Senator Feltes. I'm going to go off the  
6 record for a second.

7 *[Off-the-record discussion*  
8 *ensued.]*

9 CHAIRMAN HONIGBERG: All right.  
10 We're going to go back on the record.

11 MR. SPEIDEL: Commissioners, Staff  
12 would suggest that, in the next phase of this  
13 hearing after the break, there be a numbering  
14 of the various *pro se* intervenors' testimonies  
15 that were prefiled pursuant to the 200 rules.  
16 And that it is our understanding that certain  
17 of these intervenors may have questions amongst  
18 each other, but we don't know for sure. We  
19 will ask them right now, during the break, as  
20 to whether any of them have questions. Staff  
21 does not. Does not mean that we're agreeing to  
22 all of the statements made in their testimony.  
23 But, given that these are *pro se* intervenors  
24 and that they have a right to be heard, we

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[WITNESS: Feltes]

1 would like to just have these marked as  
2 exhibits without objection for the  
3 administrative convenience of the Commission,  
4 and to enable the Commission to have a better  
5 sense of the positions of these various  
6 intervenors.

7 CHAIRMAN HONIGBERG: Thank you,  
8 Mr. Speidel. And that is consistent with the  
9 conversation we were having off the record, and  
10 so to put that on the record.

11 We're going to take a break now.  
12 It's going to be a little bit longer than we  
13 would normally break, because we're going to  
14 ask you to do some work while we're out of the  
15 room.

16 The first thing that's going to  
17 happen is Mr. Kreis and Senator Feltes are  
18 going to caucus about whether there's more  
19 questioning that needs to be done of  
20 Mr. Feltes.

21 We're also going to ask all of you  
22 who have submitted prefiled testimony to  
23 coordinate through Mr. Speidel, who is Staff,  
24 and treat this as sort of a mini-technical

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[WITNESS: Feltes]

1 session, coordinate who has questions for whom,  
2 and what order you want to go, and mark the  
3 submissions with the Clerk and Mr. Patnaude, so  
4 that everybody knows what numbers everybody is  
5 going to have, and decide on an order that  
6 we're going to go.

7 We will also be looking at all of  
8 your testimony and decide who we would want to  
9 ask questions of, even if you don't, we may.

10 So, when we come back at about five  
11 after eleven, we will resume from that point.  
12 So, we will take our break now.

13 *(Recess taken at 10:47 a.m. and*  
14 *the hearing resumed at 11:17*  
15 *a.m.)*

16 MR. KREIS: Mr. Chairman, I believe,  
17 if we're ready, that we have just one very  
18 brief question for the Senator, and then he  
19 will or at least I will be done with him.

20 CHAIRMAN HONIGBERG: All right.

21 MR. KREIS: Thank you. Okay.  
22 Senator Feltes, welcome back to the stand.

23 WITNESS FELTES: Thank you.

24 **REDIRECT EXAMINATION**

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[WITNESS: Feltes]

1 BY MR. KREIS:

2 Q. I happen to be a fan of on-bill financing. And  
3 I noticed that there was some discussion  
4 between you and the Commissioners about on-bill  
5 financing. Is there any further light you can  
6 shed about the extent to which the problem that  
7 we're attempting to address here could be  
8 solved through the use of on-bill financing?

9 A. Well, I think the purpose of a grant program,  
10 as I mentioned in my testimony, is to have that  
11 flexibility, not just timing, but flexibility  
12 to be employed to help folks that, for example,  
13 have taken money out of their own pocket. And  
14 on-bill financing is not an option, if you've  
15 already pursued some of these other options  
16 under the time constraints that we have. So, a  
17 direct grant program makes the most sense under  
18 the circumstances. I know that people are  
19 doing the best they can under this tough  
20 situation, and people are already incurring  
21 costs. So, on-bill financing, and approving  
22 that, you know, may have been potentially an  
23 option several months ago. But, as a practical  
24 matter, with the time constraints that we're

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[WITNESS: Feltes]

1 under, and how everybody has, in some cases,  
2 spent money out of their own pockets, it's just  
3 not a practical solution, in my view, under the  
4 circumstances.

5 And, also, I would just add to that, in  
6 terms of on-bill financing, the general concept  
7 of reducing costs moving forward, this --  
8 Concord Steam has been in operation for 100  
9 plus years. It's just steam heat comes into  
10 the building. People are transitioning,  
11 they're going to incur the costs of ongoing  
12 maintenance and operation of an entirely new  
13 system that they didn't choose to go to. So,  
14 it's, you know, many buildings have been  
15 designed around the concept of Concord Steam,  
16 and now it's going to be gone. So, providing  
17 some relief for folks who are going to incur  
18 additional costs moving forward, I think, when  
19 we talk about the costs moving forward, we've  
20 got to also think about the maintenance costs  
21 and so on and so forth, not just you're going  
22 to save some money moving forward on your base  
23 energy expenses. Thank you.

24 MR. KREIS: Thank you. That's it for

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[WITNESS: Feltes]

1 redirect, Mr. Chairman.

2 CHAIRMAN HONIGBERG: Commissioner

3 Bailey has a follow-up.

4 BY CMSR. BAILEY:

5 Q. I just want to make sure that we're -- that  
6 when you're talking about "on-bill financing"  
7 and we're talking about "on-bill financing"  
8 we're thinking about the same thing. So, the  
9 way I would think about it is, Liberty grants  
10 the million dollars to the CRDC, and they  
11 dispense the money as if it were a grant, but  
12 it gets paid back through billing by the  
13 utility, or partly paid back maybe even. Is  
14 that what you're thinking about? Because that  
15 seems like it solves the cash flow problem to  
16 me, but it doesn't sound like that's what you  
17 were thinking about.

18 A. I think -- I don't know practically how that  
19 would work for people who have already incurred  
20 expenses. But I suppose, theoretically, if  
21 people have already incurred expenses and they  
22 get a direct grant, and then they pay back the  
23 direct grant through on-bill financing after  
24 reimbursement of expenses, is that the

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[WITNESS: Feltes]

1       construct that --

2   Q.   Yes, something like that.

3   A.   Okay.  I haven't thought that out as a  
4       practical matter.  I think the way it's  
5       constructed right now has the utmost  
6       flexibility.  But I think your --

7   Q.   But it also has some problems, I think.

8   A.   Well, you can speak to what your opinion is and  
9       I'll speak to mine.  I think the problem we  
10      have, Commissioner, is that nothing, in terms  
11      of transition relief and assistance, is being  
12      done right now.  There's a wonderful  
13      opportunity for the Commission to correct that.  
14      So, --

15  Q.   And that's what we're here trying to figure  
16      out.

17  A.   Right.  I appreciate that.

18               CMSR. BAILEY:  Okay.  I appreciate  
19      your testimony.  Thank you.

20               CHAIRMAN HONIGBERG:  I have a  
21      follow-up, Senator Feltes.

22  BY CHAIRMAN HONIGBERG:

23  Q.   Are people who put money out two years ago or  
24      18 months ago, are they eligible to apply for

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[WITNESS: Feltes]

1 money?

2 A. No. The guidelines are pretty clear about  
3 what's a qualifying eligible expense. It's  
4 after the announcement of the deal between PUC  
5 Staff and Concord Steam.

6 CHAIRMAN HONIGBERG: Just wanted C(H)  
7 to confirm that.

8 All right. I think we have nothing  
9 further. So, I think you can return to your  
10 seat.

11 WITNESS FELTES: Thank you.

12 CHAIRMAN HONIGBERG: Off the record.

13 *[Off-the-record discussion*  
14 *ensued.]*

15 CHAIRMAN HONIGBERG: So, we're going  
16 to go on the record. What's the numbering  
17 scheme for the testimony?

18 MR. SPEIDEL: The numbering scheme  
19 for the testimony is as follows: Mr.  
20 Schweiker's number 4; the First Church of  
21 Christ, Scientist --

22 CHAIRMAN HONIGBERG: Slow down.

23 MR. SPEIDEL: -- the First Church of  
24 Christ, Scientist, number 5; the Woman's Club

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1 of Concord, number 6; the Capitol Center for  
2 the Arts --

3 CHAIRMAN HONIGBERG: Hang on. Slow  
4 down. We are trying to keep up.

5 MR. SPEIDEL: -- the Woman's Club of  
6 Concord, number 6; the Capitol Center for the  
7 Arts, number 7; the South Congregational  
8 Church, number 8; --

9 CHAIRMAN HONIGBERG: Stop. What was  
10 7?

11 MR. SPEIDEL: The Capitol Center for  
12 the Arts, number 7.

13 CHAIRMAN HONIGBERG: What was 5?

14 MR. SPEIDEL: The First Church of  
15 Christ, Scientist.

16 CHAIRMAN HONIGBERG: What was 4?

17 MR. SPEIDEL: Mr. Schweiker.

18 CHAIRMAN HONIGBERG: All right. Next  
19 is 9, I think, right?

20 MR. SPEIDEL: The Brain Injury  
21 Association of New Hampshire, number 9.

22 CHAIRMAN HONIGBERG: All right.  
23 What's 10?

24 MR. SPEIDEL: The Resilient Buildings



1 Group, number 10. Joshua and Angela Ford,  
2 number 11.

3 CHAIRMAN HONIGBERG: Twelve?

4 MR. SPEIDEL: Concord Family YMCA,  
5 number 12.

6 CHAIRMAN HONIGBERG: Next?

7 MR. SPEIDEL: Associated Enterprises,  
8 Incorporated, number 13.

9 CHAIRMAN HONIGBERG: Fourteen?

10 MR. SPEIDEL: Capital Regional  
11 Development Council, number 14.

12 CHAIRMAN HONIGBERG: Fifteen?

13 MR. SPEIDEL: Fifteen is with an  
14 asterisk. It's CATCH Neighborhood Housing.  
15 There is an open question in the Clerk's office  
16 as to whether the appropriate number of copies  
17 was provided. Rosemary said that they did  
18 tender the appropriate number of copies, but we  
19 have to check that, to make sure that the  
20 filing was properly made.

21 CHAIRMAN HONIGBERG: Sixteen?

22 MR. SPEIDEL: There is no 16.

23 CHAIRMAN HONIGBERG: What is Mr.  
24 Frink's testimony going to be?

1 MR. SPEIDEL: Well, Mr. Frink's  
2 testimony is going to go over Staff's position  
3 regarding the Settlement Agreement.

4 CHAIRMAN HONIGBERG: Number?

5 MR. SPEIDEL: Ah. That would be  
6 "16", I'm sorry.

7 (The documents, as described,  
8 were herewith marked as  
9 **Exhibit 4 through Exhibit 16,**  
10 respectively, for  
11 identification.)

12 CHAIRMAN HONIGBERG: All right. And  
13 there may be other things that have to get  
14 marked as we go, but we now have that down.

15 All right. Are we ready then to  
16 proceed with Mr. Schweiker?

17 SEN. FELTES: Mr. Chairman.

18 CHAIRMAN HONIGBERG: Mr. Feltes.

19 SEN. FELTES: Thank you very much,  
20 Mr. Chairman. Mr. Heavener has to depart very  
21 shortly. If possible, could we --

22 CHAIRMAN HONIGBERG: Oh. Sure.

23 SEN. FELTES: -- put him on the  
24 stand?

[WITNESS: Heavener]

1 CHAIRMAN HONIGBERG: Yes.

2 SEN. FELTES: Thank you, Mr.

3 Chairman.

4 (Whereupon **Stephen A. Heavener**  
5 was duly sworn by the Court  
6 Reporter.)

7 WITNESS HEAVENER: I'll summarize  
8 very quickly my testimony. We were asked by  
9 the City -- should I? Or am I answering  
10 questions?

11 CHAIRMAN HONIGBERG: Typically, it's  
12 a little bit easier to follow if there's  
13 questions and answers.

14 SEN. FELTES: Mr. Heavener, I'll ask  
15 you some questions.

16 WITNESS HEAVENER: Okay.

17 **STEPHEN A. HEAVENER, SWORN**

18 **DIRECT EXAMINATION**

19 BY SEN. FELTES:

20 Q. Marked item number "14", is that your  
21 testimony?

22 A. Yes.

23 Q. And do you have anything to add, in light of  
24 the discussion that we had this morning?

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[WITNESS: Heavener]

1 A. Actually, a lot, but I'll answer specific  
2 questions only if the Commissioners decide they  
3 have some related to managing the program.

4 Q. Let me just ask one specific question then.  
5 Why do you think a grant program, like the one  
6 that's configured, makes sense?

7 A. Let me answer that by giving a little  
8 background on what Capital Regional Development  
9 Council, and I'll refer to --

10 *[Court reporter interruption.]*

11 **CONTINUED BY THE WITNESS:**

12 A. -- I'll refer to as "CRDC" from now on. We  
13 manage a substantial number of loan programs,  
14 sourced from five different federal agencies.  
15 To evaluate a loan is a lot more complex. You  
16 have to evaluate risk analysis, you have to  
17 evaluate the creditworthiness of the customer,  
18 the covenants of some of their existing loans.  
19 So, to manage this as a loan program through  
20 CRDC, we would not have the capacity or there  
21 would be a lot of subjectivity involved. There  
22 would be some yeses and some noes, so then not  
23 everyone would be eligible.

24 Just because you might need to do the

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[WITNESS: Heavener]

1 transition, but, if your financial statement  
2 and your ability to pay a loan back were not  
3 eligible, like all other programs, we would  
4 deny the loan.

5 A grant program I think is a lot more  
6 equitable. We would not be making subjective  
7 questions about your eligibility, other than  
8 the fact that you're eligible based on the  
9 criteria and the guidelines.

10 I don't know if that answers your question  
11 completely.

12 SEN. FELTES: Thank you. I have no  
13 further questions.

14 CHAIRMAN HONIGBERG: Does anyone else  
15 have any questions for Mr. Heavener?

16 *[No verbal response.]*

17 CHAIRMAN HONIGBERG: Commissioner  
18 Scott.

19 BY CMSR. SCOTT:

20 Q. So, I'll ask your opinion here. I have asked  
21 different questions not -- less so on a loan at  
22 this point, but on on-bill financing. What do  
23 you think the viability of that is? How does  
24 that work, in your opinion? Do you have any

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[WITNESS: Heavener]

1 thoughts on that?

2 A. Just from a cost impact to the company point of  
3 view, even though it's not going to show up in  
4 their balance sheet, *per se*, but it's going to  
5 show up on their cash flow. I mean, so, the  
6 short answer is it makes it more complex. And  
7 we would not be able to make that  
8 determination. But let's say, as Commissioner  
9 Bailey noted, we would still administer the  
10 program, make the awards, and then the bills  
11 would then be -- then the companies or the  
12 grantees or the applicants would then have to  
13 pay whatever the amount we awarded back through  
14 their bill. That's something we have the  
15 capacity to do, because we still would not make  
16 a subjective determination.

17 But what it does do, it kind of negates  
18 the impact of the relief, in my opinion, on the  
19 capital costs. Because, when we look at  
20 businesses as a lender, we look at the upfront  
21 capital costs to do a project and the ongoing  
22 cash flow, the impact of that project. And I  
23 think what we're trying to solve -- the problem  
24 we're trying to solve here is the upfront

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[WITNESS: Heavener]

1 capital expenditures needed that are required  
2 by something that's out of the control of the  
3 applicant.

4 So, I think there's a distinction to be  
5 made, and that's a philosophical thing about  
6 whether you're saving money in your energy  
7 costs down the road. From a balance sheet  
8 point of view of expending monies today, I  
9 think it's smarter and more equitable, I should  
10 say, in my opinion, to do it as a grant  
11 program.

12 Q. Would not, and I think Commissioner Bailey  
13 mentioned as a potential, an on-bill financing  
14 program, as you had alluded to, would it not  
15 look like a grant program up front for --

16 A. I mean, yes, it would. But, from the cash flow  
17 of the company, you still have to incur those  
18 costs. And I don't even know how -- nuances of  
19 how the on-bill program actually works. But it  
20 adds additional cash flow on a monthly basis to  
21 your normal operations of the business.

22 And I guess my philosophical answer to  
23 that question is, this is a cost that the  
24 business did not plan to incur. Most of our

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[WITNESS: Heavener]

1 borrowers are businesses that are privately  
2 held New Hampshire small companies, they're not  
3 giant corporations. Cash flow, every dime that  
4 a company can inject into what they do as a  
5 business is stronger for the health of that  
6 business. Having a larger utility bill to  
7 cover a capital cost that they didn't have to  
8 incur or didn't choose to incur is somewhat of  
9 a challenge, I guess, from my point of view.

10 Q. So, let me attack this another way. Would you  
11 agree that -- you already suggested that this  
12 is kind of a surprise, unexpected expense for a  
13 lot of these companies we're talking about.  
14 What they did expect, failing this happening,  
15 was to have to pay their Concord Steam bill,  
16 correct?

17 A. Correct.

18 Q. So, that's a given that they, in theory, should  
19 be budgeting for and have expected.

20 A. Correct.

21 Q. And the concept we're talking about is, it  
22 seems to be understood that the bill, the cost  
23 of energy from Liberty, from gas, Liberty gas  
24 customers would be less than what their

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[WITNESS: Heavener]

1 expectation would have been if they stayed on  
2 Concord Steam. And, effectively, the financing  
3 would be you'd be paying back from that  
4 difference. So, how --

5 A. You know, I mean, that's an argument that I  
6 can't dispute at this point. Not looking at  
7 the particulars of any particular business or  
8 any particular company that that's the case, I  
9 can't dispute that.

10 CMSR. SCOTT: Okay. Thank you. Oh,  
11 excuse me. I did have one more question. So,  
12 rather than come back around and say "I don't  
13 have any more questions".

14 BY CMSR. SCOTT:

15 Q. You heard my discussion with Senator Feltes on  
16 the existing proposal, I understand it's a lot  
17 less complicated, the grant program than a loan  
18 program, I think I understood that, your  
19 statement. But I did see some potential for  
20 some controversy over you still have to make  
21 the determination in the existing proposal  
22 whether somebody is in or out, whether they  
23 qualify or not for the program.

24 A. And, actually, I don't think it's as

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1 complicated. The way we intend to do it, if,  
2 in fact, it's implemented as prepared in the  
3 guidelines. There's a 30-day window of  
4 applications. During that 30-day window,  
5 number of applications will go in. We will not  
6 even begin to -- I mean, we'll do some  
7 preliminary analysis, but we're not going to do  
8 any determination. Because until we know, so  
9 30 days comes, the window closes, we know we  
10 now have 16 residential nonprofit applications  
11 and 12 business applications.

12 We would then make a determination,  
13 initially on eligibility, "what did you spend  
14 the money on?" So that the technical  
15 eligibility is easy. "Did you do high energy  
16 efficiency?" "Did you do a connection?"  
17 You're going to show us the contractor list,  
18 and we will make certain that the costs are  
19 eligible. And, then, we'll determine, we'll  
20 divide those numbers by the amount that's in  
21 each fund based on what your costs were.

22 So, I don't see a lot of subjective  
23 decisions. My expectation is everyone will get  
24 less than the 50,000 or 75,000 based on our

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[WITNESS: Heavener]

1       presumed demand. And that's why we had the  
2       "hold harmless" section added at the end,  
3       because we consulted our attorney.

4             And, also, with the loan program, I think  
5       the loan program would be a lot more  
6       subjective, because we would make an analysis  
7       that you're not eligible for the normal  
8       underwriting reasons that we do on our other  
9       loans. I think that would open up to more  
10      controversy or more dispute possibly.

11            So, I don't foresee, as structured, I mean  
12      there's probably some nuances in there and  
13      that's why it's good for us to have the  
14      authority, but we do -- we have 150 loans in  
15      our portfolio. We make much harder decisions  
16      all the time. So, I'm confident that we would  
17      be able to manage this program, not with zero  
18      conflict, because that doesn't exist anymore,  
19      but my expectation would be I think the  
20      guidelines are strong enough to enable us to  
21      administer this program with very, very few  
22      challenges.

23                   CMSR. SCOTT: Thank you.

24                   CHAIRMAN HONIGBERG: Commissioner

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[WITNESS: Heavener]

1 Bailey.

2 BY CMSR. BAILEY:

3 Q. Can you explain what you mean by the "hold  
4 harmless" provision? Is that number 12?

5 A. Yes. That basically means, if, based on  
6 Commissioner Scott's proposition, that we  
7 awarded somebody 30,000, and they should  
8 have -- they thought they would have gotten  
9 40,000, and they decide to litigate. As you  
10 know, in the U.S., despite the fact there are  
11 documentation and they will be signing on  
12 documents that say otherwise, anybody can sue  
13 anybody.

14 So, CRDC was asked to do this. We're not  
15 a petitioner. We didn't come up with this  
16 idea. We were asked by the City of Concord and  
17 Senator Feltes, "Because you have the capacity  
18 to manage these kind of programs, the Staff  
19 doesn't want to do it, the City didn't have the  
20 capacity, would you do it?" And our position  
21 is "Of course, we would do it. This is part of  
22 our mission." But we'll do it for a small fee  
23 to cover our normal fees to do with all our  
24 other lending. We're not going to expose

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[WITNESS: Heavener]

1 ourselves to unknown litigation. That's kind  
2 of what the intent of that is.

3 CMSR. BAILEY: Okay. Thank you.

4 CHAIRMAN HONIGBERG: I just want to  
5 make sure everyone's satisfied that the  
6 testimony that has been submitted is a full  
7 exhibit, or do we need him to go through the  
8 formal process of adopting it? Can we just all  
9 stipulate that it's all going to go in?

10 *[Multiple parties nodding in the*  
11 *affirmative.]*

12 CHAIRMAN HONIGBERG: I see nodding  
13 heads, that's always encouraging.

14 MR. KENNEDY: Yes.

15 CHAIRMAN HONIGBERG: All right.  
16 Mr. Heavener, you can return to your seat or  
17 go, if you need to, I think.

18 WITNESS HEAVENER: Thank you.

19 CHAIRMAN HONIGBERG: All right.  
20 Who's next?

21 SEN. FELTES: The YMCA, Mr. Chairman.

22 MR. KREIS: Mr. Chairman, I think it  
23 is I who get the honor of conducting the direct  
24 exam of these particular distinguished

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[WITNESS: Traum~Doremus]

1 witnesses.

2 CHAIRMAN HONIGBERG: We'll have them  
3 sworn in, and then you can have at it.

4 (Whereupon **Kenneth E. Traum** and  
5 **James Doremus** were duly sworn by  
6 the Court Reporter.)

7 CHAIRMAN HONIGBERG: Mr. Kreis.

8 MR. KREIS: Thank you, Mr. Chairman.  
9 Good morning, gentlemen.

10 **KENNETH E. TRAUM, SWORN**

11 **JAMES DOREMUS, SWORN**

12 **DIRECT EXAMINATION**

13 BY MR. KREIS:

14 Q. Mr. Traum, would you be kind enough to identify  
15 yourself for the record.

16 A. (Traum) Certainly. And, in this proceeding  
17 particularly, I'm a Board of Director member of  
18 the Concord Family YMCA. I'm a Chair of the  
19 Buildings & Grounds Committee, which,  
20 obviously, the steam conversion is impacting  
21 the buildings at the Y.

22 And, in a prior life, I've been involved  
23 in utility regulation for many decades,  
24 spending over 20 years at the Office of

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[WITNESS: Traum~Doremus]

1 Consumer Advocate, which is why I find it  
2 interesting I'm looking over at this side of  
3 the room.

4 Q. Meaning the side of the room that the Consumer  
5 Advocate is sitting on, along with the Staff of  
6 the Commission.

7 A. (Traum) Correct.

8 Q. And, so, therefore you are no stranger to this  
9 hearing room?

10 A. (Traum) That's correct. But it's been a few  
11 years.

12 Q. And, Mr. Doremus, you are a newcomer to our  
13 hearing room, yes?

14 A. (Doremus) Yes, I am.

15 Q. You are?

16 A. (Doremus) I am the Executive Director of the  
17 Concord Family YMCA.

18 Q. And, gentlemen, with reference to what has been  
19 marked for identification as "Exhibit 12", that  
20 is the prefiled direct testimony that the two  
21 of you jointly filed on February 8th of this  
22 year, correct?

23 A. (Traum) Correct.

24 Q. And, if I went through and asked you each of

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[WITNESS: Traum~Doremus]

1       these questions that you answered in Exhibit 12  
2       while you were sitting here, would each of you  
3       give those exact same answers?

4   A.   (Traum) Yes, sir.

5   Q.   Mr. Doremus?

6   A.   (Doremus) Yes.

7   Q.   Are there any corrections or additions to that  
8       testimony?

9   A.   (Traum) There are no corrections or additions.

10   Q.   There were a few issues that came up during the  
11       testimony of the previous witnesses that I  
12       think it might be fruitful for both of you,  
13       particularly, Mr. Traum to address.

14               MR. KREIS:  And, with the  
15       Commission's permission, I'd like to go through  
16       those?

17               CHAIRMAN HONIGBERG:  Go ahead.

18   BY MR. KREIS:

19   Q.   The first has to do with the PUC's decision in  
20       the Claremont case that has been talked about  
21       considerably here.  And I guess -- I think my  
22       question is really for Mr. Traum.  And, bearing  
23       in mind the admonition that, since this is  
24       testimony and not argument, the discourse

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[WITNESS: Traum~Doremus]

1 really focuses on the extent to which the facts  
2 in this case are either similar to or different  
3 from the facts that applied in the Claremont  
4 case. Is there anything that you would like to  
5 add to the record that we have heard so far on  
6 that subject, Mr. Traum?

7 A. (Traum) Yes. Thank you for that question. And  
8 it really goes back to when the Claremont  
9 settlement was reached and the Commission had  
10 approved. There one of the driving issues was  
11 "how do we provide the necessary customer  
12 protections for those customers impacted by the  
13 conversion?" And, as has been noted, on Page  
14 15 of the Commission analysis in DE 94-056,  
15 Report and Order Number 21,309, "Claremont will  
16 bear all costs of conversion to an alternate  
17 source at a comparable level of service,  
18 including the replacement of appliances. We  
19 believe this is an appropriate safeguard."

20 That was included because it was an  
21 unknown for the downtown businesses, could they  
22 have bottled propane outside of their  
23 businesses. We didn't know that at the time of  
24 the conversion. And I think the City Manager

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[WITNESS: Traum~Doremus]

1 was also involved in wanting those kind of  
2 protections, which the Commission approved.

3 And that was the driving issue, and I  
4 think that should be the driving issue here,  
5 that the Commission has to provide the  
6 necessary customer protection.

7 Q. Gentlemen, there was some colloquy earlier  
8 today about the grant that the Y is in the  
9 process of receiving or maybe has already  
10 received with respect to its facilities, and  
11 whether the existence of that grant either does  
12 or does not make the Y suitable for being a  
13 recipient of the financial assistance that  
14 we're talking about here today. And I wonder  
15 if either of you can shed any further light on  
16 that subject?

17 A. (Traum) Sure. The Concord Y has two buildings.  
18 So, our Main Building, which we have converted  
19 in the past, and we converted based upon,  
20 financially, it made sense to do it. That's  
21 not part of this proceeding in our viewpoint  
22 whatsoever. The other building, the Fire House  
23 Building, yes, we are pursuing a grant. What  
24 Commissioner Bailey had seen I believe in the

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[WITNESS: Traum~Doremus]

1 paper is that was preliminary approval from the  
2 City. That was just one step along the way.  
3 It's part of a statewide competition to receive  
4 the CDBG grant. Since then, we have made the  
5 formal filing.

6 A. (Doremus) Correct.

7 A. (Traum) And the conversion costs are our match.  
8 They're not part of the grant, *per se*. That's  
9 a change from what you had seen previously,  
10 Commissioner.

11 Q. I think I only have one further question. And  
12 I guess, since this is direct exam, it's okay  
13 to ask softball questions, but --

14 A. (Traum) We appreciate it.

15 Q. I'm not used to doing that, though. There's  
16 been a lot of testimony and argument in this  
17 case about the extent to which it is in the  
18 "public interest", and the extent to which it  
19 either harms or helps the overall body of  
20 Liberty ratepayers if the Commission grants  
21 this Petition. Do you have anything, any  
22 further light to shed on that general question?

23 A. (Traum) I would agree with what Senator Feltes  
24 had said earlier, that the million dollars

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[WITNESS: Traum~Doremus]

1 should not be viewed independently, it should  
2 be viewed as part of -- in addition to the 1.9.  
3 So that the 2.9 we're looking at, per the DCF,  
4 will still benefit all of Liberty's ratepayers  
5 over time. And I think that was -- would be  
6 consistent with, as the Senator mentioned, with  
7 the divestiture of Public Service and the  
8 protection of, particularly, Bow from property  
9 tax -- loss of property tax revenues and for  
10 customer employees.

11 One other thing that I found concerning  
12 and inconsistent with the Commission's Mission  
13 Statement to "provide necessary customer  
14 protection", was Data Response 1 of Mr. Frink  
15 to the joint commission -- the Joint  
16 Petitioners, where he said in the last  
17 sentence, and I'll quote, "There is no  
18 exceedingly long payback period that would lead  
19 to a Staff recommendation for financial  
20 assistance for Concord Steam customers through  
21 the proposed Transition Fund." And I found  
22 that to be very inconsistent with the  
23 Commission's Mission Statement.

24 MR. KREIS: Assuming that Mr. Doremus

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[WITNESS: Traum~Doremus]

1 has nothing that he would like to add to what  
2 Mr. Traum just said, I think that concludes the  
3 direct examination.

4 CHAIRMAN HONIGBERG: Does anyone out  
5 there have questions for the YMCA witnesses?

6 Mr. Speidel.

7 MR. SPEIDEL: Thank you, Mr.  
8 Chairman.

9 **CROSS-EXAMINATION**

10 BY MR. SPEIDEL:

11 Q. This is for the panel. Will the YMCA convert  
12 this summer with or without the funding  
13 available to natural gas service?

14 A. (Doremus) We have to. Yes, we will.

15 MR. SPEIDEL: Thank you.

16 CHAIRMAN HONIGBERG: Commissioner  
17 Scott.

18 CMSR. SCOTT: Good morning. Still  
19 morning.

20 WITNESS TRAUM: Good morning.

21 CMSR. SCOTT: My usual caveat, when  
22 there's more than one person on a panel,  
23 whoever feels best to answer, please do.

24 BY CMSR. SCOTT:

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[WITNESS: Traum~Doremus]

1 Q. I assume by now you've heard my back-and-forth  
2 with other panelists on on-bill financing. How  
3 would that work -- why would that not be  
4 appropriate for even the YMCA?

5 A. (Traum) Well, I guess one thing, and I was  
6 scratching my head about is, and maybe it's  
7 changed since I left, but I didn't realize that  
8 utilities were doing on-bill financing.

9 Okay. If I move beyond that, what's the  
10 carrying charge that the utility would be  
11 seeking to loan those funds out? Those are two  
12 concerns I have, --

13 Q. Uh-huh.

14 A. (Traum) -- beyond what has been raised so far.

15 Q. Would you agree the carrying costs, *etcetera*,  
16 are the same whether you do a grant -- concerns  
17 are the same whether you do a grant program or  
18 on-bill financing?

19 A. (Traum) Potentially.

20 CMSR. SCOTT: Okay. Thank you.

21 CHAIRMAN HONIGBERG: Commissioner  
22 Bailey.

23 CMSR. BAILEY: Thank you.

24 BY CMSR. BAILEY:

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[WITNESS: Traum~Doremus]

1 Q. What -- well, I think in your testimony you say  
2 that the Y expects to get "\$4,500" a year in  
3 savings, the difference between the -- can you  
4 tell me what -- is that accurate?

5 A. (Traum) That was based on, I believe, the  
6 Concord Steam rates last year.

7 Q. Okay. So, it will be even more than that?

8 A. (Traum) That's correct. And, when I had used  
9 the "4,500" estimate, versus the "125,000  
10 conversion costs", even with the minimum  
11 financing rate, we were still looking at  
12 probably something in 30 years for a payback  
13 period. And that's why, when we converted the  
14 Main Building, we didn't consider converting  
15 the Fire House Building.

16 Q. What do you expect the savings to be now, if  
17 the rate continued for Concord Steam to be at  
18 the rate that it is now, 20 percent higher than  
19 it was last year, right?

20 A. (Traum) We would probably still be looking at a  
21 25-year payback or something in that  
22 neighborhood.

23 Q. I'm not asking you how long the payback period  
24 is, I want to know what the savings on an

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[WITNESS: Traum~Doremus]

1 annual basis would be?

2 A. (Traum) Instead of 4,000, it could be five or  
3 six.

4 Q. Okay. And how do you, with your ratemaking  
5 expertise, how do you justify allowing a  
6 customer to get money that's funded by other  
7 utility customers and not have to contribute  
8 those savings toward the conversion?

9 A. (Traum) I guess the same issue could be raised,  
10 why did you approve allowing property tax  
11 assistance, when that, if looked at  
12 independently, would cost ratepayers money?

13 CHAIRMAN HONIGBERG: The cool thing  
14 about the way this works, Mr. Traum, is we get  
15 to ask the questions. So, --

16 *[Laughter.]*

17 WITNESS TRAUM: Okay.

18 CHAIRMAN HONIGBERG: You could  
19 probably recast that as an answer. Do you want  
20 to give it a whirl?

21 WITNESS TRAUM: Could you repeat the  
22 question?

23 BY CMSR. BAILEY:

24 Q. Why shouldn't the Y have to contribute the

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[WITNESS: Traum~Doremus]

1 savings that it gets, not to mention the  
2 improvement in the property value that you will  
3 have as a result of a brand new heating system,  
4 why shouldn't you have to contribute that  
5 toward repayment of a grant or on-bill  
6 financing?

7 A. (Traum) It was not our choice to convert. That  
8 was imposed upon us.

9 Q. Would you be willing to pay a 20 percent  
10 premium on your Liberty gas bill for ten years  
11 to pay a portion of the grant back, assuming  
12 that about 20 -- you're going to get a  
13 20 percent savings in your bill?

14 A. (Traum) Well, --

15 A. (Doremus) I think we'd have to take a look at  
16 that. I don't think we can do that, make a --  
17 agree to anything like that until we have an  
18 opportunity to analyze it further.

19 Q. So, if we had allowed Concord -- if we had  
20 denied Concord Steam's request to go out of  
21 business, your bill would be 20 percent higher  
22 than it will be if you convert your heating  
23 system. Agree?

24 A. (Traum) Yes.

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[WITNESS: Traum~Doremus]

1 Q. Okay. Mr. Traum, in the Claremont case, did  
2 utility customers have to pay any of the  
3 conversion costs?

4 A. (Traum) The utility customers were covered,  
5 they were protected.

6 Q. No. I'm talking about the general body of  
7 utility customers, not the -- did any utility  
8 customer have to pay for the conversion costs?

9 A. (Traum) And I'm not sure we're connecting. If  
10 it was the Claremont Gas utility customers,  
11 they were protected. They had the option, so  
12 they didn't have to pay conversion costs.

13 Q. They had the option. They didn't have to pay  
14 the conversion costs. The Company, who was  
15 leaving the franchise, abandoning the  
16 franchise, paid for that, not other customers.  
17 Is that right?

18 A. (Traum) That's correct. And that's why I  
19 emphasized that, as part of the settlement, you  
20 know, looking at the Commission's Mission  
21 Statement to "provide the necessary customer  
22 protection", the concern was to provide the  
23 necessary customer protection.

24 Q. And would you agree that there may be different

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[WITNESS: Traum~Doremus]

1 ways of providing the necessary customer  
2 protection?

3 A. (Traum) I'm sure there may be other ways.

4 CMSR. BAILEY: Okay. I think that's  
5 all I have. Thank you.

6 WITNESS TRAUM: You're welcome.

7 BY CHAIRMAN HONIGBERG:

8 Q. Mr. Traum, further on the Claremont Gas  
9 situation, you were involved in that, weren't  
10 you?

11 A. (Traum) Yes, I was.

12 Q. Can you help me just map out how the players in  
13 the Claremont Gas situation match up? So,  
14 who's analogous to whom in this docket? The  
15 customers are, obviously, the customers.  
16 They're the ones who are having to convert.  
17 Who's Claremont Gas here? Concord Steam?

18 A. (Traum) Yes.

19 Q. Who's Liberty in -- who's the analogous party  
20 to Liberty in the Claremont Gas situation?

21 A. (Traum) Well, it's not really analogous, but  
22 the closest would have been their non-regulated  
23 parent.

24 Q. They being Claremont Gas's non-regulated

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[WITNESS: Traum~Doremus]

1 parent?

2 A. (Traum) Correct.

3 Q. Because that's the entity that was going to pay  
4 for the conversions that needed to happen, is  
5 that right?

6 A. (Traum) That's correct. And one of the other  
7 active players in that proceeding was the City  
8 of Claremont, just like there's the City of  
9 Concord here.

10 Q. What was the City of Claremont's role in the  
11 Claremont Gas situation? What did they  
12 actually do, other than be the entity in which  
13 all of this took place?

14 A. (Traum) Well, I believe their interest was the  
15 same as -- consistent with the OCA's, to  
16 provide customer protections.

17 Q. So, the player that's really different here is  
18 the Liberty type entity. I think you even said  
19 "there's really no analogue to Liberty from the  
20 Claremont Gas situation". Isn't that because  
21 there was no regulated entity, I think you said  
22 that in response to Commissioner Bailey's  
23 question, is that right?

24 A. (Traum) Yes.

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[WITNESS: Traum~Doremus]

1 Q. So, there's no one who was going to be called  
2 upon to reimburse the unregulated parent as a  
3 result of their expenditures in this, correct?

4 A. (Traum) That's correct. And you have to --  
5 okay, while that's correct, there's also the  
6 Commission's mission of protecting customer  
7 protections.

8 Q. Oh, clearly, I understand. I understand your  
9 argument, and I understand why you think that's  
10 significant. I just -- I want to make sure I  
11 understand what the differences are. Because  
12 you've said there are similarities, and I see  
13 those similarities, and I see the mission,  
14 which really hasn't changed. I just want to  
15 make sure I understand what the differences  
16 are. Are there other differences from the  
17 Claremont situation that we should be aware of?

18 A. (Traum) Nothing that comes to mind.

19 Q. The question you were asked about which we had  
20 the lighthearted exchange, I want to make sure  
21 I understand. I actually think there's more of  
22 an answer that you wanted to give to that  
23 question, regarding why shouldn't the customers  
24 who are affected by this contribute some of the

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[WITNESS: Traum~Doremus]

1 savings they're going to realize. I think  
2 the -- I'm going to put words in your mouth,  
3 you tell me if you agree. That, for the same  
4 reason that we didn't require the taxpayers of  
5 Bow to do or pay more as a result of what was  
6 happening in the divestiture docket, is that  
7 roughly what you were saying when you asked  
8 your rhetorical question?

9 A. (Traum) Yes.

10 CHAIRMAN HONIGBERG: Okay. I don't  
11 think I have any other questions.

12 Mr. Kreis, I assume there's nothing  
13 you would follow up with with these gentlemen?

14 MR. KREIS: No, there is not.

15 CHAIRMAN HONIGBERG: All right. So,  
16 you gentlemen can return to your seats. Thank  
17 you.

18 Who's next? Mr. Kennedy, are you --

19 MR. KENNEDY: Yes. I think I'll  
20 assist here, to the extent that's appropriate,  
21 Your Honor. The people call Dana Nute, from  
22 Resilient.

23 CHAIRMAN HONIGBERG: That would be  
24 Exhibit 10.

[WITNESS: Nute]

1 (Whereupon **Dana Nute** was duly  
2 sworn by the Court Reporter.)

3 MR. KENNEDY: Mr. Nute, my name is  
4 Jim Kennedy. I'm counsel for the City of  
5 Concord. And I've been asked to help  
6 facilitate your direct testimony this morning  
7 still.

8 **DANA NUTE, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. KENNEDY:

11 Q. Please identify yourself for the record.

12 A. Dana Nute. I'm the General Manager of  
13 Resilient Buildings Group.

14 Q. Where is that group located?

15 A. We are located right on Dixon Ave., right here  
16 in Concord.

17 Q. What source of heat does your group use?

18 A. We are on natural gas.

19 Q. And did you make a conversion at any point?

20 A. It was converted last year.

21 Q. You provided testimony in this proceeding?

22 A. Correct.

23 Q. And you did that on February 8th?

24 A. That is correct.

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[WITNESS: Nute]

1 Q. Is there anything that you would like to add to  
2 that testimony here today?

3 A. Well, I just want to follow up with what  
4 Senator Feltes said about maintenance  
5 after-the-fact. It's not just the maintenance  
6 costs, because they are on steam. They're  
7 still on the steam within the building, and the  
8 steam traps take care of it and everything.

9 But also there's insurance, because now  
10 you have a combustible unit inside in the  
11 building. There's taxes, perhaps the City may  
12 retax them, I don't want to give them any  
13 ideas, but it may happen, so --

14 CMSR. SCOTT: Too late.

15 **CONTINUED BY THE WITNESS:**

16 A. And I also wanted to add that there's a lot of  
17 contractors out there that are already tied up,  
18 and this has to happen fast. And some of these  
19 nonprofits, I know them very well, and they do  
20 not have the funds to do this. And I think the  
21 grant program is a perfect way for them to -- a  
22 stepping stone for them to get started on.

23 And I guess I'm just saying they're  
24 running out of time. Because if you shut off

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[WITNESS: Nute]

1 the 31st, these contractors are all very busy  
2 and everything, and it's going to very hard to  
3 get things going. So, that's it.

4 BY MR. KENNEDY:

5 Q. Okay. Is there anything else you'd like to  
6 offer?

7 A. No.

8 Q. So, if I went through your full testimony here  
9 that you submitted on February 8th, is there  
10 anything that you would change?

11 A. No, I wouldn't.

12 MR. KENNEDY: We'd like to offer  
13 Exhibit 12 as a full exhibit, Your Honor.

14 CHAIRMAN HONIGBERG: Thank you,  
15 Mr. Kennedy. My understanding is that they're  
16 all going to be full exhibits.

17 Does anyone have questions for  
18 Mr. Nute?

19 Mr. Schweiker, why don't you find a  
20 microphone.

21 MR. KREIS: This isn't the right  
22 microphone to use.

23 MR. SCHWEIKER: Okay.

24 BY MR. SCHWEIKER:

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[WITNESS: Nute]

1 Q. There was a question I asked you during the  
2 break -- the question I asked you during the  
3 break. You're talking about having to have  
4 this done by May 31st. My understanding is  
5 Concord Steam is shut off during the summer  
6 anyway, and they don't really have to have the  
7 steam back on until maybe October 1st. Would  
8 that be an easier timeframe to meet?

9 A. Well, I don't think everyone could be converted  
10 by May 31st anyway. So, it's going to have to  
11 go through the summer, and up till maybe  
12 October 1st.

13 MR. SCHWEIKER: That's all.

14 CHAIRMAN HONIGBERG: Anyone else?

15 Mr. Speidel.

16 BY MR. SPEIDEL:

17 Q. Mr. Nute, why did your organization convert to  
18 natural gas?

19 A. Well, I'm a renter. So, it was the landlord  
20 that -- CDFA that converted to gas. And it was  
21 due to cost, the high cost of heating.

22 MR. SPEIDEL: Thank you.

23 CHAIRMAN HONIGBERG: Commissioner  
24 Scott.

[WITNESS: Nute]

1 CMSR. SCOTT: Thank you.

2 BY CMSR. SCOTT:

3 Q. You may know what I'm going to ask, hopefully.  
4 So, you've heard some of the discussion of  
5 on-bill financing as an alternative to what the  
6 Settlement is, at least in my mind. Presuming  
7 it was -- this is a hypothetical, obviously,  
8 but, if it was treated in a retroactive  
9 fashion, it sounds like the concern I think the  
10 Senator voiced, this would be how fast could we  
11 do something like this. But can you tell me  
12 how that would not work for your facilities?  
13 Why wouldn't on-bill financing work?

14 A. It would work, for my facility, it would. But  
15 I see some of these other clients, the  
16 nonprofits and everything, that would be very  
17 difficult. Again, they don't have the funds to  
18 start right out and change over the heating  
19 system, and I don't know. You know, the  
20 on-bill financing, are they going to pay for  
21 everything up front?

22 Q. Well, at least in my mind, the concept would be  
23 some approved amount would be paid for up  
24 front, that would be just like the grant,

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[WITNESS: Nute]

1 correct?

2 A. Right.

3 Q. But, out of the cost savings, again, we talked  
4 about the savings in the fuel costs, --

5 A. Uh-huh.

6 Q. -- I understand there is some operational and  
7 maintenance, and, for your sake, hopefully not  
8 tax differences. Though, that's in the record  
9 now, by the way. So, --

10 A. I know.

11 Q. It's basically, effectively, those who  
12 participate would be paying in that delta, if  
13 you will, of what they would have paid and what  
14 they, in theory, should have been budgeting for  
15 for Concord Steam service, they have to -- you  
16 know, the bills for Liberty would be cheaper,  
17 so in that delta would be where you'd be paying  
18 back over time. So, you get the money up front  
19 to do what you need to do, in theory, and then  
20 you'd pay back based on your savings. So, that  
21 would be the concept in my mind.

22 A. Correct.

23 Q. And I guess my question would be, even for  
24 those that you're aware of, I'm just trying to

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[WITNESS: Nute]

1 understand how that wouldn't work?

2 A. Well, I think some of them -- I think it would  
3 probably work for a majority of them. But I  
4 think some are on such a shoestring budget that  
5 they really need the savings to keep going.  
6 That's my opinion.

7 Q. And that could be argumentative. But wouldn't  
8 they, if this -- none of this happened, they  
9 wouldn't have those savings to use, right? So,  
10 they're going to have for Concord -- the  
11 baseline is you have to pay for Concord Steam  
12 service, which is higher. Does that make  
13 sense?

14 A. Yes. Correct.

15 CMSR. SCOTT: Okay. All right.

16 Thank you.

17 CHAIRMAN HONIGBERG: Commissioner  
18 Bailey.

19 BY CMSR. BAILEY:

20 Q. Do you know when the building that you are  
21 occupying was converted? When the conversion  
22 was completed?

23 A. October of 2015.

24 Q. Okay. So, that building would not qualify for

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[WITNESS: Nute]

1 any of this under the provisions in the  
2 Settlement?

3 A. Yes. That is correct.

4 CMSR. BAILEY: Okay. Thank you.

5 CHAIRMAN HONIGBERG: I have no  
6 questions. Thank you, Mr. Nute. Mr. Feltes?

7 SEN. FELTES: Mr. Chairman, I  
8 apologize. I just wanted to, if I can ask him  
9 one question.

10 BY SEN. FELTES:

11 Q. And, to be clear, Mr. Nute --

12 CHAIRMAN HONIGBERG: Oh, sure. Why  
13 not.

14 SEN. FELTES: Okay. Thank you, Mr.  
15 Chairman.

16 BY SEN. FELTES:

17 Q. Just to be clear, Mr. Nute. Part of your  
18 testimony, we haven't covered this, but part of  
19 your testimony is you have a dozen plus years  
20 of energy installation experience, and part of  
21 your testimony is that the grant application  
22 and the timeframe makes sense in light of your  
23 experience. Is that right?

24 A. That is correct.

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[WITNESS: Hinxhia]

1 SEN. FELTES: Just wanted to make  
2 that --

3 CHAIRMAN HONIGBERG: You thought that  
4 needed to be clarified further?

5 SEN. FELTES: Well, I guess --

6 CHAIRMAN HONIGBERG: No, we got it  
7 now.

8 SEN. FELTES: Okay.

9 CHAIRMAN HONIGBERG: All right.  
10 Thank you, Mr. Nute. You can return to your  
11 seat.

12 Who's next?

13 MR. KREIS: Remi, over at Associated  
14 Enterprises, Inc. Turn my mike on, that might  
15 help.

16 (Whereupon **Remi Hinxhia** was duly  
17 sworn by the Court Reporter.)

18 CHAIRMAN HONIGBERG: Yes, 13.

19 **REMI HINXHIA, SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. KENNEDY:

22 Q. Yes, sir. Please identify yourself for the  
23 record.

24 A. Yes. My name is Remi Hinxhia. And I'm the

[WITNESS: Hinxhia]

1 President of Associated Enterprises, Inc., a  
2 real estate, management, and development  
3 company in downtown Concord.

4 Q. And where is that --

5 *[Court reporter interruption.]*

6 **BY THE WITNESS:**

7 A. At 136 North Main Street.

8 BY MR. KENNEDY:

9 Q. Yes. You submitted testimony in this matter on  
10 February 8th?

11 A. Yes, we did.

12 Q. And, if we went through that testimony, would  
13 you maintain all the answers that you provided  
14 in response to the questions in that testimony?

15 A. Yes, I do.

16 Q. Is there anything that you would like to add  
17 for the Commission today?

18 A. Yes, I do, actually. Is I want to express  
19 again that the shutdown of Concord Steam on May  
20 31st will really give a financial burden, not  
21 just to my family, but to my tenant, and  
22 potentially to my company. Because it was  
23 totally out of the blue, very unsurprised  
24 [sic]. And we are in a project that have

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[WITNESS: Hinxhia]

1       invested nearly \$5 million to the old Vegas  
2       Block, now it's called "Remi's Block". And I  
3       think at this moment I have exhausted every  
4       potential way to go and get a loan added to the  
5       bank to redo my buildings. The 136 North Main  
6       Street that is 40,000 square feet building and  
7       11 Depot Street.

8               For us to go out there, when we put  
9       everything on the line, it will be very  
10      difficult to get money. So, when we're talking  
11      435,000 for the businesses to get a potential  
12      grant, all I'm going to say is that that amount  
13      is very little compared that, if three of the  
14      biggest landlords, like me, Mark Ciborowski, or  
15      Arthur Aznive, who need money for our  
16      buildings, that money will be spent within a  
17      minute. So, won't be enough. However, it's  
18      better to get something than nothing, that we  
19      can potentially put down or show to the banks  
20      or financial institution that we have something  
21      to start to continue.

22              And I'd also like to say that we're really  
23      looking to PUC to help us in their decision.  
24      Because, if we don't get some kind of

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[WITNESS: Hinxhia]

1 protection from you guys, I don't think will be  
2 any other agency that can help us out on this  
3 matter.

4 I talk from my perspective, because my  
5 buildings are very old, are 1860s. And we're  
6 trying to fix the windows, which are very  
7 significant in downtown. So, trying to deal  
8 with that, and trying to deal with unexpected  
9 costs with Concord Steam is a mess that I hope  
10 none of you guys will ever yourself in. So,  
11 that's all.

12 CHAIRMAN HONIGBERG: Does anyone have  
13 questions for Mr. Hinxhia?

14 Mr. Feltes.

15 SEN. FELTES: Thank you, Mr.  
16 Chairman.

17 **CROSS-EXAMINATION**

18 BY SEN. FELTES:

19 Q. Remi, you mentioned that this came out of the  
20 blue, the August agreement between the PUC  
21 Staff and Concord Steam. Shortly before that,  
22 didn't Concord Steam approach you about a  
23 long-term contract?

24 A. Yes. They -- actually, they -- it wasn't just

[WITNESS: Hinxhia]

1 me, but there were a couple of other landlords,  
2 and they wanted us to write a ten year lease  
3 agreement -- I mean, ten year agreement that we  
4 can buy steam from them, so we still can be  
5 their customers. When I bought Remi Block,  
6 they already had steam and they wanted us to  
7 continue with them.

8 And, actually, on 2016, last summer, they  
9 came, and I asked them what to do, because at  
10 this particular building, at 136, as I said the  
11 building is old, and there's only one pipe  
12 system. So, the same way that the steam come  
13 in, the same way it goes out. So, I invited  
14 them that summer to take a look and see how we  
15 can fix and do something better. They came and  
16 did an initial visit. They know the building  
17 on top of their fingers. They came, but didn't  
18 see them anymore. And, then, on September, we  
19 were all invited to the Red River Theatre to  
20 hear the news that they are shutting down on  
21 May 31st, 2017.

22 So, this -- and, actually, what gives me  
23 more, and I made sure to come up here today is  
24 we received a letter last week from them that

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[WITNESS: Hinxhia]

1       says, because we are on a budget plan with  
2       them, and my monthly bill goes between nine to  
3       \$12,000. It says that beginning this month  
4       invoice, if we not get your payment, you are in  
5       the danger of shutting off. How you can shut  
6       me off, 32 apartment of low-income people or  
7       storefronts or retails, when we were on a  
8       budget plan for, let's say, \$5,000 each month,  
9       and now you want nine or \$12,000 up front.

10           I believe that somebody can take their  
11       decision for this life what to do. But, when  
12       it implements other people's lives, they better  
13       think twice or three times, because it's very  
14       important.

15           SEN. FELTES: Thank you.

16           WITNESS HINXHIA: You're very  
17       welcome.

18           CHAIRMAN HONIGBERG: Commissioner  
19       Scott.

20           CMSR. SCOTT: I think I can say now,  
21       yes, good afternoon.

22           WITNESS HINXHIA: Good afternoon.

23       BY CMSR. SCOTT:

24       Q. Did you understand the questioning that I had

[WITNESS: Hinxhia]

1 asked of the past panelists about on-bill  
2 financing? Did you understand the question?

3 A. Yes, I do. And I'd like to say that I kind  
4 of -- back on the day when I came here almost  
5 20 years ago, Concord -- Liberty Utilities used  
6 to be the tenant of my God mother, was called  
7 "Concord Gas". They were our tenants. And  
8 they had the system, they had the plan that  
9 they will provide -- whoever turns from oil  
10 service to natural gas, they were given free  
11 furnaces.

12 I'll tell you right now, I do not mind  
13 going with that system, if they can provide for  
14 my buildings the system to provide, because  
15 natural gas already is in that building. If  
16 they can provide me a furnace, so my tenants,  
17 starting on October 15, when we turn the heat  
18 on, can have it, I don't mind then making  
19 monthly payment as I do to Concord Steam right  
20 now.

21 But to get that in bill just to pay for  
22 that \$75,000 and increase my loan anyways, it  
23 won't do any good to me. Because right now we  
24 are on a very tight budget anyways. You know,

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[WITNESS: Hinxhia]

1 if we weren't -- if I hadn't had that expense,  
2 and I think CATCH will say the same thing to my  
3 testimony, because CATCH and I are the two  
4 companies that took among ourselves the  
5 renovation of two very old buildings in  
6 downtown Concord, and they know the same  
7 burdens as I have right now. It won't work for  
8 us, because it's loan after loan, you know?

9 Q. Uh-huh. So, I heard you say that your  
10 estimating the monthly bill from Concord Steam  
11 was nine to \$12,000 a month, is that correct?

12 A. That's what they sent to me this month, yes.

13 Q. Do you have an idea at this point what you  
14 expect your gas bill to be from Liberty?

15 A. I honestly don't know. But all I know is that  
16 I'm asked for two or three companies that to  
17 turn my building over, because of the age that  
18 it is and the system it is, I need \$300,000.

19 Q. Right. And that's for conversion costs,  
20 correct?

21 A. Conversion costs, yes.

22 Q. So, it sounds like the answer is you don't know  
23 yet. I was just curious --

24 A. The saving, I do not know yet. But even if it

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[WITNESS: Hinxhia]

1 is something, I never was able, during those  
2 six years that I've been operating Associated  
3 Enterprises, we never paid this amount to  
4 Concord Steam up front, because the rents that  
5 we get are low. I mean, we have low-income  
6 people who are renting there, 750, 800 bucks a  
7 month. So, and even with the office that we  
8 rent, because there's so much vacancy in  
9 downtown, we've tried to even include the heat  
10 on these rents, so downtown can get what it is  
11 right now. If we didn't rent it, we would be  
12 out of business.

13 So, that's why we've gone to budget  
14 planning. So, it's not that I pay Concord  
15 Steam up front. I never paid 9,000 up front.  
16 We always paid budget planning to extend it  
17 till September, and then October 15, when we  
18 turn -- next year when we turn the heat, then  
19 it started the new cycle.

20 CMSR. SCOTT: Okay. Thank you.

21 WITNESS HINXHIA: You're very  
22 welcome.

23 CHAIRMAN HONIGBERG: Commissioner  
24 Bailey.

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[WITNESS: Hinxhia]

1 BY CMSR. BAILEY:

2 Q. In your testimony, you say that one of the  
3 buildings will cost 300,000 to renovate.

4 You've renovated one building for 50,000.

5 A. Yes.

6 Q. Why is there such a difference in the amount?

7 A. Because the building that we're talking,  
8 thankfully, Concord Gas was there, and they  
9 already had installed it for my family member  
10 that ran the company at the time. He had gas  
11 in the building. Those boilers -- so, it was  
12 gas boiler, and we converted to, I mean, and we  
13 changed from old boiler to a new one. That's  
14 why it was 50,000.

15 Where 136, we have to change from steam,  
16 total line from one pipe, to two-system  
17 baseboard, all -- all nine yards.

18 Q. You can't put a boiler in that and run steam  
19 from there?

20 A. No, because the system is so old. You only can  
21 continue, even -- that's why I brought Concord  
22 Steam last summer, in 2016, I said "What we can  
23 do? The noise from the radiator is so much,  
24 spitting water all over."

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[WITNESS: Hinxhia]

1 Q. How much money do you, if we approve this, how  
2 much money would you expect to receive from  
3 this program?

4 A. Well, suppose we said 75,000, which won't do --  
5 it's better than nothing, but wouldn't  
6 necessarily help me. And what I heard after  
7 that, if there are potential ten other people  
8 that will be with us, among us, \$48,000.  
9 It's -- I won't be happy, but it's better than  
10 nothing. So, I can go to a bank and I says "I  
11 have something on my hand, please help me out."

12 Q. And, if you have that money in your hand, would  
13 you be willing to contribute the savings that  
14 you get between your \$12,000 Concord Steam bill  
15 and the bill that you get from the gas company  
16 in the future? Would you be -- would you be  
17 willing to contribute the difference towards  
18 repayment of part of that 48,000?

19 A. But, as I said before, I never had paid 12 --  
20 nine or \$12,000 up front to Concord Steam. I  
21 only had it in the budget plan of 5,000 a  
22 month. And what make us sure that natural --  
23 Liberty Utilities right now has the rate that  
24 it is right now. How do we know a year or two

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[WITNESS: Hinxhia]

1 from now they are going to jack up their rates?  
2 So, we're assuming this situation for this  
3 moment, but their rates can go up. Because, if  
4 you see their bill, my understanding is like  
5 two kinds of rates there, you know, one for  
6 traveling and one for servicing. So, --

7 Q. So, you're not willing to contribute the  
8 savings between the Concord Steam bill and the  
9 gas bill toward repayment of this?

10 A. As I said before, I never -- I never paid  
11 Concord Steam so much up front. I had it on  
12 the budget plan. So, what will happen in the  
13 future, if ever will be that real saving, if it  
14 really will be that saving, the age of the  
15 building that we have, I was hoping this year  
16 to do the windows at 136 North Main Street that  
17 are exactly across from the State House. Those  
18 windows are sold, I need to spend 145,000 to do  
19 that. So, what good it will make to me,  
20 changing new windows or putting in new gas  
21 system, when my windows are old and the heat  
22 still goes out?

23 So, I'm really on the bad situation with  
24 this. I never anticipated that Concord Steam

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[WITNESS: Hinxhia]

1 would do this. At least, when we had the  
2 steam, or at least we had the source of heat,  
3 and we were paying what we could afford. But  
4 to go through all this transition, I'm really  
5 in a bad spot.

6 CMSR. BAILEY: Okay. Thank you.

7 WITNESS HINXHIA: You're very  
8 welcome.

9 BY CHAIRMAN HONIGBERG:

10 Q. Mr. Hinxhia, I want to understand exactly how  
11 the budget -- how your budget plan worked. Is  
12 it the situation that the steam was only on  
13 from October through May?

14 A. Steam is on from October through May, yes.

15 Q. And that, what you would have paid, if you've  
16 been paying on a monthly basis October through  
17 May, was nine to \$12,000 each of those months,  
18 is that right?

19 A. No. When it starts -- when it starts, for  
20 example, on -- when it starts on October and  
21 November, it's a little bit lower.

22 Q. Right.

23 A. Yes.

24 Q. Right. But, then, do you continue to make

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[WITNESS: Hinxhia]

1 payments throughout the summer?

2 A. Yes.

3 Q. So, you're paying essentially every month, all  
4 12 months, for what you use during the months  
5 that it's turned on?

6 A. Yes, I do.

7 Q. Okay. That's what I thought.

8 A. Yes.

9 CHAIRMAN HONIGBERG: I have no other  
10 questions. Thank you.

11 WITNESS HINXHIA: You're welcome.

12 CHAIRMAN HONIGBERG: You can return  
13 to your seat, unless someone is raising their  
14 hand?

15 *[No indication given.]*

16 CHAIRMAN HONIGBERG: No. So, you can  
17 return to your seat.

18 WITNESS HINXHIA: Thank you.

19 CHAIRMAN HONIGBERG: Who is next?

20 MR. KENNEDY: Peggy Senter of the  
21 Concord Music School.

22 CHAIRMAN HONIGBERG: Are we correct  
23 there's nothing prefiled from Ms. Senter?

24 MR. KENNEDY: That's correct.

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[WITNESS: Senter]

1 CHAIRMAN HONIGBERG: All right.

2 MS. SENTER: Yes.

3 (Whereupon **Peggy Senter** was duly  
4 sworn by the Court Reporter.)

5 CHAIRMAN HONIGBERG: Mr. Kennedy.

6 **PEGGY SENTER, SWORN**

7 **DIRECT EXAMINATION**

8 BY MR. KENNEDY:

9 Q. Yes. Ms. Senter, please identify yourself for  
10 the record.

11 A. I'm Peggy Senter. I'm President --

12 *[Court reporter interruption.]*

13 WITNESS SENTER: Oh. Sorry.

14 **BY THE WITNESS:**

15 A. Peggy Senter, President of the Concord  
16 Community Music School.

17 BY MR. KENNEDY:

18 Q. Ms. Senter, can you explain to the Commission  
19 why you support the Transition Fund?

20 A. I support the Transition Fund. One of the  
21 points that I would like to make that I'm not  
22 sure has been made, on behalf of my nonprofit  
23 colleagues, is that our -- I'll just speak for  
24 ourselves, our operating budget is a million

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[WITNESS: Senter]

1 six [1.6 million] annually. We create our  
2 operating budget before our fiscal year begins  
3 on July 1st, and our fiscal year ends on  
4 June 30th. Every operating budget is different  
5 based on what's in front of us for the coming  
6 twelve months. And I would say, in respect to  
7 this particular situation, the surprise and the  
8 speed of this situation creates a hardship for  
9 our nonprofit, and I know for our nonprofit  
10 colleagues.

11 So, the date that I remember that we first  
12 heard that this might be a consideration was  
13 July 21st, which was within our annual  
14 operating budget of this fiscal year, with a  
15 shutdown of May 31st. So, I'm stressing that  
16 this is an operating budget, because we didn't  
17 budget for any capital expenditures this year.  
18 We budgeted for a very, very minor amount of  
19 ongoing maintenance.

20 So, the difference between a capital  
21 expenditure, which this conversion is, and our  
22 operating budget, which has to fund a payroll  
23 of a million four out of our million six  
24 operating budget, there's no room for any

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[WITNESS: Senter]

1 surprise expenses.

2 We did convert, and the conversion was  
3 finished by December 15th. Compared to some of  
4 my colleagues, our expenses were not in the six  
5 figure range. Our expenses were approximately  
6 \$25,000. We were able to get a loan from  
7 Merrimack County Savings Bank for \$20,000. So,  
8 as I understand the current reading of the  
9 Petition, we have invested our own money, we  
10 would be within that leveraging piece. Because  
11 the loan we were able to get, the very short  
12 amortization, that was significant debt service  
13 that we also hasn't budgeted for. And we are,  
14 as some of my other colleagues have expressed,  
15 we are at the very top of our debt capacity.  
16 And, so, that leaves us with no safety net for  
17 any unexpected surprises within the fiscal  
18 year.

19 So, the point that I think hasn't been  
20 made quite as clearly as I hope I'm making it  
21 is that this is all within one fiscal year.  
22 And, when we've talked this morning about what  
23 happens for the nonprofits in this situation is  
24 that we will "reduce" programming. For an

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[WITNESS: Senter]

1 organization that has a million four in payroll  
2 and 60 employees, that means we're laying off  
3 employees within this fiscal year in order to  
4 meet that cash flow. And, so, you know, those  
5 are situations that takes more than a fiscal  
6 year to recover from.

7 MR. KENNEDY: I have no further  
8 questions, Your Honor.

9 CHAIRMAN HONIGBERG: Who out there  
10 has questions for Ms. Senter?

11 Mr. Speidel.

12 **CROSS-EXAMINATION**

13 BY MR. SPEIDEL:

14 Q. Ms. Senter, do you have a rough estimate of  
15 your expected annual savings resulting from  
16 converting to gas?

17 A. I didn't come prepared with those figures  
18 today. We have continued to be billed this  
19 year through December. So, January is our  
20 first billing that we wouldn't have a Concord  
21 Steam bill. As we've noted, you know, it will  
22 be substantial. But that's next fiscal year.  
23 So, I'm just saying there's a hardship within  
24 these 12 months that many of us are on of that



[WITNESS: Senter]

1 July to June budgeting cycle.

2 MR. SPEIDEL: Thank you.

3 CHAIRMAN HONIGBERG: Commissioner

4 Scott.

5 CMSR. SCOTT: Good afternoon.

6 Hopefully, you know what I'm going to ask,

7 because I'm asking the same question of

8 everybody.

9 WITNESS SENTER: Yes.

10 BY CMSR. SCOTT:

11 Q. So, did you understand the questions I asked

12 earlier to other panelists about on-bill

13 financing?

14 A. Yes, sir.

15 Q. Would that not work for your situation?

16 A. This is all new information, to me anyway,

17 about that possibility. And, as others have

18 expressed, I would need to see it in front of

19 me, and our board would need to see it to see

20 what's -- if it's considered a loan, what is

21 that rate? Is it different from our commercial

22 loan that we're operating under? You know, gas

23 rates could come go up in the coming years.

24 There's many unknowns in that question.

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[WITNESS: Senter]

1 But, certainly, what -- the scenario that  
2 Senator Feltes painted here of being sure that  
3 we can get this reimbursable grant amount to  
4 cover our immediate surprises, and then  
5 consider whatever is imposed on us that we  
6 would need to do for the next fiscal years, we  
7 would have to look at it.

8 But, since there's no figures in front of  
9 us, that's hard to answer.

10 Q. That's fair enough. Attorney Speidel asked you  
11 about, and I understood your answer, you don't  
12 know yet, but the energy cost savings, so, not  
13 your capital costs, but once you're all  
14 installed and converted, the difference between  
15 your Concord Steam rate and your Liberty rate,  
16 I understand you don't know that yet. But do  
17 you have an understanding that it would be  
18 considerably less?

19 A. Yes. I understand that that's the probability.  
20 But, you know, when we're talking about a  
21 payback of a number of years, there is the  
22 unknowns of what gas rates will be. There's  
23 the unknowns of what's the billable loan for,  
24 if that's the correct term to use, in the

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[WITNESS: Senter]

1 on-bill financing.

2 CMSR. SCOTT: Okay. Thank you.

3 CHAIRMAN HONIGBERG: Commissioner

4 Bailey.

5 CMSR. BAILEY: Thank you.

6 BY CMSR. BAILEY:

7 Q. If you -- so, you're already converted. You've  
8 spent \$25,000, and you have a bank loan, right?

9 A. Yes.

10 Q. At what -- what's the interest rate of the bank  
11 loan?

12 A. It's in the neighborhood of 4 percent.

13 Q. Okay. And, if you had the choice to continue  
14 to pay the bank loan off or contribute your  
15 savings between the gas bill and the Concord  
16 Steam bill to repay the \$25,000 at a 10 percent  
17 interest rate, which one would you choose?  
18 Assuming that it was -- assuming that you were  
19 going to pay it back on your utility bill over  
20 time?

21 A. Could you please repeat those numbers? I'm  
22 sorry.

23 Q. Okay. You have your bank loan.

24 A. Right.

{DG 16-827} {02-10-17}

[WITNESS: Senter]

1 Q. It exists. So, keep that the same.

2 A. Okay.

3 Q. And then you have a choice to apply for this  
4 grant money, but it turns out that maybe we  
5 approve it, but it's not as a grant, but as  
6 something that you have to repay over time on  
7 your utility bill.

8 A. Uh-huh.

9 Q. And the rate of return that the utility gets  
10 for this money is 10 percent. So, you have a  
11 choice. You can either pay it back maybe over  
12 a longer period of time with the savings  
13 from -- that you get from your reduced energy  
14 bill, or you can pay it back to the bank at  
15 4 percent?

16 A. It would be a question of all the terms. This  
17 amortization for our commercial loan is three  
18 years. So, it's \$7,000 in debt service that we  
19 hadn't planned. And, again, I'm focusing on  
20 these 12 months that we're in, because of that  
21 short surprise period between the announcement  
22 and the closing. So, it would be a whole new  
23 analysis to look at the coming years, and  
24 knowing how long Liberty would be stretching

{DG 16-827} {02-10-17}

[WITNESS: Senter]

1 out that amount of money over a number of  
2 years. So that amortization really makes a  
3 difference for us, because we're all about cash  
4 flow with these very large payrolls.

5 Q. So, you're saying that your problem for this  
6 fiscal year is the \$7,000 of the \$25,000 that  
7 you have to pay back?

8 A. That's one of the problems. We also invested  
9 our -- we borrowed 20 of the 25 that was our  
10 conversion cost. I'm also trying to represent  
11 for the rest of my colleagues, who I know who  
12 had larger conversion costs, but I felt that  
13 the point that hadn't been made yet was this,  
14 within one fiscal year, was the hardship. What  
15 are the possible not temporary effects that the  
16 decisions that we make within this fiscal year  
17 will have to happen because of these surprises.

18 Q. And do you use Concord Steam from May through  
19 October, during the summer months?

20 A. No.

21 Q. So, if you were somebody who hadn't yet  
22 converted --

23 A. Well, for -- excuse me. Except for hot water.

24 Q. Oh, you do use the hot water?

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[WITNESS: Senter]

1 A. Right.

2 Q. So, you would have had to finish the conversion  
3 by May, --

4 A. Right.

5 Q. -- when they shut down?

6 A. Yes.

7 CMSR. BAILEY: Okay. Thank you.

8 CHAIRMAN HONIGBERG: I have no  
9 questions for Ms. Senter. I think you can  
10 return to your seat.

11 WITNESS SENTER: Thank you.

12 CHAIRMAN HONIGBERG: Let's go off the  
13 record for just a second and talk about timing.

14 *[Brief off-the-record discussion*  
15 *ensued.]*

16 CHAIRMAN HONIGBERG: So, we'll go  
17 back on the record. Who's next?

18 MR. KENNEDY: Was Rosemary Heard's  
19 hand raised?

20 FROM THE FLOOR: Yes.

21 MS. HEARD: Yes.

22 MR. KENNEDY: Okay. Great. Rosemary  
23 Heard of CATCH Housing.

24 CHAIRMAN HONIGBERG: Mr. Speidel,

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[WITNESS: Heard]

1 this is the one where there's some question  
2 about the filing, is that right?

3 MR. SPEIDEL: Yes. At least based on  
4 the representations made by the Clerk, yes.

5 CHAIRMAN HONIGBERG: Just wait. Do  
6 people have copies of what was submitted by  
7 CATCH?

8 MS. DENO: I do. This whole  
9 package --

10 *[Court reporter interruption.]*

11 CHAIRMAN HONIGBERG: I'm informed  
12 that the Clerk's office did receive everything  
13 it was supposed to receive from CATCH. So,  
14 with that understanding, I think it probably  
15 makes sense to just proceed with what was  
16 submitted.

17 All right. So, Mr. Patnaude.

18 (Whereupon **Rosemary M. Heard** was  
19 duly sworn by the Court  
20 Reporter.)

21 CHAIRMAN HONIGBERG: And we are  
22 talking about Exhibit 15. Mr. Kennedy, you may  
23 proceed.

24 **ROSEMARY M. HEARD, SWORN**

[WITNESS: Heard]

**DIRECT EXAMINATION**

BY MR. KENNEDY:

Q. Yes, Ms. Heard. Please identify yourself for the record.

A. My name is Rosemary Heard. I'm the President and CEO of CATCH Neighborhood Housing.

Q. You provided testimony in this matter?

A. I have.

Q. If I was to walk through each of the questions and answers that you provided in that prefiled testimony, would they be the same here now?

A. Yes, they would, with the exception of some issues that arose in my own mind this morning as I was listening to the testimony of others.

Q. Right. But you wouldn't change any of the testimony that you've already provided then, would you?

A. I would not.

Q. Okay. Now, with respect to any additional issues that you would like the Commission to hear, can you please state what those are now?

A. Thank you. The Endicott Hotel, which is the property in question, we rehabilitated in 2013. And, at the time that we did that, we entered

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[WITNESS: Heard]

1 into a seven-year contract with Concord Steam.  
2 We received a preferred customer rate that was  
3 reserved for good customers. And, at that  
4 point in time, had we been privy to the fact  
5 that Concord Steam was no longer going to  
6 exist, we would have value-engineered out  
7 approximately \$100,000 of work, which is what  
8 we believe it will cost, although we're  
9 currently in the design phase for those.

10 Secondly, we are subject to the covenants  
11 of our banks, and the requirement to maintain a  
12 1.2 debt coverage ratio. And needed to make  
13 this development work was layering of a number  
14 of different financings, including 79-E, which  
15 is a real estate tax benefit offered by the  
16 City of Concord.

17 This is my long-winded way of saying that  
18 this property will not support additional debt,  
19 as allowed by the banks.

20 Each of the properties that are owned by  
21 CATCH we operate as an individual P&L. The  
22 reserves for those properties cannot be  
23 commingled, neither can they be used for  
24 another property. We do have a small amount of

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[WITNESS: Heard]

1 funding for what we consider CATCH-owned  
2 properties. But, to divert that funding, to  
3 replace a boiler because of a failed utility,  
4 essentially means that I now have to look at  
5 not replacing a roof on an affordable housing  
6 development, perhaps not redoing a ramp for  
7 accessibility, those kinds of issues.

8 I would also like to add that I've heard a  
9 lot of folks talking this morning about on-bill  
10 funding. And, essentially, from my  
11 perspective, from a real estate perspective,  
12 this will impact the value of the property. If  
13 one looks at how one capitalizes or values a  
14 development, it's a capitalization rate on net  
15 operating income. To the extent that you layer  
16 more costs on your expense side, your building  
17 is going to be worth less at the end of the  
18 day. So, I don't believe that this is a  
19 one-size-fits-all.

20 From CATCH's perspective, we have both  
21 residential and commercial tenants in the  
22 Endicott Hotel. When we wrote the leases with  
23 our commercial tenants, they paid for their  
24 setup, and they also paid for many split

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[WITNESS: Heard]

1 systems for those spaces. So, now, we are on  
2 the hook for essentially going out and paying  
3 for and funding an alternative heating system.

4 The -- I'm just looking through my notes  
5 here, because I don't want to talk just for the  
6 sake of talking. So, we have a two-fold issue.  
7 If we're all fortunate enough to get funding  
8 through this, this pot of money, it still  
9 doesn't satisfy the problem. If we were lucky  
10 enough, as CATCH, to get \$50,000 on a \$100,000  
11 bill, we're still left with being out-of-pocket  
12 50, and trying to fund the other 50 in whatever  
13 way you see fit. So, we're paying twice.

14 And, to add insult to injury, we had to  
15 replace an almost \$3,000 part on an obsolete  
16 boiler that we currently have in place with  
17 Concord Steam, which is really tough to have to  
18 do at this point, knowing full well that we're  
19 not going to be able to see any value out of  
20 that for the long term.

21 So, as every other nonprofit in here, we  
22 have limited operating budgets. We believed  
23 that we did the right thing for the City of  
24 Concord with the rehabilitation of the Endicott

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[WITNESS: Heard]

1 Hotel, not that we're looking for thanks for  
2 that. But we would certainly expect to be able  
3 to operate it, as any other business would, in  
4 a profitable position. And, most importantly,  
5 at the end of the day, I don't want to have to  
6 choose between programming and whether or not  
7 I'm going to fund a boiler.

8 So, I believe that are all of the things  
9 that I would like to add at this point.

10 MR. KENNEDY: Very good. Thank you,  
11 Ms. Heard.

12 WITNESS HEARD: Thank you.

13 CHAIRMAN HONIGBERG: Does anyone have  
14 questions for Ms. Heard?

15 *[No verbal response.]*

16 CHAIRMAN HONIGBERG: Seeing none,  
17 Commissioner Scott.

18 CMSR. SCOTT: Thank you. And thanks  
19 for anticipating my questions, so I didn't  
20 really have to ask too much of it.

21 BY CMSR. SCOTT:

22 Q. I am, and, again, I don't know it's an  
23 acceptable answer, too, but I was curious what  
24 your expectation would be, again, I'm talking

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[WITNESS: Heard]

1 about on-bill financing, how the banks would  
2 treat that? I mean, it's not a loan from banks  
3 and that type of thing. Do you think that  
4 would violate your covenant?

5 A. You know, I'm obviously responding off the top  
6 of my head without anything in front of me.  
7 But my answer would be yes, because we would  
8 not be able to maintain the debt coverage ratio  
9 required in the proformas. So, to the extent  
10 that I'm increasing the operating expense side,  
11 then I'm not maintaining that 1.2 debt coverage  
12 ratio.

13 It's not that they would say "no, you  
14 couldn't do it", it's that I would be in  
15 violation.

16 Q. Okay.

17 A. Which could, for me, trigger a whole other  
18 sequence of events. So, if I'm in violation on  
19 one loan, and let's say the bank isn't entirely  
20 friendly and decides to call my note, that  
21 could have a domino effect right down the line  
22 on every loan that we have.

23 To also, if I may add, we're currently  
24 doing a development in Franklin that's a

[WITNESS: Heard]

1       \$12 million development. It can only bear  
2       \$200,000 of long-term debt. So, that just  
3       shows how little long-term debt we can use in  
4       any of the deals that we do.

5               So, it's not that we don't want to do our  
6       part or to be stingy, it's just that, from a  
7       practical perspective, it's going to be very  
8       difficult to do it that way.

9   Q.   With the caveat I understand that this is the  
10       first time you've heard this and you're  
11       answering on the fly, --

12  A.   Sure.

13  Q.   -- but what I think I heard you say is the  
14       concern would be you'd be increasing your  
15       operating --

16  A.   Our operating costs, yes.

17  Q.   So, again, the premise, you know, I guess  
18       reasonable people can disagree, but your  
19       Liberty operating bill, --

20  A.   Uh-huh.

21  Q.   -- your monthly bill would be lower. So, even  
22       with on-bill financing, it's in that area where  
23       you'd be paying from.

24  A.   Sure.

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[WITNESS: Heard]

1 Q. So, in theory, you're not increasing your  
2 operating, your bills are not increasing.

3 A. I totally understand and respect where you're  
4 coming from. However, if my bill is \$100,000,  
5 let's say, and I have to pony up the first 50  
6 of it, because -- well, first of all, we're  
7 very fortunate not to have to pay for all of  
8 it, perhaps. But, that being said, if I pay  
9 for 50, and the 50 comes from somewhere else,  
10 then it doesn't become a case of whose money  
11 goes out longer, right? Because I have an  
12 opportunity cost to the money that I've lost.  
13 I've not only got the opportunity cost, I've  
14 also got to figure out how to replace it. And,  
15 at the same time, I'm paying back the interest  
16 on a note through the on-bill repayment  
17 process. So, I'm getting hit three ways, if  
18 you think about it that way.

19 And, then, it begs the question of, going  
20 back to this not being a one-size-fits-all, for  
21 myself, who has multiple buildings in our  
22 portfolio, versus a single user, it's much --  
23 it becomes, whether it -- whether the  
24 underlying -- and I wish Stephen Heavener was

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[WITNESS: Heard]

1 here, because this goes back to, you know, some  
2 pretty difficult kind of lending covenants.  
3 But the underlying assets would support that  
4 debt or is it the full faith and credit of the  
5 nonprofit organization? And, then, you get  
6 into kind of that whole -- those whole  
7 semantics.

8 So, it's not as easy as it sounds. And  
9 it's very difficult to find a common  
10 denominator that would work for everybody in  
11 this situation.

12 CMSR. SCOTT: Understood. Thank you.

13 WITNESS HEARD: You're welcome.

14 CHAIRMAN HONIGBERG: Commissioner  
15 Bailey.

16 CMSR. BAILEY: Thank you.

17 BY CMSR. BAILEY:

18 Q. You said that on-bill financing would have an  
19 impact on the value of your building, is that  
20 correct?

21 A. That's correct, yes.

22 Q. Do you think, if you had a brand-new heating  
23 system, that would have an impact on the value  
24 of your building?

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[WITNESS: Heard]

1 A. From a cerebral sense, yes. It always gives  
2 somebody the comfort that there's a new system  
3 in place. But, if you go out and you appraise  
4 a property, it's typically done in three  
5 different ways.

6 You'll either do it on capitalizing the  
7 net operating income of the property. So, your  
8 revenue, expenses, and whatever you can bring  
9 to the bottom line after debt service.

10 The other way to do it would be to stack  
11 it up against all of the other properties in  
12 the downtown. And I'm sure you're familiar  
13 with this process.

14 So, it would impact, to the extent that I  
15 am raising my revenue and to the extent -- or,  
16 my expenses, should I say, and to the extent  
17 that I'm anticipating that 79-E is going to go  
18 away as well, I'm going to get a double whammy.

19 Q. That what's going away?

20 A. 79-E is a program that the City of Concord uses  
21 to incentivize redevelopment of properties,  
22 where you essentially get a break on your real  
23 estate taxes. Even though we're a nonprofit,  
24 we pay about 450,000 a year in real estate

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[WITNESS: Heard]

1 taxes, to various communities that we serve.

2 Q. And how would this impact that?

3 A. This would impact that, to go back to your  
4 question about how it impacts value, it would  
5 further increase operating expenses that would  
6 potentially diminish the value of the property.  
7 And would require us to not only pay, going  
8 back to the \$100,000, if it costs \$100,000, and  
9 we're in design phase right now, so I'm just  
10 using that for simple math. And I have to find  
11 50,000 somewhere, and let's presume 50 came  
12 from a fund such as this, I have to pay -- I'd  
13 have to still pay back 100.

14 Q. If we did on-bill financing, is that what  
15 you're saying?

16 A. Yes. Yes. So, from my perspective, I am a  
17 huge proponent of this being a grant. The  
18 impact to the nonprofits, not just CATCH, but  
19 our sister organizations in the downtown, is  
20 going to be huge. Huge.

21 CMSR. BAILEY: Okay. Thank you.

22 WITNESS HEARD: Thank you.

23 CHAIRMAN HONIGBERG: I have no  
24 questions for Ms. Heard. You can return to

[WITNESS: Clarke]

1 your seat.

2 WITNESS HEARD: Thank you.

3 CHAIRMAN HONIGBERG: Who would be  
4 next?

5 MR. KENNEDY: So, that concludes all  
6 of the individuals who sought to speak. I  
7 understand that there may be that the  
8 Commission wants to ask questions of all the  
9 Petitioners.

10 CHAIRMAN HONIGBERG: So, the three  
11 then who need to leave, let's just work --  
12 we'll have Ms. Clarke, right?

13 MS. CLARKE: Yes.

14 CHAIRMAN HONIGBERG: Why don't you  
15 come first, then Mr. Wright, then Mr. Gfroerer.

16 (Whereupon **Nicolette B. Clarke**  
17 was duly sworn by the Court  
18 Reporter.)

19 **NICOLETTE B. CLARKE, SWORN**

20 CHAIRMAN HONIGBERG: So, you're from  
21 Concord Community -- I'm sorry, you're from  
22 Capitol Center for the Arts, right?

23 WITNESS CLARKE: That is correct.

24 CHAIRMAN HONIGBERG: And that's

[WITNESS: Clarke]

1 Exhibit 7. And I think the parties have all  
2 agreed that this testimony is a full exhibit  
3 and is Exhibit 7, is that correct?

4 MR. KENNEDY: Yes.

5 CHAIRMAN HONIGBERG: All right.

6 Commissioner Scott, do you have questions for  
7 Ms. Clarke?

8 BY CMSR. SCOTT:

9 Q. Ms. Clarke, did you understand the questions  
10 regarding on-bill financing I was asking -- I'm  
11 asking every panelist?

12 A. On a certain level, I understand them. How  
13 they actually would impact the Capitol Center  
14 for the Arts and how we would do that, I'm not  
15 sure I really am -- I would need my finance  
16 people, you know, around me to truly answer  
17 that. So, --

18 CMSR. SCOTT: Fair enough. Thank  
19 you.

20 CHAIRMAN HONIGBERG: Commissioner  
21 Bailey.

22 BY CMSR. BAILEY:

23 Q. Assume that you're going to get a 20 percent  
24 savings in your utility bill. Would you be

[WITNESS: Clarke]

1 willing -- do you think it would be fair to  
2 contribute that 20 percent savings over time  
3 toward repaying this money?

4 A. The question is "fair". I think it's fair from  
5 whose perspective? I mean, again, I'm going to  
6 repeat some things other people have said. But  
7 this expense this year was not something that  
8 we planned, is not something we planned for.  
9 All of us as nonprofits operate totally on the  
10 edge. In our case, we are at our debt limit.  
11 We also had done a whole -- there's a whole  
12 sort of things, in this historic building,  
13 we've been using it for 20 plus years, all the  
14 systems have worn out. And we've been trying  
15 very desperately to sort of have a plan for  
16 like, "okay, we're going to try to attack this  
17 project this year and this project that year",  
18 you know, and trying to do it, and this was  
19 like "Hello", you know, a brand-new surprise of  
20 some substantial amount of money.

21 So, I must admit, from the Capitol  
22 Center's point of view, I am looking for the  
23 relief. The relief of having this money to  
24 lower the cost of dealing with this. So, I

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[WITNESS: Clarke]

1 would prefer to do it that way.

2 You know, if there's -- if we have to go  
3 to some other way of doing it, we will look at  
4 it and try to, you know, adjust to that  
5 reality. But the relief of not having to come  
6 up with the full amount of money, that would  
7 help with what for us is going to be  
8 approximately \$110,000 to do the two parts of  
9 the Capitol Center, that would be the most  
10 helpful.

11 CMSR. BAILEY: Okay. Thank you.

12 CHAIRMAN HONIGBERG: Thank you,  
13 Ms. Clarke. I have no questions. So, you can  
14 return.

15 Mr. Wright. Mr. Wright's submission  
16 is Exhibit 5. And, so, everyone stipulated  
17 that this is -- his testimony is coming in as  
18 Exhibit 5.

19 MR. KENNEDY: Yes. I believe, Your  
20 Honor, we stipulated to all the exhibits.

21 CHAIRMAN HONIGBERG: I think that's  
22 correct.

23 (Whereupon **Peter Wright** was duly  
24 sworn by the Court Reporter.)

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[WITNESS: Wright]

1                   **PETER WRIGHT, SWORN**

2                   CHAIRMAN HONIGBERG: Commissioner

3                   Scott.

4                   BY CMSR. SCOTT:

5                   Q.     Should I say -- do you have any response to my  
6                   questions on on-bill financing?

7                   A.     Well, in thinking about the -- actually, the  
8                   light is not on. I think it's on now.

9                   Yes. In thinking about the concept of  
10                  on-bill financing, I'm assuming that means that  
11                  the Transition Fund would be managed by  
12                  Liberty, they would use that Fund to make the  
13                  grants, and then they would -- they would  
14                  collect repayment from the customers' bills, I  
15                  mean, those that had benefited from the grant.  
16                  Is that -- do I have that right?

17                  Q.     That's fair.

18                  A.     Okay.

19                  Q.     Why don't you assume that.

20                  A.     And, then, so, I know one question that was  
21                  posed is, would First Church of Christ,  
22                  Scientist, object to paying, I guess, paying  
23                  the charge, which was incorporated into their  
24                  bill, from the savings that were realized by

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[WITNESS: Wright]

1       this conversion? And I think the answer is,  
2       and if I go out on a limb a little bit and  
3       speak for my fellow church members, I think  
4       they would be willing to pay part of that  
5       money, yes. I think they wouldn't want to  
6       commit the whole thing, because now that, for  
7       the first time, we're going to have maybe two  
8       gas furnaces on our property, we know that  
9       there will be costs of both maintaining and  
10      repairing, and it would be prudent to set aside  
11      some of that money for that purpose.

12               But, in the interest of fairness, I can  
13      see where they might go along with committing  
14      part of that savings to that payment.

15               CMSR. SCOTT: Thank you.

16               CHAIRMAN HONIGBERG: Commissioner  
17      Bailey, I think he may have answered your  
18      question as well?

19               CMSR. BAILEY: He did. Thank you.

20               CHAIRMAN HONIGBERG: All right.  
21      Mr. Wright, you can return to your seat then.  
22      Thank you.

23               WITNESS WRIGHT: Yes, sir.

24               CHAIRMAN HONIGBERG: You were very



[WITNESS: Gfroerer]

1 efficient.

2 Mr. Gfroerer. Mr. Gfroerer's  
3 testimony is Exhibit 8 for the South  
4 Congregational Church.

5 (Whereupon **Michael Gfroerer** was  
6 duly sworn by the Court  
7 Reporter.)

8 **MICHAEL GFROERER, SWORN**

9 CHAIRMAN HONIGBERG: Commissioner  
10 Scott.

11 BY CMSR. SCOTT:

12 Q. Again, I can repeat the proposition, if you  
13 like. But, on on-bill financing, I was curious  
14 if you had a thought on that?

15 A. Well, let me explain, first of all, that, and  
16 maybe it will be in addition to the written  
17 testimony, South Congregational Church, as we  
18 speak, is in the process of doing their  
19 conversion from Concord Steam to gas, we have  
20 installed some boilers. And we borrowed money  
21 from Merrimack County Savings Bank in order to  
22 do this in the nature of a construction loan.

23 So, we already have the -- we've already  
24 financed what we need to do, to the tune of

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[WITNESS: Gfroerer]

1 about \$80,000. It seems to me that the -- if I  
2 understand it correctly, the on-bill financing  
3 would essentially be a loan, we'd be paying  
4 back the money that we were hoping to get from  
5 as a grant. And, before I can answer your  
6 question, Commissioner, I would need to know  
7 essentially what the interest rate is going to  
8 be on this loan that we would be getting  
9 through Liberty, versus what we've already  
10 financed through Merrimack County Savings Bank,  
11 and we would make it as a business decision.

12 And, if it turned out that we were paying  
13 a higher interest rate for the on-bill  
14 financing than we've already gotten from the  
15 Merrimack County Savings Bank, then, obviously,  
16 we wouldn't even ask for the so-called grant  
17 that we'd have to pay back.

18 I would also like to add that we did about  
19 \$20,000 worth of improvements to the steam  
20 system in 2015. And I was on the committee at  
21 the church that decided whether to do that.  
22 And, at the time -- at the time, we weighed  
23 whether it was a good investment to be putting  
24 money into a steam system, when there was some

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[WITNESS: Gfroerer]

1 question back in 2015 whether Concord Steam was  
2 going to be a viable operation in the future.  
3 We made the decision to go with Concord Steam,  
4 number one, to support a local business, but  
5 also, number two, with the apparent  
6 misconception that, in the event that Concord  
7 Steam were to go out of business, there would  
8 be a run-off time sufficient for us to make  
9 arrangements to get something done in the  
10 normal course of business.

11 And, like most of the other folks have  
12 testified from the nonprofits here, we were, I  
13 would say, blind-sided by a shut-off that was  
14 going to happen in less than a year, within the  
15 same fiscal year, and without a run-off that we  
16 essentially depended on the regulators to make  
17 sure happened when it happened. It didn't  
18 happen. We're stuck with those bills now. And  
19 it certainly would assist our cash flow, our  
20 situation, our financial situation, the South  
21 Congregational Church, if this were a straight  
22 grant, and not something that we had to pay  
23 back.

24 CMSR. SCOTT: Thank you.

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[WITNESS: Gfroerer]

1 CHAIRMAN HONIGBERG: Commissioner  
2 Bailey.

3 BY CMSR. BAILEY:

4 Q. Are you comfortable disclosing the interest  
5 rate of the loan that you got from Merrimack  
6 County Savings Bank?

7 A. I would be comfortable disclosing it, if I knew  
8 what it was. But I don't know what it is.

9 CMSR. BAILEY: Okay. Thank you. I  
10 have no further questions.

11 WITNESS GFROERER: Thank you.

12 BY CHAIRMAN HONIGBERG:

13 Q. Assume with me for a moment that it were an  
14 on-bill financing situation that got approved,  
15 and that you were realizing savings on your  
16 bills, Liberty bills versus the Concord Steam  
17 bills that you would have been getting had you  
18 continued with Concord Steam. I'll ask the  
19 question that others have been asked and  
20 answered. Whether you think it would -- you'd  
21 be willing to use some of that savings to pay  
22 off that loan?

23 A. Again, it depends. We would have to do the  
24 financial analysis to figure out whether it was

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[WITNESS: Gfroerer]

1 to our benefit to do it that way, rather than  
2 stick with the money that we've borrowed. And  
3 we'd do the financial analysis at the time. I  
4 really can't answer that question without  
5 knowing those numbers.

6 CHAIRMAN HONIGBERG: Understood. No  
7 further questions.

8 WITNESS GFROERER: Thank you.

9 CHAIRMAN HONIGBERG: So, you can  
10 return to your seat. Let's go off the record.

11 *[Brief off-the-record discussion*  
12 *ensued.]*

13 CHAIRMAN HONIGBERG: All right. So,  
14 we're going to go back on the record, Steve.  
15 Just off the record for a second.

16 *[Brief off-the-record discussion*  
17 *ensued.]*

18 (Whereupon **Hansi Glahn,**  
19 **Ronald Snow,** and **Mark Ciborowski**  
20 were duly sworn by the Court  
21 Reporter.)

22 **HANSI GLAHN, SWORN**

23 **RONALD SNOW, SWORN**

24 **MARK CIBOROWSKI, SWORN**

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[WITNESS: Glahn~Snow~Ciborowski]

1 CHAIRMAN HONIGBERG: So, we have  
2 Ms. Glahn from the Woman's Club, that's Exhibit  
3 6; we have Mr. Snow from the Brain Injury  
4 Association, that's Exhibit 9; and we have  
5 Mr. Ciborowski, who has not submitted prefiled  
6 testimony. Correct?

7 MR. KENNEDY: That's correct.

8 CHAIRMAN HONIGBERG: All right.  
9 Commissioner Scott.

10 BY CMSR. SCOTT:

11 Q. I'll start with Ms. Glahn. I suppose I can  
12 reiterate my proposition, I was curious, if you  
13 want me to, I will, but I was curious if you  
14 had any thoughts on --

15 A. (Glahn) Well, I think I understand it. And  
16 think my answer would be sort of similar to  
17 what Mike Gfroerer said. We have -- we have  
18 gone forward. One thing that you really  
19 haven't talked about much is, as with Remi, we  
20 had a sort of program payment to Concord Steam.  
21 So, we were roughly paying \$700 a month  
22 throughout the year. Our bill for December was  
23 1,600. Our bill in January was over 2,300.  
24 So, we have been hit with a whammy. We're

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[WITNESS: Glahn~Snow~Ciborowski]

1 volunteers. We don't have an income coming in,  
2 other than our membership and the fundraising  
3 that we do.

4 So, having looked at that and knowing what  
5 was coming, we did go ahead, and we have gotten  
6 a loan from Concord Savings Bank. We had the  
7 additional problem that we have asbestos in our  
8 basement. So, before anybody could come in, we  
9 had to have the asbestos removed, which has  
10 been done. I think it has been done. It was  
11 supposed to be done yesterday. Given the snow,  
12 I don't know.

13 But, anyway, we looked at our financing.  
14 We knew what we had been paying to Concord  
15 Steam. We knew what Liberty Utilities had  
16 given us an estimate of what our savings would  
17 be. We figured out that, with the cost of our  
18 loan, we would be just about the same.

19 So, we're looking at paying off our loan  
20 in ten years. So, for ten years, we are going  
21 to have roughly the same payment. We're not  
22 going to feel any benefit from the lower cost  
23 of the heating. But we will be Liberty  
24 Utilities' customers. So, we will be

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[WITNESS: Glahn~Snow~Ciborowski]

1 contributing to that pool.

2 So, our loan is at 3.9. If you were to  
3 offer us a loan at 10, it would kind of be  
4 crazy to take it. But we are also crazy to be  
5 doing what we're doing. We're doing it because  
6 we have to. We have a house, we have residents  
7 who live in the house. We can't just throw up  
8 our hands and say "we're done."

9 So, what Dan has offered to us is  
10 fantastic. It gives us a way to do what we  
11 need to do, but not totally bury ourselves.

12 Q. Thank you. Mr. Snow?

13 A. (Snow) And kind of what Mr. Gfroerer was saying  
14 before, without seeing the numbers in front of  
15 me, there's no way. We didn't get a -- we're  
16 in the process and almost complete, we're  
17 hoping to be complete any day, any minute,  
18 should be possibly today, I'm not positive.

19 But, anyhow, if -- I've heard anywhere  
20 from 20 percent savings to 75 percent savings.  
21 I honestly don't know what the right number is.  
22 At 20 percent, so, we -- our bill was  
23 approximately \$5,500, I believe somewhere in  
24 that ballpark. You know, it's a thousand

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[WITNESS: Glahn~Snow~Ciborowski]

1       dollars or \$1,100 we'd approximately save a  
2       year. To put that in some sort of rate loan, I  
3       mean, wouldn't that build it out -- I mean, our  
4       project cost is around \$36,000 or 37. Wouldn't  
5       that build it out to be almost 30 years? So,  
6       like there's really no difference than paying  
7       Concord Steam. Does that make sense?

8   Q.   Uh-huh.

9   A.   (Snow) So, I'm having a hard time understanding  
10       why it would be beneficial for an organization  
11       to basically, unless -- I guess it depends on  
12       how expensive your project is, it wouldn't make  
13       sense or not make sense.

14   Q.   So, just to elaborate on that. Is that the  
15       correct baseline where you were with Concord  
16       Steam? Because I would argue, if Concord Steam  
17       didn't go away, I think what you're suggesting  
18       is --

19   A.   (Snow) We were going to convert anyways, but it  
20       wasn't going to be this year. You know, we  
21       knew it's more efficient, no question. But it  
22       wasn't -- it wasn't planned this year. And,  
23       you know, we're like my other nonprofit  
24       colleagues, it's shoestring budget, you know,

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[WITNESS: Glahn~Snow~Ciborowski]

1 we work a lot on grants, and funding sources  
2 like that. So, you know, our annual budget is  
3 around 1.8 million, which sounds like a lot.  
4 But all of that money is dedicated money that  
5 needs to go for dedicated projects. We can't  
6 take a DOT grant, you know, which is \$125,000,  
7 we can't take money out of that grant for  
8 capital expenses, you know, it's pre-dedicated.  
9 So, we're looking at unrestricted funds that we  
10 would need to find.

11 Q. Okay. Thank you. And, Mr. Ciborowski, do you  
12 have any thoughts? Or would you like me to  
13 explain the premise?

14 A. (Ciborowski) Yes. I have some general  
15 statements or thoughts, if I could just say  
16 those, or if you want to ask questions? I have  
17 not done previous testimony, as you are aware.  
18 So, how would you like to proceed?

19 CHAIRMAN HONIGBERG: I think  
20 Mr. Feltes is in a position maybe to help you  
21 get your -- the statements you want to make out  
22 on the record.

23 SEN. FELTES: Thank you,  
24 Mr. Chairman. Thank you, Mr. Ciborowski.

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**DIRECT EXAMINATION**

BY SEN. FELTES:

Q. Can you state for the Commission why you believe it's fair to create this Grant Fund?

A. (Ciborowski) Sure. I feel the Grant Fund is appropriate for a number of reasons. There's been a lot of talk about the cost savings being, you know, for the cost savings from gas could go towards the conversion costs. But the conversion costs in a building can vary enormously. I could spend anywhere from \$40,000 to several hundred thousand dollars per building for conversion costs. And, as with all things, the more expensive costs usually are the better solutions. And what's happening is, the speed of which this has happened is forcing a lot of building owners, and I have eleven buildings that I need to convert, I have eleven buildings on Concord Steam. So, it's an enormous hardship on my business. And the speed at which this is happening is forcing people to make dramatic compromises in what they would ultimately like to do over the long term with better solutions, because the better

[WITNESS: Glahn~Snow~Ciborowski]

1 solutions are more cost -- are far more  
2 expensive.

3 So, when you talk about "cost savings",  
4 it's so hard, because, you know, it depends on  
5 what your cost savings, are you going to put in  
6 a \$40,000 system or are you going to put in a  
7 \$300,000 system? The \$300 [sic] system is by  
8 far the better system, far more efficient  
9 system. So, it's ironic is that the lower  
10 efficiency systems have the quicker payback,  
11 because they're the cheaper capital cost.

12 So, you know, steam is like in the low 80  
13 percents, low 80s for efficiency. Where, if  
14 you get into a forced hot water system, you get  
15 into the mid 90s. But so much is dictated by  
16 the distribution system within your building.  
17 And the old steam pipes cannot -- the old steam  
18 pipes run at 3 or 4, 5 -- 4 pounds pressure,  
19 and water has to run at forced hot water, which  
20 gets up in the mid 90s, has to run in the --  
21 has to run at like 20 pounds pressure. And the  
22 old steam pipes are not going to take that  
23 pressure without popping leaks everywhere  
24 throughout the building. So, you're forced to

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[WITNESS: Glahn~Snow~Ciborowski]

1 put in new distribution systems through your  
2 building. Or, if you do ductwork, you have to  
3 run -- so, you know, you're tearing your  
4 building apart to put in new distribution  
5 systems. The distribution systems make an  
6 enormous impact on what decision you ultimately  
7 make.

8 And, with new boilers, a lot of buildings  
9 don't have an appropriate place to put in a  
10 boiler, even in the basement, because the  
11 buildings are, you know, all utilized, and  
12 there's no good place. You have to run flues  
13 up to the roof, you know, to vent the boiler  
14 systems.

15 So, you know, so, you talk about, you  
16 know, I keep hearing "well, you're going to pay  
17 this much for steam." Well, the other thing to  
18 keep -- that nobody I think has mentioned is,  
19 Concord Steam has been trying to do this  
20 project for years, and they were projecting 35  
21 to 40 percent decreases in their bills, when  
22 this -- if they were able to make their new  
23 project -- new plant come on line. So, now,  
24 we've gone from holding out for what we hoped

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[WITNESS: Glahn~Snow~Ciborowski]

1 to be 40 percent decreases to these enormous  
2 increases.

3 And, you know, but to convert eleven  
4 buildings in one year is just an unbelievable  
5 hardship. So, we are -- I'm going to have to  
6 be forced to make compromises and do things,  
7 less efficient systems, systems I wouldn't like  
8 to do, you know, wouldn't be my preference to  
9 do, if I had to do them in a timeframe of my  
10 choosing.

11 And, you know, you got -- you know, boiler  
12 systems, you have the -- and it has been  
13 previously mentioned, you have now maintenance  
14 costs, you have insurance costs. The insurance  
15 rates are actually cheaper, because you don't a  
16 boiler in your building. But, now, with a  
17 boiler, you have to have boiler insurance, and  
18 possible explosions of boilers or fires, so  
19 insurance costs go up because of boilers.

20 So, there are a whole lot of factors that  
21 really, you know, haven't been fully fleshed  
22 out or talked about, that it's an enormously  
23 complex equation.

24 So, to simply -- to try to simplify it

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[WITNESS: Glahn~Snow~Ciborowski]

1 down to "can you put your rate savings, your  
2 gas savings from gas -- from steam to gas to  
3 your conversion costs?" It's, you know, in  
4 many cases, you're looking at a 30-year  
5 payback, which you would never do normally,  
6 because a 30-year payback is far too long a  
7 period to justify on just the energy savings.

8 So, you know, and on top of that, to have  
9 to do eleven conversions in one year, the  
10 possibility of not getting good pricing from  
11 contractors, I mean, this is like a -- this is  
12 like a gravy train for the HVAC contractors  
13 right now. And they just, you know, they've  
14 got a captive audience that has to convert by  
15 next year or they have no heat in their  
16 buildings. So, you know, it's tough to get  
17 competitive pricing, which is a factor. Which  
18 I think also speaks to the grant, because, you  
19 know, the grants can help maybe compensate for  
20 non -- not competitive pricing that you  
21 might -- as competitive pricing as you might  
22 normally get otherwise.

23 And these are costs that just can't be  
24 passed on to tenants. I mean, the office

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[WITNESS: Glahn~Snow~Ciborowski]

1 market right now is extremely competitive.  
2 Retail stores, you know, retail is a tough gig  
3 these days, with all online, Amazon and  
4 Walmart. And, you know, these aren't just  
5 costs that I can pass on to my tenants. I will  
6 lose them.

7 So, and, you know, so, if I'm looking at  
8 half a million to a million dollars, I mean,  
9 \$75,000 is, you know, it might be 10 percent of  
10 it, but that 10 percent is very, very  
11 meaningful, and I think is fully justified with  
12 all the extraneous circumstances in this case  
13 for a grant application.

14 Q. Thank you, Mr. Ciborowski, I have two quick  
15 questions. Your sense is that the contractors  
16 know there's a captive audience and the prices  
17 are going up, right?

18 A. (Ciborowski) Absolutely.

19 Q. And let's talk about Concord Steam for a  
20 second. You mentioned in your testimony that  
21 they were representing you're going to get  
22 35-40 percent discounts, just have to get this  
23 deal through. You heard Remi's testimony about  
24 "let's do a ten-year project" --

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[WITNESS: Glahn~Snow~Ciborowski]

1 A. (Ciborowski) But I had also been approached to  
2 sign long-term lease rates, you know, steam  
3 rates with them, to try to, you know, when they  
4 were trying to get all the -- they needed to  
5 get the financing and they needed to get, you  
6 know, the customer base signed on. And, so,  
7 they were talking to large users about that.

8 Q. Okay. And, so, we've had some discussion about  
9 whether or not it's practical or impractical to  
10 do on-bill financing and pay back in energy  
11 savings. And, thinking about energy savings,  
12 don't you think the Commission should also  
13 think about the years that Concord Steam strung  
14 along customers at high rates?

15 A. (Ciborowski) Absolutely, yes. We've been -- we  
16 have been overpaying for energy, absolutely  
17 overpaying for energy, in the hope that  
18 things -- they were going to get this plant  
19 through, and we were going to get the  
20 35-40 percent reduction in rates that they had  
21 been -- they had been, you know, talking about.

22 SEN. FELTES: Thank you.

23 CHAIRMAN HONIGBERG: Commissioner  
24 Scott, do you have any further questions for

1 Mr. Ciborowski?

2 CMSR. SCOTT: No. Thank you, though.

3 CHAIRMAN HONIGBERG: Commissioner  
4 Bailey?

5 CMSR. BAILEY: No questions.

6 CHAIRMAN HONIGBERG: I have no  
7 questions.

8 So, I think we're in a position to  
9 take what we will try to make as short a lunch  
10 break as we can. It's currently ten minutes  
11 after one. We will resume at two o'clock.

12 Off the record.

13 *[Brief off-the-record discussion*  
14 *ensued.]*

15 CHAIRMAN HONIGBERG: Folks, we've  
16 changed it. It's 2:15.

17 *(Recess taken at 1:12 p.m. and*  
18 *the hearing resumed at 2:22*  
19 *p.m.)*

20 CHAIRMAN HONIGBERG: Anything we need  
21 to know or do before we resume?

22 *[No verbal response.]*

23 CHAIRMAN HONIGBERG: Seeing no hands.  
24 Mr. Speidel.

1 MR. SPEIDEL: Yes, Mr. Chairman. I  
2 would like to invite Mr. Schweiker -- is Mr.  
3 Schweiker still with us?

4 CHAIRMAN HONIGBERG: He is. I see  
5 him in the back.

6 MR. SPEIDEL: I'd like to invite  
7 Mr. Schweiker to take the stand and just answer  
8 a couple of short questions from Staff, and  
9 then be available for questioning from the  
10 Bench and other parties, if they're around.

11 CHAIRMAN HONIGBERG: So, all good,  
12 Mr. Schweiker. If you could come up here to  
13 the witness stand.

14 MR. KREIS: Mr. Chairman, before you  
15 swear in Mr. Schweiker, this is probably a good  
16 time for the Office of the Consumer Advocate to  
17 interpose an objection to the admission of the  
18 testimony contained in Exhibit 4, which is Mr.  
19 Schweiker's testimony. When we were talking  
20 about Mr. Schweiker during our off-the-record  
21 conversation, I raised this issue. And I read  
22 to you the first -- the last sentence of the  
23 first paragraph of his testimony that says  
24 "Should the Commission approve the Agreement, I

1 am no longer an interested party in this  
2 proceeding and the remainder of this rebuttal  
3 can be disregarded."

4 The OCA doesn't object to  
5 Mr. Schweiker having been and continuing to be  
6 an intervenor. But I read that sentence in his  
7 testimony as a statement of support for the  
8 Petition as it has been modified by the  
9 Settlement Agreement. The remainder of his  
10 testimony, however, is evidence in opposition  
11 to the Settlement Agreement. And I would  
12 respectfully suggest that a party can't have it  
13 both ways.

14 I'm sure there's some Latin phrase I  
15 could use that would make that sound a lot  
16 better. But I can't think of it.

17 CHAIRMAN HONIGBERG: Yes. But that  
18 would make both of us unhappy, because I  
19 probably wouldn't understand what it meant.

20 Anyone else have any thoughts on  
21 that? Mr. Speidel.

22 MR. SPEIDEL: Mr. Chairman, the  
23 Staff, as a matter of procedural comity to the  
24 other parties, we agreed to the admission of a

1 lot of these testimonies without taking a  
2 technical fine-tooth comb to all of them  
3 regarding the various arguments and positions  
4 laid out therein. And we were okay with having  
5 them admitted and numbered on that basis.

6 We would hope that, in the case of a  
7 citizen intervenor like Mr. Schweiker, that the  
8 same courtesy be extended to him. And,  
9 obviously, the Commission is under no  
10 obligation to accept any of the arguments or  
11 positions presented by Mr. Schweiker, and you  
12 can give it, that is Mr. Schweiker's argument,  
13 the weight that it's due.

14 But we don't really see any grounds  
15 for having the entire testimonial presentation  
16 stricken or kept from the record. I think  
17 Mr. Schweiker has made very clear that he has a  
18 point of view on this proceeding. And it would  
19 be unfair to trip him up with technicalities  
20 regarding what he may or may not have said in  
21 his testimony.

22 MR. KREIS: I'm not trying to trip  
23 anybody up with technicalities. But for the  
24 statement that Mr. Schweiker has provided to

1 the Commission in writing, there is no party  
2 present here today in this proceeding who is  
3 testifying against the Petition as modified by  
4 the Settlement Agreement. And that is a -- I  
5 think a noteworthy reality that would change if  
6 this is admitted.

7 So, it's not a technicality. It's  
8 not a matter of courtesy. It's a matter of  
9 who -- whether all the parties in this  
10 proceeding support or do not support the  
11 Settlement Agreement.

12 CHAIRMAN HONIGBERG: Well, I think  
13 Mr. Speidel has the better argument here with  
14 respect to allowing Mr. Schweiker's prefiled  
15 testimony to be an exhibit, and for him to  
16 testify orally as to his perspective on this.

17 I do understand that, and he  
18 understands, that he's -- if the Settlement  
19 Agreement, the modified proposal were to be  
20 accepted and to become reality, he would  
21 probably not be affected by it directly. But  
22 that doesn't mean he doesn't have something  
23 useful to say. He was granted intervenor  
24 status. And we're going to allow his prefiled

[WITNESS: Schweiker]

1 testimony in and hear from him orally.

2 Mr. Speidel.

3 MR. SPEIDEL: Thank you, Mr. --

4 CHAIRMAN HONIGBERG: Oh, actually,  
5 wait. I think he needs to be sworn in first.

6 MR. SPEIDEL: Yes.

7 (Whereupon **Roy Schweiker** was  
8 duly sworn by the Court  
9 Reporter.)

10 **ROY SCHWEIKER, SWORN**

11 **DIRECT EXAMINATION**

12 BY MR. SPEIDEL:

13 Q. Mr. Schweiker, could you just state your full  
14 name for the record please.

15 A. My name is Roy Schweiker.

16 Q. And you submitted the testimonial material that  
17 has been marked as "Hearing Exhibit 4", is that  
18 correct?

19 A. Yes, I did.

20 Q. Okay. On the basis of what you heard today,  
21 would you have any substantive changes that you  
22 would like to make to your testimony, in  
23 relation to what you've heard from the various  
24 parties and the answers they gave to various

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[WITNESS: Schweiker]

1 questions?

2 A. Okay. The first thing I would like to say is  
3 in regarding to the first paragraph. And that  
4 is Mr. Feltes asked me if I would support the  
5 proposed Settlement. My answer to him is "I  
6 would neither support nor oppose it." Because  
7 I would no longer be affected, I didn't feel it  
8 appropriate to take a position. So, that is my  
9 position. That I am taking no position on the  
10 Settlement. I am not opposing it or supporting  
11 it, because I won't be affected if it takes  
12 effect.

13 And, other than that, I guess I would say  
14 a couple of things. Number one, I think that  
15 the proposed idea of the on-bill paying back  
16 would be a good thing, except for the problem  
17 that, if they get 10 percent interest on it,  
18 that's going to severely limit the amount of  
19 money that they can pay back. Just because, if  
20 you look at the numbers, anything over ten  
21 times your annual savings will never be paid  
22 back using the 10 percent interest. Whereas,  
23 if you use 5 percent interest, you can pay back  
24 a much higher portion. So, I think that, to

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[WITNESS: Schweiker]

1 make that viable, you need to find some  
2 mechanism, maybe they obtain their money other  
3 than from their capital reserves, but from  
4 their own borrowing, so a lowering thing to  
5 come in.

6 The second thing I would have to say about  
7 that is the \$1 million is the most that can be  
8 given out as grants, but we've heard from  
9 several people that \$1 million is not going to  
10 satisfy all of the immediate issues. Whereas,  
11 if you made it loans, rather than grants, you  
12 could loan 3 million or 5 million, or whatever  
13 the total number needed is, because you'd be  
14 getting it back.

15 And the last thing I'd like to say is  
16 there's been some various complaints about  
17 behavior by Concord Steam. And people once  
18 again seem to be placing this upon customers of  
19 Liberty Utilities to make them whole for  
20 adverse actions by Concord Steam, when I think  
21 that's completely inappropriate. That, if  
22 officials of Concord Steam have done something  
23 inappropriate, the PUC should deal with them or  
24 the Attorney General should deal with them,

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1       rather than with Liberty Utilities' customers.

2   Q.   Thank you -- oh, excuse me. Thank you,  
3       Mr. Schweiker. Do you have anything you'd like  
4       to add to that?

5   A.   Not at this time.

6               MR. SPEIDEL: Thank you. Mr.  
7       Schweiker is available for questioning.

8               CHAIRMAN HONIGBERG: Anyone else have  
9       questions for Mr. Schweiker?

10              *[No verbal response.]*

11              CHAIRMAN HONIGBERG: Commissioner  
12       Scott.

13              CMSR. SCOTT: Actually, I don't.  
14       He's already answered the question I was going  
15       to ask. Thank you.

16              CHAIRMAN HONIGBERG: Commissioner  
17       Bailey?

18              CMSR. BAILEY: You've also answered  
19       the questions that I had. Thank you.

20              CHAIRMAN HONIGBERG: And that your  
21       statement answered my question as well,  
22       Mr. Schweiker. So, thank you.

23              Who's next? Mr. Frink.

24                       (Whereupon **Stephen P. Frink** was

[WITNESS: Frink]

1                   duly sworn by the Court  
2                   Reporter.)

3                   **STEPHEN P. FRINK, SWORN**

4                   **DIRECT EXAMINATION**

5 BY MR. SPEIDEL:

6 Q.     Mr. Frink, could you please state your full  
7           name for the record.

8 A.     Stephen Frink.

9 Q.     And what is your position at the New Hampshire  
10          Public Utilities Commission?

11 A.     I'm the Assistant Director of the Gas & Water  
12          Division.

13 Q.     Did you prepare the testimonial presentation  
14          filed on January the 20th of 2017 that has been  
15          marked as "Hearing Exhibit 16"?

16 A.     Yes, I did.

17 Q.     Thank you very much.

18                   MR. KREIS: Mr. Chairman, I'm sorry  
19                   to interrupt. This is probably a good time for  
20                   the Office of the Consumer Advocate to request  
21                   that the Commission rule inadmissible the  
22                   following excerpts from Mr. Frink's testimony:  
23                   I believe the Commission should not admit the  
24                   testimony that begins on Page 13 of Mr. Frink's

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[WITNESS: Frink]

1 testimony, at Line 6 --

2 CMSR. SCOTT: Could you turn your  
3 microphone on please.

4 MR. KREIS: It is on. I'm sorry,  
5 though. Continuing through Page 16, Line 13.  
6 And the reason for that is that Mr. Frink  
7 testifies at length about his legal opinion  
8 about certain issues relating to statutes and  
9 prior decisions. The Commission was careful to  
10 instruct earlier witnesses not to offer legal  
11 argument in the guise of testimony. And I  
12 believe the same rule ought to apply to Mr.  
13 Frink and his testimony.

14 MR. SPEIDEL: Staff would disagree.  
15 This is a prefiled testimonial presentation,  
16 not oral testimony before the Commissioners. I  
17 think the Commissioners want to avoid wasting  
18 time going around in circles in legal arguments  
19 in the hearing room. But a lot of testimonial  
20 presenters have, including Senator Feltes  
21 himself, have presented information that has a  
22 legal flavor.

23 Mr. Frink is a utility analyst and  
24 Assistant Director of the Gas & Water Division

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[WITNESS: Frink]

1 of many years of experience, measured in  
2 decades. And he was opining regarding settled  
3 Commission precedent in the areas of concern.

4 So, we would oppose that motion to  
5 have this stricken. Thank you.

6 CHAIRMAN HONIGBERG: Other witnesses  
7 provided prefiled testimony that included legal  
8 argument. While we limited witnesses' oral  
9 arguments along legal lines, we didn't strike  
10 anyone's testimony who included legal arguments  
11 in the prefiled, and we won't strike this  
12 either. But we will take it for what it's  
13 worth, understanding that Mr. Frink is not a  
14 lawyer.

15 I do anticipate, at the end of the  
16 evidentiary proceedings, that we will have  
17 something of a legal discussion about some of  
18 the statutes and precedents that might be  
19 relevant to this situation.

20 Mr. Speidel, you may proceed.

21 MR. SPEIDEL: Thank you.

22 BY MR. SPEIDEL:

23 Q. Well, I think we were about ready to inquire,  
24 Mr. Frink, are you familiar with the Settlement

[WITNESS: Frink]

1 Agreement that has been marked as "Hearing  
2 Exhibit 2"?

3 A. Yes, I am.

4 Q. What is Staff's position regarding the  
5 Settlement Agreement entered into by these  
6 other parties?

7 A. Well, the Settlement Agreement may or may not  
8 cure some of the deficiencies of the initial  
9 filing, but it does not address the overriding  
10 problem that the proposed Fund violates the  
11 principles of what constitutes just and  
12 reasonable rates, or that the proposal results  
13 in discriminatory rates.

14 One of the signatories to the Settlement,  
15 the OCA, recognized that, when stating their  
16 initial position on the proposal at the  
17 prehearing conference, the OCA stated that the  
18 proposed Fund is unfair, as many utility  
19 customers are being asked to help a relatively  
20 small group of utility customers, and that the  
21 proposal is illegal, because the regulatory  
22 asset --

23 SEN. FELTES: Objection, Mr.

24 Chairman. You know, maybe this is Don's

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[WITNESS: Frink]

1 objection. But we have Settling Parties to  
2 this docket. So, to the extent they changed  
3 their position, Mr. Kreis can -- the Settling  
4 Parties can state their position and why they  
5 changed. I think, you know, --

6 CHAIRMAN HONIGBERG: I believe Mr.  
7 Frink was reading Mr. Kreis's statement from  
8 the prehearing conference, from the transcript.  
9 Am I right, Mr. Frink?

10 WITNESS FRINK: That's correct.

11 CHAIRMAN HONIGBERG: Overruled.

12 **CONTINUED BY THE WITNESS:**

13 A. So, to pick up where I left off. A relatively  
14 small group of utility customers, and that the  
15 proposal is illegal, because the regulatory  
16 asset proposed in the Petition would not be  
17 used and useful in the provision of public  
18 utility service, and requests that the  
19 Commission order that the costs be recovered  
20 from some, but not all, of Liberty's customers.

21 The Settlement modifies Fund guidelines  
22 and administration, but the proposal still  
23 requires Liberty ratepayers to finance it, and  
24 for some, but not all, of Liberty's customers

[WITNESS: Frink]

1 to pay the costs.

2 In fact, if the Settlement is approved,  
3 the rights would be even more discriminatory,  
4 as all residential customers would be exempt  
5 and the entire cost would be borne by Liberty's  
6 commercial and industrial customers, instead of  
7 spread over a more -- instead of spread more  
8 evenly over more customers.

9 The Settlement also does not address  
10 Staff's concerns that there is no consideration  
11 given to the energy savings Concord Steam  
12 customers will realize when converting to  
13 natural gas. Not to pick on Concord Community  
14 Music School, but they will realize an  
15 immediate and substantial savings when  
16 converting to natural gas, and will also be  
17 eligible to have their conversion costs paid  
18 for by Liberty's commercial and industrial  
19 customers.

20 Now, we heard a representative of the  
21 Music School say that she wasn't aware of the  
22 savings from switching from steam to gas. But,  
23 in a data response from the Music School, the  
24 response says that the annual cost under

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[WITNESS: Frink]

1 Concord Steam had been 26,000 the year before,  
2 and that the Liberty cost was expected to be  
3 \$6,600. So, that's a very substantial savings.

4 BY MR. SPEIDEL:

5 Q. Mr. Frink, have you read the various rebuttal  
6 testimony that had been filed on Wednesday?

7 A. I have.

8 Q. What are your thoughts regarding the various  
9 testimonial presentations?

10 A. Most of the testimony explains the valuable  
11 community service being provided by the  
12 nonprofit organizations being served by --

13 SEN. FELTES: Objection, Mr.  
14 Chairman. The testimony can speak for itself.  
15 I mean, we didn't, you know, there's a lot of  
16 testimony in the docket now that the Chairman  
17 and the Commission can review, and I think it  
18 speaks for itself.

19 Mr. Speidel had an opportunity to  
20 cross-examine the witnesses earlier to try to  
21 recharacterize their testimony. I don't think  
22 recharacterizing the testimony on the stand now  
23 is --

24 MR. SPEIDEL: Senator Feltes, we're

[WITNESS: Frink]

1 asking Mr. Frink's thoughts about the  
2 testimony, not about the testimony.

3 CHAIRMAN HONIGBERG: And I guess --

4 MR. SPEIDEL: And he's using English.  
5 You know, you have to string some words  
6 together to kind of get --

7 CHAIRMAN HONIGBERG: Mr. Speidel,  
8 thank you. I guess, Mr. Frink, I would ask if  
9 you can provide your responses without  
10 rehashing much of what is in there, except to  
11 the extent you need to identify what you are  
12 responding to, I guess that would be helpful.

13 WITNESS FRINK: Okay.

14 **CONTINUED BY THE WITNESS:**

15 A. Well, basically, I wanted to say that Staff  
16 understands and appreciates that they're doing  
17 good work, and that this closing is having a  
18 significant impact on those customers.

19 I wanted to add that there's a Asset  
20 Purchase Agreement that Liberty entered into.  
21 That has helped to lessen the impact on those  
22 customers. And they've also -- Liberty worked  
23 with local lending institutions to establish a  
24 loan program to assist those customers in

[WITNESS: Frink]

1 financing conversion costs. Staff is not  
2 opposed to Liberty providing further  
3 assistance, such as loan assistance or on-bill  
4 financing, or if Liberty wished to make a  
5 charitable contribution. Staff is opposed to  
6 requiring Liberty customers to pay \$1 million  
7 to fund Concord Steam customer conversion  
8 costs. It is not Liberty's obligation and  
9 their customers will be harmed by the  
10 transaction.

11 BY MR. SPEIDEL:

12 Q. Mr. Frink, the testimony filed on behalf of the  
13 YMCA states that the Fund proposal is  
14 consistent with the rate treatment of the  
15 property tax stabilization plan that was part  
16 of the Settlement Agreement approved by the  
17 Commission in its Eversource Divestiture order.  
18 Do you agree with that characterization?

19 A. No. The property tax stabilization plan that  
20 was part of the Settlement Agreement approved  
21 by the Commission had been incorporated into  
22 special legislation in 2015. No such special  
23 authority from the Legislature exists for the  
24 Fund proposal.

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[WITNESS: Frink]

1 Q. Your testimony presented in Hearing Exhibit 16  
2 says that Liberty's customers do not benefit  
3 from financing the Fund and are, in fact,  
4 harmed by doing so. Would you please elaborate  
5 on that in light of what you heard today?

6 A. Yes. Liberty is a regulated natural gas  
7 utility serving Concord, and as such is  
8 entitled to recover the cost of providing that  
9 service. To set just and reasonable rates, the  
10 Commission considers whether or not the  
11 underlying costs were necessary to the  
12 provision of service and if they were prudent.

13 In Docket DG 16-769, Concord Steam's  
14 petition to the Commission for emergency rates  
15 and to terminate service, primarily due to a  
16 declining sales related to customers converting  
17 from steam to natural gas service, and creating  
18 a death spiral, in which the Company is  
19 continually forced to increase rates to make up  
20 for lost revenue, which leads to further  
21 customer losses. Concord Steam customers have  
22 been converting to natural gas, and that trend  
23 was expected to continue.

24 In DG 16-770, Concord Steam and Liberty

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1 petitioned the Commission for approval of an  
2 Asset Purchase Agreement, with the key  
3 provision being a \$1.9 million payment from  
4 Liberty to Concord Steam, if Concord Steam  
5 terminates service by May 31st, 2014 [2017?].  
6 Liberty filed testimony to demonstrate that the  
7 1.9 million payment under the Asset Purchase  
8 Agreement is a prudent investment. It  
9 considered two scenarios: A "deal" and a "no  
10 deal" scenario.

11 The "no deal" scenario assumed Concord  
12 Steam customers would continue to migrate to  
13 steam -- from steam to natural gas, and within  
14 five years Concord Steam would no longer be  
15 able to fund its utility operations.

16 In both cases, Liberty assumed it would  
17 acquire Concord Steam's customers. The major  
18 difference being the cost savings related to  
19 connecting those customers all at once and the  
20 timing of the revenue stream.

21 If there had been no cost savings or  
22 additional revenues associated with the APA,  
23 the "deal" scenario, requiring 1.9 million,  
24 compared to the "no deal" scenario, would have

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1       been -- would not have been a prudent  
2       investment, and Staff would have opposed  
3       Liberty's recovering the costs from its  
4       ratepayers.

5               Excuse me. The Petitioners argue that the  
6       Fund proposal, when combined with the 1.9  
7       million APA payment, benefits Liberty's  
8       customers based on Liberty's updated analysis.  
9       But the updated analysis shows no additional  
10      savings or revenue, it simply increases the  
11      cost and the revenue requirement. In a  
12      response to a Staff data request, Liberty  
13      stated that it does not expect the Transition  
14      Fund to impact projected revenues, meaning the  
15      number of conversions and timing of those  
16      conversions are expected to be the same with or  
17      without the Fund. Therefore, the \$1 million  
18      payment is not a prudent investment. It would  
19      not be used and useful. Liberty rates that  
20      included those costs would not be just and  
21      reasonable.

22   Q.   And, Mr. Frink, you mentioned the termination  
23       date of "May 31st, 2014". You meant "May 31st,  
24       2017", correct?

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1 A. That is correct.

2 Q. Okay. Thank you. Your testimony explains how  
3 the proposal is not consistent with the  
4 Claremont order that required the utility or  
5 its parent company to pay for certain  
6 conversion costs. Would you please elaborate  
7 on the facts involved in that case and explain  
8 how they are different from the facts at hand  
9 here?

10 A. In the Claremont case, and also in the  
11 Pennsylvania decision that was cited in the  
12 memorandum of law, the utility requesting to  
13 terminate service was required to pay certain  
14 conversion costs for certain customers.  
15 Approximately two-thirds of the Claremont  
16 customers converted to service with the  
17 utility's parent company, and the cost of  
18 converting their appliances was were paid by  
19 the utility or its parent. In the Pennsylvania  
20 decision, the utility terminating the service  
21 was required to pay a total of \$27,000 of the  
22 conversion costs of five customers. In both  
23 instances, the Commission decision sought to  
24 balance the rights of the customers with the

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1 obligations of the utility abandoning service.

2 Liberty is not the utility abandoning  
3 service. It is meeting its obligation to serve  
4 Concord Steam's customers that are requesting  
5 natural gas service. Under the terms of the  
6 Asset Purchase Agreement, Liberty is to provide  
7 a \$1.9 million payment to Concord Steam that  
8 greatly reduced the revenue requirement used in  
9 setting Concord Steam's emergency rates,  
10 resulting in significantly lower rates for  
11 Concord Steam's customers.

12 In both the Claremont and the Pennsylvania  
13 cases, the customer conversion costs that were  
14 paid for by the abandoning utility or its  
15 parent were limited. In one instance, 27,000,  
16 in the other probably significantly less. In  
17 both instances, the conversion costs were not  
18 required through utility rates. The Fund  
19 proposal requires Liberty to pay 1 million, and  
20 to recover that cost, with interest, through  
21 its utility rates. When the cost spread over  
22 90,000 customers -- while the costs spread over  
23 90,000 customers may not be large on a per  
24 customer basis, that does not make it legal or

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1 fair. If that were the case, there would be no  
2 reason to consider whether any expense less  
3 than a million dollars is prudent or reasonable  
4 when setting utility rates.

5 Q. Thank you, Mr. Frink. And, so, in summation,  
6 would you say that your conclusion remains that  
7 the Petition, even with the submission of the  
8 Settlement Agreement, should be denied by the  
9 Commission in this proceeding?

10 A. Yes, that's correct.

11 MR. SPEIDEL: Thank you very much.  
12 Mr. Frink is available for questioning.

13 CHAIRMAN HONIGBERG: Who has  
14 questions for Mr. Frink?

15 *[Show of hands.]*

16 CHAIRMAN HONIGBERG: Mr. Kennedy  
17 does, Mr. Kreis does, Mr. Feltes does.

18 All right. We'll go Mr. Kennedy  
19 first, then Mr. Feltes, then Mr. Kreis.

20 Mr. Kennedy, you may proceed?

21 MR. KENNEDY: Good afternoon, Mr.  
22 Frink.

23 WITNESS FRINK: Afternoon.

24 MR. KENNEDY: I just have a few

[WITNESS: Frink]

1 questions. Everybody got that? Better?

2 CHAIRMAN HONIGBERG: Off the record.

3 *[Brief off-the-record discussion*  
4 *ensued.]*

5 **CROSS-EXAMINATION**

6 BY MR. KENNEDY:

7 Q. Mr. Frink, you've worked for the Commission  
8 since 1990, is that correct?

9 A. That's correct.

10 Q. And you're the Assistant Director of the Gas &  
11 Water Division?

12 A. Yes.

13 Q. You state that you have the primary  
14 responsibility for the administration of the  
15 financial aspects of the regulation of gas  
16 utilities and Concord Steam Corporation, is  
17 that correct?

18 A. That is correct.

19 Q. You supported the Settlement Agreement that  
20 provided the recovery of \$1.9 million in the  
21 earlier dockets, is that correct?

22 A. Yes, I did.

23 Q. And that was a payment from Liberty to Concord  
24 Steam?

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1 A. Yes, it is.

2 Q. And, in that payment, the ratepayers of Liberty  
3 are essentially being charged that 1.9 million,  
4 is that correct?

5 A. That is not necessarily correct. The one --  
6 they're not paying that, because there are  
7 offsetting savings, actually savings that  
8 exceed the 1.9 million. So that the payment of  
9 that money is actually coming from --

10 Q. It's demonstrated in the DCF, isn't it?

11 A. The DCF, right, demonstrates that there's  
12 actually more earnings associated with that  
13 1.9 million.

14 Q. Okay. Though, that 1.9 million, I believe,  
15 demonstrated that there would be an orderly  
16 transition of Concord Steam customers to  
17 Liberty gas, isn't that correct?

18 A. That was one of the reasons that the APA was  
19 approved, because Liberty would be able to  
20 convert all of its customers in one season, and  
21 that was helpful for them, as far as -- rather  
22 than coming up over the course of five years  
23 for individual customers, it was much easier to  
24 mobilize and transition those customers all at

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1       once. So, the orderly transition had to do  
2       with their ability to do all those customers at  
3       one time.

4   Q.   So, the 1. -- you would agree that the  
5       1.9 million facilitated orderly transition of  
6       Concord Steam customers --

7   A.   I agree, yes.

8   Q.   -- to Liberty gas, yes?

9   A.   Yes.

10   Q.   Okay. And it also -- that 1.9 million also  
11       mitigated the significant risks posed by what  
12       may have been a disorderly conversion of  
13       Concord Steam customers?

14   A.   Oh, absolutely. If there had been another year  
15       of run-up, most of the customers would have  
16       left this year, and the rates that Concord  
17       Steam would have had to have charged would have  
18       been astronomical, and the plant is in  
19       disrepair. There's questions as to its  
20       reliability. Extending another year would have  
21       been -- there were tremendous risks and cost  
22       impacts from doing that.

23   Q.   You understand with this proposal before the  
24       Commission, with this Petition, is that Liberty

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[WITNESS: Frink]

1 has offered \$1 million to finance the  
2 Transition Fund that we're discussing here  
3 today?

4 A. Yes.

5 Q. And Liberty's offered to finance this  
6 Transition Fund is conditioned on the  
7 Commission's authorizing Liberty to create a  
8 regulatory asset, isn't that correct?

9 A. That is correct.

10 Q. And you understand that the instant Petition  
11 here contemplates and sets forth a DCF analysis  
12 that combines the 1.9 million with this \$1  
13 million Fund also funded by Liberty Utilities?

14 A. Which I testified was inappropriate.

15 Q. But, looking at that 1.9 million, with the  
16 combination of the 1 million Fund offered by  
17 Liberty, that would all be considered a  
18 regulatory asset, wouldn't you agree that this  
19 additional \$1 million creates a greater  
20 protection for the orderly transition of  
21 Concord Steam customers to Liberty gas?

22 A. I do not agree.

23 Q. You don't think that that would make that a  
24 great protection for those customers to

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[WITNESS: Frink]

1 transition?

2 A. No. I think those customers, and Liberty  
3 expects the same thing, that those customers  
4 are going to transition to natural gas this  
5 summer, with or without the Fund.

6 Q. And you don't believe that defraying costs  
7 would make it an easier or more orderly  
8 transition for --

9 A. First, I take exception with the term "defray".  
10 They're not defraying costs, they're paying the  
11 costs. So, under this proposal, those costs  
12 paid out of the Fund are never paid back by the  
13 Concord Steam customers. So, those costs are  
14 not being defrayed; they're being paid by  
15 Liberty's customers. But, sorry.

16 Q. Okay. So, but it's your testimony here today,  
17 sir, that this additional \$1 million offered by  
18 Liberty would not provide any greater  
19 protection for any Concord Steam customers to  
20 create an orderly transition from Concord Steam  
21 to Liberty gas?

22 A. That is my position, yes.

23 Q. You worked for the Commission during the  
24 shutdown of Claremont Gas Corporation?

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[WITNESS: Frink]

1 A. I worked here at the time, yes.

2 Q. And you know that occurred in 1994?

3 A. I do.

4 Q. You know the Commission only allowed the  
5 shutdown of Claremont Gas customers only after  
6 those Claremont Gas customers converted to  
7 another fuel source, or it declined -- or it  
8 declined some assistance in converting, is that  
9 correct?

10 A. Yes. That's correct.

11 Q. And that wasn't done in this case?

12 A. No. But a time was allowed so customers were  
13 able to convert.

14 Q. And this -- you would agree that the  
15 abandonment of Concord Steam is going on a very  
16 rapid pace?

17 A. I do agree, yes.

18 Q. And you'd also agree that abandonment -- a  
19 public utility abandonment is not a common  
20 practice or experience here in New Hampshire?

21 A. Thankfully, that's very true.

22 Q. Also, in the Claremont Gas case, you understand  
23 that those customers were provided no  
24 conversion cost to convert off of the Claremont

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[WITNESS: Frink]

1 Gas utility?

2 A. They were provided a "no conversion cost"  
3 option. Many of those customers actually went  
4 with a competitive supplier. As I said,  
5 approximately two-thirds went with the parent  
6 company of the utility. But, if they went with  
7 a competitor, then the parent company and the  
8 utility were not responsible for those costs.  
9 So, they did not pay all customers' conversion  
10 costs, but the ones that went with the parent  
11 company were paid for.

12 Q. So, they were provided an option?

13 A. They were providing an option, yes.

14 Q. Do you recall, I know that you've taken some  
15 time to discuss that case, and you've offered  
16 some legal discussion of that case in your  
17 testimony, so, do you recall that the  
18 Commission noted that the "fair balance between  
19 the rights of the customers and the obligation  
20 of a utility which is voluntarily abandoning  
21 its franchise because it's no longer  
22 financially viable"?

23 A. That is -- the distinction there is that the  
24 utility, in balancing -- the statement reads

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1 says it is "balancing the rights of their  
2 customers with the abandoning utility".  
3 Liberty is not the abandoning utility.

4 Q. Right. But we have an abandoning utility in  
5 this case, don't we?

6 A. Yes. And they do not have the financial  
7 resources to pay customers' conversion costs.  
8 If they were ordered to do that, then they  
9 would have had to put that in their rates to do  
10 that, and that would be self-defeating.

11 Q. Right. And we didn't have an APA in the  
12 Claremont Gas case, did we?

13 A. Well, you didn't have a regulated natural gas  
14 utility in the area. There was no competition.  
15 The only competition was oil dealers or other  
16 propane dealers.

17 Q. Right. So, we didn't have an APA, did we?

18 A. No, there wasn't.

19 Q. And that's something significantly different in  
20 this case than in that case?

21 A. Yes. Concord Steam was very lucky that the  
22 APA -- they were able to get a deal with  
23 Liberty, yes.

24 Q. Because the APA, with the DCF, supported this

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[WITNESS: Frink]

1 Commission's approval of the APA, isn't that  
2 correct?

3 A. The APA --

4 Q. There's a lot of acronyms there.

5 A. Going back to the Commission order approving  
6 that, the approval found, and it's in the  
7 order, that Liberty's customers would not  
8 experience any harm or, if harmed, minimal, but  
9 that the APA provides substantial benefits to  
10 Concord Steam's customers. So, the decision in  
11 approving the APA wasn't simply because the 1.9  
12 was good for Liberty. That was more -- the  
13 real benefit was to the Concord Steam  
14 customers.

15 But, yes, the APA was beneficial to both  
16 customers, based on the results of the  
17 discounted cash flow analysis.

18 Q. So, we both agree, and I think that your  
19 testimony confirms, that public utility  
20 abandonment is not common?

21 A. Agreed.

22 Q. Would you also agree that protecting the  
23 existing customers of that public utility is an  
24 important Commission responsibility?

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[WITNESS: Frink]

1 A. The Commission is responsible for utilities  
2 providing utility service, except in these  
3 instances, both instances, you can't force a  
4 business or a utility to stay in business when  
5 they're losing money. It's just not feasible.  
6 And that's what this circumstance is. And, so,  
7 as we've been over, this is a very unusual  
8 situation, an unusual circumstance. And I  
9 think the Commission, in approving the APA,  
10 helped those customers a great deal. And  
11 keeping Concord Steam open for a year, which  
12 may seem fast, was actually a prudent decision,  
13 given what the option was going forward.

14 So, yes, I do -- the Commission has an  
15 obligation to do what's in the public interest  
16 and protect utility customers. And they have  
17 done that in this instance. How far you go  
18 with that, that I think is what's at issue  
19 here, and how you accomplish that is at issue  
20 here.

21 If there's another proposal that doesn't  
22 cost Liberty's ratepayers a million dollars,  
23 absolutely, that's something Staff would look  
24 at and consider.

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1           This particular proposal is what my  
2           testimony is objecting to. And it's the size  
3           of it and it's the recovery of it. There are  
4           options that we've heard, options discussed  
5           about on-bill financing, loan guarantees.  
6           There are different things that can be done,  
7           loan programs from lending institutions, the  
8           City could offer a program. There are other  
9           ways for these customers to actually defray  
10          costs through a loan. But, again, this is not  
11          defraying costs. This is taking -- this is  
12          making Liberty Utility customers pay the  
13          million dollars and a full return on that,  
14          grossed up for taxes.

15                 And the Concord Steam customers, even  
16                 though some of them will realize substantial  
17                 savings, I don't know how many that they are,  
18                 but that's, you know, the proposal, as I've  
19                 testified to, those are problems. That's why I  
20                 oppose it.

21   Q.       Right. And this DCF analysis is, for all  
22                 intents and purposes, identical to the DCF  
23                 analysis that was used to approve the APA,  
24                 isn't that correct?

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1 A. No.

2 Q. I see Mr. Speidel shaking his head.

3 A. No. It is not correct, because the DCF  
4 analysis for this project, for the million  
5 dollars, includes the revenues and savings from  
6 the 1.9. This, the 1.9, only analyzed the  
7 benefits of the 1.9. The \$1 million payment  
8 should only analyze the benefits associated  
9 with the million dollars.

10 It's like when the Y looked at their two  
11 buildings, they said "we're going to convert  
12 the main building, because we have these  
13 savings. But we're not going to convert the  
14 other one because we don't." Well, if they  
15 combined them, maybe they would have converted  
16 them both. But that's not the way you do  
17 business. "Is it a prudent investment or not?"  
18 You've got to look at them on a stand-alone  
19 basis.

20 Q. Right. But, as you know, this was raised in  
21 the earlier dockets, in 769 and 770, and the  
22 parties agreed to put this off, and actually  
23 the Commission noted in its order that it would  
24 take up this matter in the 827 docket, and

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1       that's why we're here today?

2   A.   That is absolutely correct.  The Commission  
3       said "we will consider this proposal in the  
4       immediate docket and decide on the record in  
5       that docket."

6   Q.   Okay.  And I don't mean to belabor the point,  
7       but it's the Petitioners' position that  
8       combining the \$1 million with the 1.9 as a  
9       regulatory asset makes good business sense or  
10      it follows the same analysis as the DCF used in  
11      the APA.  Would you agree with that?

12  A.   That is the Petitioners' position, yes.

13  Q.   And Liberty supports this, isn't that correct?

14  A.   Liberty has offered conditional support.  It's  
15      conditioned on them earning their full allowed  
16      rate of return, and the million dollars from  
17      their customers.

18  Q.   Under the APA agreement, I understand that  
19      there were some -- Liberty has access to some  
20      135 Concord Steam customers, is that correct?

21  A.   Concord Steam customers, total is I believe 85  
22      customers.  There are a number of -- some  
23      customers have more than one meters.

24  Q.   More than one.  Right.  So, there might be more

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1       than one account. So, maybe that's the total  
2       amount?

3   A.   Right. So, I think what you're referring to  
4       would be the meter count.

5   Q.   Have you had the opportunity to determine or  
6       assess those 135 accounts as to what that would  
7       equate to in residential customers?

8   A.   Well, I heard testimony today that there were  
9       three residential customers. Before that, I  
10      believe there was only one, but --

11   Q.   Yes. I'm sorry. Maybe my question is not  
12      making sense here. The point I'm making is  
13      that getting 135 accounts that may be equal to  
14      them gaining 2,000 residential customers, by  
15      the usage of those 135 accounts. Have you had  
16      an opportunity to review that?

17   A.   I didn't really understand the question. Could  
18      you restate that.

19   Q.   So, for the 135 accounts that Liberty has  
20      access to now under the APA, following that  
21      agreement, --

22   A.   Well, the APA does not give them access to that  
23      information. It is an agreement where Concord  
24      Steam will seek to get permission from those

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1 customers, --

2 Q. Right.

3 A. -- to allow Concord Steam to provide them that  
4 information.

5 Q. Okay. Well, let me shorten the analysis. It  
6 was a good deal for Concord Steam -- for  
7 Liberty Utilities, under the APA, to gain  
8 access or have the right to gain access to  
9 these customers?

10 A. I don't think the access has anything to do  
11 with the merits of the deal. I think the  
12 benefit comes from Concord Steam discontinuing  
13 service at this point in time, so there could  
14 be an orderly transition by Liberty. So,  
15 whether they had access to their customers or  
16 not, I believe every one of those customers  
17 would have contacted Liberty on their own.

18 Q. Well, and that's your opinion.

19 A. Yes, it is.

20 Q. But Liberty decided to pay for that access,  
21 didn't they?

22 A. Liberty did pay -- Liberty paid for that,  
23 first, again, it's not access, it's for Concord  
24 Steam to try and get them that access. They

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1       paid for a lot of things. I'm saying the value  
2       of that access is minimal in considering that  
3       deal.

4   Q.   You've had the opportunity to read Liberty  
5       Utilities' letter to the Commission back in I  
6       believe it was late October 2016?

7   A.   You'll have to tell me what that -- if you  
8       could show me that letter, that would be  
9       helpful.

10   Q.   It's under the docket, it's an October 21st,  
11       2016 letter, and it was prior to the orders  
12       being released in 769 and 770. And I'll just  
13       read the letter to you, or at least the section  
14       of the letter that I'm pointing to.

15               Liberty stated in the letter to the  
16       Commission "If the Commission approves Concord  
17       Steam's request to discontinue service in DG  
18       16-769 and the Asset Purchase Agreement in DG  
19       16-770, then Concord Steam will cease  
20       operations as of May 31st, 2017, leaving  
21       customers with no source of energy for  
22       heating."

23               Liberty further stated "To help alleviate  
24       the unanticipated financial consequences for

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1 customers as they convert to fuel, Liberty  
2 agreed to provide a funding source for those  
3 customers, with that administered by a third  
4 party."

5 And that was in a letter by Liberty. And,  
6 so, they're in support of this Transition Fund?

7 A. I agree they're in support, with the condition  
8 that they are allowed to recover it from their  
9 ratepayers.

10 Q. In the same way that they were allowed to  
11 recover from the ratepayers on the APA, isn't  
12 that correct?

13 A. The proposed recovery mechanism is the same.

14 MR. KENNEDY: I have nothing further  
15 at this time, Your Honor.

16 CHAIRMAN HONIGBERG: Mr. Feltes.

17 SEN. FELTES: Thank you, Mr.

18 Chairman. Oops. Thank you, Mr. Chair. Thank  
19 you, Mr. Frink.

20 BY SEN. FELTES:

21 Q. During your testimony you talked about a  
22 distinction, in your view, a factual  
23 distinction between this case and Claremont,  
24 that being that the company abandoning service

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1 in Claremont, the company or its parent was the  
2 one that was providing assistance. And, in  
3 this particular situation, under this proposal,  
4 it's not Concord Steam that's providing the  
5 assistance.

6 Why didn't you request Concord Steam  
7 provide any assistance with the conversion  
8 costs for Concord Steam customers?

9 A. Because they would have had to recover those  
10 funds from the existing customers, and then  
11 give them back the money. It really didn't  
12 make much sense.

13 Q. Or the \$500,000 that went to pay the Bloomfield  
14 Trust, couldn't -- that could have went to help  
15 customers, correct?

16 A. That was a debt that they incurred to provide  
17 service, and that is they're allowed -- I mean,  
18 utilities have to -- well, most utilities  
19 borrow money, issue stock, they have to fund  
20 their operations, especially their --  
21 especially their fixed costs. So, that's a  
22 debt. It's the same as if they had a loan with  
23 TD North, which they did.

24 Q. Part of the 1.9 million, according to Peter

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1 Bloomfield's testimony, went to "increase  
2 wages", isn't that right?

3 A. That is correct.

4 Q. Why is it appropriate for Liberty ratepayers to  
5 subsidize increased wages for Peter Bloomfield  
6 and Mark Saltsman, but not subsidize and help  
7 the conversion of Concord Steam customers to  
8 Liberty?

9 A. You're missing the point. Liberty --

10 Q. What's the point?

11 A. Liberty paid the \$1.9 million to, basically,  
12 earn -- to earn a return of whatever it was,  
13 \$1.5 million over ten years as a net present  
14 value. The fact that the 1.9 million reduced  
15 the rates for Concord Steam was beneficial to  
16 Concord Steam. But they weren't paying --

17 Q. And wage increases, too?

18 A. If you go back to that docket, if Concord  
19 Steam's employees know the utility is going out  
20 of business, they're looking for other jobs.

21 Q. How much did Peter Bloomfield and Mark Saltsman  
22 get of those wage increases?

23 A. I believe approximately -- I think Mr. Saltsman  
24 was earning 100,000, and he went up to 125,000.

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1 Q. Uh-huh. All right. So, you recall answering  
2 data requests in this docket, correct?

3 A. Yes, I do.

4 Q. I'm going to hand you -- first, I'm going to  
5 ask the question, during your testimony you  
6 said that we're going to, and correct me if I'm  
7 wrong, assume that folks are going to  
8 transition to Liberty. That this is going to  
9 happen. And that -- am I accurately stating  
10 what your testimony is?

11 A. No, that's accurate.

12 Q. So, -- but, after the Commission approved the  
13 November -- on November 10th, the Commission  
14 approved the APA, by the end of December only  
15 16 percent of Concord Steam's customers has  
16 transitioned, isn't that right?

17 A. I wouldn't expect them to be transitioning in  
18 December and January. That's a tough time to  
19 turn off your heat.

20 Q. Okay. Well, I'm going to hand you a data  
21 request.

22 A. Sure.

23 *[Sen. Feltes distributing*  
24 *documents.]*

[WITNESS: Frink]

1 MR. SPEIDEL: And, right off the bat,  
2 for the purposes of administrative clarity, the  
3 docket number reference, the heading should be  
4 "Docket Number DG 16-827". There was a macro  
5 error in the document production. So, I think  
6 everyone will want to cross out "769" and put  
7 in "827". That's the docket that this pertains  
8 to, this instant docket.

9 CHAIRMAN HONIGBERG: And this is  
10 going to be "Exhibit 17".

11 (The document, as described, was  
12 herewith marked as **Exhibit 17**  
13 for identification.)

14 SEN. FELTES: Thank you, Mr.  
15 Chairman. Thank you, Attorney Speidel.

16 BY SEN. FELTES:

17 Q. Mr. Frink, turning to Exhibit 17, let me read  
18 the question: "How many Concord Steam  
19 customers have completed a physical transition  
20 and interconnection to an alternative heat  
21 and/or hot water source?" And "What percentage  
22 of Concord Steam customers have completed a  
23 physical transition and interconnection to an  
24 alternative heat and/or hot water source?" Did

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1 I read that correctly?

2 A. You did.

3 Q. In response: "Staff does not know how many  
4 Concord Steam customers have completed a  
5 physical transition and interconnection to an  
6 alternative heat and/or hot water source.  
7 Concord Steam provides the meter count in its  
8 monthly Usage Revenue Report filed with the  
9 Commission; the number of meters in service in  
10 December 2016 was 135, compared to 165 meters  
11 in December 2015, or a decrease of 26 meters,  
12 16 percent. The meter count is a more accurate  
13 measure of the number of conversions than the  
14 customer count".

15 Did I read all that correctly to that  
16 point?

17 A. Yes, you have.

18 Q. Do you have any updated information of what  
19 percentage of customers have actually made this  
20 transition at this point?

21 A. No, I don't.

22 Q. So, it's safe to assume, at this time, in mid  
23 February, and with a shutdown in May, there's  
24 only about 16 percent, maybe a little bit

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1 higher, that the customers have actually  
2 transitioned to something else at this point?

3 A. That's fair. Yes.

4 Q. Mr. Traum earlier talked about the Mission  
5 Statement of the Public Utilities Commission.  
6 Do you agree that an element of the Mission  
7 Statement is to "to provide necessary customer  
8 protection"?

9 A. Yes. I will agree with that.

10 Q. During this entire process, the only thing that  
11 Staff has done to help with customer  
12 conversions is to attend an informational  
13 session at Red River Theatres, correct?

14 A. That is -- that's correct.

15 SEN. FELTES: Thank you. I would  
16 like to enter the data request this pertains  
17 to. Could we have it marked as "18"?

18 *[Sen. Feltes distributing*  
19 *documents.]*

20 (The document, as described, was  
21 herewith marked as **Exhibit 18**  
22 for identification.)

23 SEN. FELTES: And, for the record,  
24 this data request, like the last one, should be

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1 marked at the top "Docket Number 16-827".

2 BY SEN. FELTES:

3 Q. Mr. Frink, is this the response to the question  
4 I just asked you?

5 A. Yes, it is.

6 Q. Thank you. Mr. Frink, in another data request  
7 alluded to earlier by Mr. Traum, he quoted you  
8 as saying, and I quote, "There is no  
9 exceedingly long payback period that would lead  
10 to a Staff recommendation for financial  
11 assistance for Concord Steam customers through  
12 the proposed Transition Fund."

13 A. You read the second sentence of that response.  
14 It's taken out of context. Staff objected to  
15 the Fund. And the first sentence says "It is  
16 not" -- "it has nothing to do with the payback  
17 period is why we object to this. We're  
18 objecting to this because it's being paid for  
19 by Liberty's ratepayers for the reasons in my  
20 testimony.

21 SEN. FELTES: Thank you very much.  
22 No further questions.

23 CHAIRMAN HONIGBERG: Commissioner  
24 Scott.

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[WITNESS: Frink]

1 MR. KREIS: I think you forgot me.

2 CHAIRMAN HONIGBERG: Oh, I'm sorry.

3 I'm sorry. Mr. Kreis, I forgot you. I

4 apologize for that. Mr. Kreis.

5 MR. KREIS: I don't necessarily  
6 object going after the Commissioners, but...

7 Mr. Frink, my able colleagues, Mr.  
8 Kennedy and Senator Feltes, asked most of my  
9 questions, but I do have a few.

10 BY MR. KREIS:

11 Q. Senator Feltes asked you some questions about  
12 where the \$1.9 million paid to Concord Steam in  
13 connection with the petition in Docket 16-770  
14 went. And I want to make sure I understand the  
15 answers that you gave. Because what I thought  
16 I heard was some of the money went to pay  
17 increased wages to people who work for Concord  
18 Steam. Did I get that right?

19 A. The 1.1 -- the 1.9 million is paid to the  
20 utility.

21 Q. Right.

22 A. What they do with that money, they apply it,  
23 for whatever purposes, if it's to pay their --  
24 to pay wages, to buy wood, to do whatever they

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1 do. So, --

2 Q. Okay. So, is it --

3 A. It's not tied specifically to an item.

4 Q. Well, I guess what I'm trying to establish is,  
5 do you know what the utility did with that \$1.9  
6 million?

7 A. I know that, in the emergency rates, when they  
8 did the revenue requirement, which includes any  
9 number of items, as you well know, that  
10 1.9 million was in there as a revenue. So,  
11 that was \$1.9 million that reduced the  
12 deficiency that was used to set the emergency  
13 rates that was charged to Concord Steam's  
14 customers.

15 Q. Right. And, so, that reduction in deficiency  
16 that you just referred to, that really was for  
17 the benefit of the, whatever it is, 135  
18 customers of Concord Steam, yes?

19 A. Whatever number, yes.

20 Q. Okay. You testified, I think when Mr. Kennedy  
21 was asking you questions, that "this is a very  
22 unusual situation". Are you aware of any other  
23 situations in New Hampshire that might be  
24 similar to this one?

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1 A. There have been a number of water utilities  
2 that have basically gone bankrupt. But, in  
3 those instances, and I don't do much in water  
4 cases any longer, but, typically, Pennichuck  
5 Water Works acquired a lot of those companies.  
6 So that those situations arise, they're usually  
7 very small, troubled companies, and --

8 Q. But those situations, do they not, don't  
9 involve situations where a customer has to  
10 convert from one kind of service to another,  
11 right?

12 A. That is true, yes.

13 Q. You can't substitute water for some other  
14 commodity that might be useful?

15 A. That's a good distinction, yes.

16 Q. Indeed. And, so, what I'm really trying to  
17 establish is, as far as I know or as far as you  
18 know, if the Commission were to approve the  
19 Petition, as conditioned by the Settlement  
20 Agreement, there isn't much of a threat, there  
21 isn't any threat, really, that two weeks from  
22 now there will be another utility and another  
23 scenario and another situation where some other  
24 party could wave the Commission's decision in

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1       this docket and say "Look what you did for  
2       those Concord Steam customers. Now, you have  
3       to do the same thing for our customers"?

4   A.   I would not put that past somebody.

5   Q.   Well, but what I'm really asking is, are you  
6       aware of any situations where that could  
7       happen?

8   A.   I'm not aware of those situations, no.

9   Q.   To your knowledge, are there any commercial and  
10       industrial customers of Liberty Utilities who  
11       are concerned about or are opposing the  
12       Petition, as it has been modified by the  
13       Settlement Agreement?

14   A.   Of their 90,000 customers, I think we've heard  
15       from two.

16   Q.   But my question is, have any of them, either  
17       formally or informally, expressed any  
18       opposition to the Petition, as it has been  
19       modified?

20   A.   No. Not that I'm aware of.

21   Q.   Would you agree with me that the Petition, as  
22       it has been modified by the Settlement  
23       Agreement, holds residential customers,  
24       residential gas customers, of Liberty Utilities

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1 completely harmless? With respect to their  
2 liability for or recovery from them of the  
3 million dollar Fund that we're talking about  
4 here?

5 A. I believe, under the Settlement, since the cost  
6 of the Fund would not be allowed to be charged  
7 to residential customers, they're protected.

8 Q. You, in your direct testimony, read some  
9 comments that you attributed to me, did you  
10 not?

11 A. I did.

12 Q. Just to be clear, from what were you reading?

13 A. That was from the transcript of the prehearing  
14 conference we held.

15 Q. Mr. Frink, if I asked you subject to check,  
16 will you agree with me that the Commission's  
17 rule that covers prehearing conferences is Rule  
18 203.15?

19 A. Subject to check, sure.

20 Q. And would you further agree with me, subject to  
21 check, that Paragraph (d)(1) of that rule says  
22 that among the things that can be covered at  
23 prehearing conferences is the following, and I  
24 quote: "Statement of preliminary, non-binding

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1 positions and other issues of concern of the  
2 parties identified after initial review of the  
3 filing."

4 Would you agree with me, subject to check,  
5 that that is, in fact, part of what Rule 203.15  
6 says?

7 A. Yes.

8 Q. So, is it your understanding that what you read  
9 from me was a "statement of a preliminary and  
10 non-binding position" --

11 A. Absolutely.

12 Q. -- from the Office of the Consumer Advocate?

13 A. Yes, it was.

14 Q. So, and what does the word -- what does the  
15 phrase "non-binding" mean to you?

16 A. It means you can change your position.

17 Q. Right. Okay. And, at the risk of belaboring a  
18 point that may have already been made, there's  
19 been testimony, you testified that there are  
20 other things that could have been done and  
21 still could be done for the customers that this  
22 Petition is intended to benefit. The  
23 Commissioners, I think it's fair to say, are  
24 interested in this question of on-bill

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[WITNESS: Frink]

1 financing. Could you describe what -- or,  
2 could you summarize what efforts the Staff of  
3 the Commission has undertaken to encourage any  
4 of the parties, meaning customers, the utility,  
5 to explore ideas like that?

6 A. I can tell you that, at the prehearing  
7 conference that we were speaking of, the  
8 subject came up. After the hearing, people  
9 gathered and discussed it. Oh, I'm sorry.

10 MR. SPEIDEL: We ought to be careful  
11 to make sure that wasn't a settlement  
12 negotiation. That's all I'll say, Mr. Frink.

13 WITNESS FRINK: Okay.

14 MR. SPEIDEL: Just be careful about  
15 what you describe.

16 WITNESS FRINK: Right.

17 **CONTINUED BY THE WITNESS:**

18 A. There was no discussions of any settlement, but  
19 Staff expressed at -- before that prehearing  
20 conference, in the room full of everybody  
21 that's here, said that it was opposed to the  
22 proposal, which was in very broad terms. And,  
23 afterwards, I think maybe the Commissioners  
24 suggested there might be -- we'll explore other



[WITNESS: Frink]

1 options. Discussed with the utility, and I  
2 don't know if I had a discussion with Senator  
3 Feltes, that this particular proposal was not  
4 acceptable. That, you know, there are other  
5 options that would be, you know, might be  
6 acceptable to Staff, but this particular  
7 proposal wasn't.

8 And I specifically mentioned, and I think  
9 it's in a data request to Liberty that "do you  
10 have these programs?" And, you know, so, we  
11 would have liked to have seen a different  
12 proposal. We didn't see a different proposal.  
13 We expressed that we weren't -- didn't look at  
14 this favorably, and that we would look at  
15 another one perhaps more favorably.

16 BY MR. KREIS:

17 Q. But, if I'm understanding your answer  
18 correctly, Staff itself did not undertake any  
19 affirmative effort, either before or after the  
20 date of the Petition and the date of the  
21 prehearing conference, to try to develop an  
22 alternative to the proposal that Senator Feltes  
23 has made?

24 A. Yes. I believe, and I'd have to go back and

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1 look at the record, the transcript, I believe  
2 the Commissioners directed the parties to look  
3 at that. And it was really between -- Liberty  
4 is the one that supported this proposal  
5 conditionally. And I believe that, you know,  
6 whoever worked that deal out, if Liberty and  
7 Senator Feltes worked this whole thing out  
8 ahead of time, I don't know. But I believe it  
9 was, you know, the proposal came from the  
10 Petitioners, and it's up -- and they knew  
11 Staff's position, our preliminary position, and  
12 it was suggested that, you know, there are  
13 other alternatives, and it was suggested to  
14 Liberty as well, that they would sit down and  
15 work something out.

16 But, no, Staff did not sit down with the  
17 parties and direct them. It's a little  
18 difficult to do that when you're going to get a  
19 submittal that then you have to advise the  
20 Commission on, we try to be impartial. So, I  
21 don't want to be negotiating deals between, you  
22 know, parties. I'd rather see them come in,  
23 then evaluate them and make a recommendation.

24 Q. Is it your position that Staff never negotiates

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[WITNESS: Frink]

1 deals among parties to cases at the Commission?

2 A. If somebody files a petition, and we're  
3 evaluating it, and we can find some common  
4 ground, then we will negotiate a settlement.  
5 We do not negotiate deals before they get filed  
6 here. That is a policy that we try very hard  
7 to adhere to. So, we don't want to be -- the  
8 state wants a special contract, we don't want  
9 to negotiate that and then come in and rule --  
10 and advise the Commission on that. That's just  
11 not how we want to do business.

12 MR. KREIS: That's very interesting.  
13 And I have no further questions for Mr. Frink.

14 SEN. FELTES: Mr. Chairman?

15 CHAIRMAN HONIGBERG: Mr. Feltes, what  
16 can I do for you?

17 SEN. FELTES: At this time, well,  
18 I'll follow up in closing, at this time, if we  
19 can strike the IDs on 17 and 18 and enter them  
20 as full exhibits, those are the data requests,  
21 if that's possible?

22 CHAIRMAN HONIGBERG: We generally do  
23 that at the end, unless there's some  
24 stipulation in advance.

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1 SEN. FELTES: Okay.

2 CHAIRMAN HONIGBERG: I don't  
3 anticipate there being any objection to the  
4 striking ID of 17 or 18?

5 *[No verbal response.]*

6 CHAIRMAN HONIGBERG: Seeing none, we  
7 will strike the ID on 17 and 18.

8 SEN. FELTES: Thank you, Mr.  
9 Chairman.

10 CHAIRMAN HONIGBERG: All right. Now  
11 are we ready for Commissioner Scott? I do  
12 apologize, Mr. Kreis. That was totally my  
13 fault before.

14 MR. KREIS: Not at all. I'm always  
15 happy to go after Commissioner Scott, if that's  
16 the Commission's pleasure.

17 MR. KENNEDY: Mr. Chairman?

18 CHAIRMAN HONIGBERG: Mr. Kennedy.

19 MR. KENNEDY: Yes. I've got about  
20 ten minutes or so, I got it pushed to about  
21 3:35 that I can leave now. So, maybe 3:38, if  
22 I'm driving fast to where I need to be.

23 So, I don't know if it's appropriate  
24 now for me to state that, to the extent that I

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1 miss closing statements, the City of Concord  
2 did provide a legal memorandum of law, and I  
3 would adopt that as the City's legal position  
4 here for a closing statement, to the extent  
5 that I am unable to present the City's oral  
6 position.

7 CHAIRMAN HONIGBERG: Understood,  
8 Mr. Kennedy. Thank you.

9 I think Commissioner Bailey has a  
10 question for you.

11 CMSR. BAILEY: Mr. Kennedy, I think I  
12 read somewhere that the City of Concord may  
13 have some source of funding to offset  
14 unexpected costs of businesses in the City.  
15 Has the City attempted to alleviate any of this  
16 problem?

17 MR. KENNEDY: We do have a Community  
18 Block Grant Program that individuals are  
19 welcome to apply. It's got limited funds in  
20 there. And I'm not certain if it's got the  
21 million that we're looking at here. I don't  
22 have all that information at my disposal right  
23 now. However, I do know that we do have funds  
24 where individuals might have, who qualify

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1 financially, who might have problems with their  
2 home, that might need financing or assistance,  
3 where they can't get a bank loan or something  
4 to that effect, to apply and get financing.  
5 So, we do have something.

6 CMSR. BAILEY: Is that the program  
7 that the Concord YMCA had the application in?

8 MR. KENNEDY: I'm not sure -- yes.  
9 Was that a CDBG grant that you applied for? I  
10 think they got a --

11 MR. TRAUM: It comes through the  
12 State, not the City.

13 MR. KENNEDY: Yes. I think that was  
14 a different program. But we have another grant  
15 program.

16 CMSR. BAILEY: Have any of Concord  
17 Steam's customers applied for those grants, do  
18 you --

19 MR. KENNEDY: Not to my knowledge,  
20 but I don't have anything to do -- I don't run  
21 that program. But not to my acknowledge, I  
22 haven't seen any.

23 CMSR. BAILEY: Do you think that  
24 they're aware that that's a possibility?

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1 MR. KENNEDY: It's a publicly  
2 available program. I believe the information  
3 is on the City's website. Whether or not that  
4 fund has sufficient funds here to provide any  
5 type of relief to the relief that's requested,  
6 I don't know. To the extent that this hearing  
7 is continued, I can have somebody from the City  
8 available to testify on that matter.

9 CMSR. BAILEY: Okay. Thank you.

10 SEN. FELTES: Commissioner Bailey, if  
11 I may, just a question for Attorney Kennedy.

12 This is an income-eligible low-income  
13 fund, isn't it not?

14 MR. KENNEDY: Matt Walsh, you're  
15 asking if Matt Walsh runs that? But, yes, it's  
16 a low-income fund.

17 SEN. FELTES: Yes.

18 MR. KENNEDY: Absolutely. Yes. It's  
19 a federally, income rates, you have meet  
20 certain levels in order to qualify for this  
21 program. So, whether or not any of the  
22 entities here would qualify, I don't know.

23 CMSR. BAILEY: But it's possible that  
24 maybe CATCH and the Remi Building might, --

[WITNESS: Frink]

1 MR. KENNEDY: Maybe.

2 CMSR. BAILEY: -- if they have  
3 low-income housing in there?

4 MR. KENNEDY: It's possible.

5 CMSR. BAILEY: Okay.

6 MR. KENNEDY: But I, you know,  
7 there's a qualification criteria that I don't  
8 have we me right now.

9 CMSR. BAILEY: Okay.

10 MR. KENNEDY: But, like I said, if  
11 you guys want to continue it or if you want to  
12 provide -- keep the record open, I could  
13 provide information.

14 CHAIRMAN HONIGBERG: Well, having  
15 made the offer then, --

16 MR. KENNEDY: Yes.

17 CHAIRMAN HONIGBERG: -- what we're  
18 going to do is ask you to provide information  
19 for the record. We'll reserve Exhibit  
20 Number 19 --

21 MR. KENNEDY: Okay.

22 CHAIRMAN HONIGBERG: -- for you to  
23 provide that information.

24 **(Exhibit 19 reserved)**

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[WITNESS: Frink]

1 CHAIRMAN HONIGBERG: How long do you  
2 think that will take, Mr. Kennedy?

3 MR. KENNEDY: I can have it for you  
4 Monday.

5 CHAIRMAN HONIGBERG: Monday it is.

6 CMSR. BAILEY: Thank you.

7 CHAIRMAN HONIGBERG: Commissioner  
8 Scott, we keep interrupting this. So, are you  
9 ready?

10 CMSR. SCOTT: This better be good  
11 after all that then. Good afternoon, Mr.  
12 Frink.

13 WITNESS FRINK: Good afternoon.

14 BY CMSR. SCOTT:

15 Q. So, you've heard a lot of the testimony. One  
16 of the questions I asked Senator Feltes was, I  
17 was trying to understand what the extra  
18 million, you know, the 1.9 to 2.9, would buy  
19 for Liberty customers? I'm paraphrasing, of  
20 course. And what I think I heard is it would  
21 help firm up the conversion, and I think there  
22 was an allusion to perhaps, without that extra  
23 firmness, for want of a better word, that  
24 there's risk that some of the businesses may go

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[WITNESS: Frink]

1 under, so they wouldn't be using gas. Can you  
2 help me with that?

3 A. Well, Mr. Remi's [Hinxhia's?] testimony made it  
4 sound like, you know, he could go under even  
5 with that Fund. But that's a possibility.  
6 From Liberty's perspective, if a business owner  
7 goes out of business, somebody else moves in  
8 oftentimes. And, so, it doesn't necessarily --  
9 they may lose revenue for a year or two years,  
10 they may not lose revenue at all. But, I  
11 think, for Liberty's analysis, they assume that  
12 these buildings would be converted to gas, most  
13 of them, this summer. To the extent that this  
14 Fund might prevent somebody from going  
15 bankrupt, I suppose it's possible. But it  
16 would not be -- I wouldn't expect it would  
17 be -- have a large impact on Liberty's sales  
18 that are likely to increase without this Fund  
19 or with it.

20 Q. So, again -- excuse me. Again, it's been  
21 talked about a little bit, but, on the  
22 Agreement, so, Liberty would -- the return  
23 on -- rate of return that Liberty would get on  
24 the loan, clearly -- excuse me, the "loan" --

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[WITNESS: Frink]

1 the grant, Liberty clearly would be tying up  
2 their money to do this. So that it would make  
3 sense, in that type of situation, there would  
4 be some return. Do you agree with that?

5 A. Oh, absolutely.

6 Q. Do you agree that -- it occurs to me, though,  
7 that this has little risk. So, there's not a  
8 lot of risk for the Company associated with  
9 this. So, is that rate of return appropriate,  
10 in your opinion?

11 A. Well, I look at investments whether they're  
12 prudent or not, and this is not a prudent  
13 investment, in my analysis. So, if you -- the  
14 return increases the payment from 1 million to  
15 1.3 million, that's the return. I have a  
16 problem with the million. So, whether you make  
17 it 1.3 or 1.1, I still don't -- I don't think  
18 any return is appropriate on a bad investment.

19 Q. I understood that. But, if you could divorce  
20 that thought from it, meaning let's say we  
21 decided it was prudent, and Liberty, you know,  
22 it was basically were to now go do this, and  
23 I'll go back to my original question is, for  
24 that type of application, is that an

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[WITNESS: Frink]

1 appropriate rate of return?

2 A. Generally, I mean, it depends on the return --  
3 the overall return is tied to their weighted  
4 cost of capital. So, if they're using, and  
5 it's usually a mix of equity and debt, if  
6 they're using debt, I believe their cost to  
7 debt is about 4 percent, and that's not grossed  
8 up for taxes. So, that is more palatable. So,  
9 if they were to finance this \$1 million, took  
10 out a loan themselves to fund this, then that  
11 would be -- that would reduce it, and that  
12 would probably be more appropriate.

13 Q. So, obviously, I've asked a lot of questions of  
14 everybody else, so you know the question I'm  
15 about to ask, is I am interested in exploring  
16 further on-bill financing. Can you help me a  
17 little bit with that? You know, you've kind of  
18 stated generally that that type of thing would  
19 be something Staff would be willing to look at  
20 and maybe even support. Can you help me with  
21 that a little bit?

22 A. I think that makes a lot of sense. And I think  
23 it would be a help for the customers. It would  
24 certainly reduce the harm or maybe even

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[WITNESS: Frink]

1 eliminate it for Liberty's customers, if that  
2 were the case. And there's no question that  
3 the natural gas rates are substantially below  
4 the Concord Steam rates. And there will be a  
5 savings.

6 Now, I've heard that there's insurance  
7 costs and maintenance costs. But a new gas  
8 boiler, I can't imagine that, you know, they  
9 have a 20-year life or longer, that that's  
10 really going to require a whole lot of  
11 maintenance. And I don't know what the  
12 insurance cost is. Again, it would be a  
13 brand-new, assumed high-efficiency system. So,  
14 I think those are fairly -- would expect those  
15 to be fairly minimal.

16 But there will be, and the Y, in their  
17 testimony, said they converted their main  
18 building, and there was a substantial savings  
19 with a four-year payback. And I believe at the  
20 prehearing conference Mr. Traum said it was  
21 like a 75 percent savings on the energy costs.  
22 So, there is a real savings that these  
23 customers are going to experience on their  
24 energy bill, even factoring in an increase in

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1 insurance and maintenance costs.

2 What that is, of course, is how does that  
3 compare to the up-front cost? So, for some  
4 customers, there's an immediate savings and  
5 improved cash flow. For other customers, the Y  
6 said it would be 30 years. So, yes, it's all  
7 over the place. But there's no question that,  
8 because the gas rates are so much lower than  
9 steam rates, there will be a savings. At some  
10 point, it will pay for itself. Nobody would  
11 make a 30-year -- an investment with a 30-year  
12 payback, if they didn't have to.

13 But that's -- when they proposed a fund  
14 that said, you know, "they're facing financial  
15 hardship". Well, some are and some aren't. It  
16 really comes down to what your upfront costs  
17 are and what's your savings. And this fund  
18 does not take into consideration the savings.

19 Q. So, still on the topic of, you know, a on-bill  
20 financing scheme, one of the impediments I  
21 think we heard from some of the panelists were,  
22 "if it's at a high interest rate, well, gee, I  
23 might as well go to a bank" or "it's not really  
24 going to help, in the payoff, it won't help".

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1 Back to my rate of return question, is  
2 that an appropriate -- is the rate of return  
3 that's being entertained in this Settlement,  
4 would you support that same rate of return for  
5 on-bill financing?

6 A. I'm really not very familiar with on-bill  
7 financing. I think, for some energy efficiency  
8 programs, they have it. I don't know what kind  
9 of return is provided on those. So, I don't --  
10 I really don't know what an appropriate number  
11 would be.

12 Q. But perhaps, it's sound like you alluded to,  
13 for the -- if we were to approve the Agreement,  
14 and I understand your position on the  
15 Agreement, you were suggesting that it wouldn't  
16 be -- it would be more like the cost of debt  
17 financing would be your suggestion. Would that  
18 be perhaps the same for an on-bill financing  
19 rate of return?

20 A. It would be -- I think that would be  
21 reasonable.

22 CMSR. SCOTT: Okay. That's all I  
23 have for now.

24 CHAIRMAN HONIGBERG: Commissioner

[WITNESS: Frink]

1 Bailey.

2 CMSR. BAILEY: Thank you. Good  
3 afternoon, Mr. Frink.

4 WITNESS FRINK: Good afternoon.

5 BY CMSR. BAILEY:

6 Q. On Page 10 of your testimony, you express some  
7 concerns about Capital Regional Development  
8 Council administering the Fund. And, primarily  
9 because you hadn't seen their offer, and you  
10 didn't have enough information on their  
11 qualifications and other things.

12 Now that we have the Agreement, and there  
13 are a whole lot more details, are any of those  
14 concerns alleviated? I understand your  
15 position --

16 A. Oh, yes. I think they would do a good job  
17 managing the Fund, if it were approved.

18 Q. Okay. All right. Thank you. Do you know how  
19 many residential customers Concord Steam has?

20 A. Well, I heard the same thing you heard today,  
21 that there are three residential customers. I  
22 was only aware of one before today, but --

23 Q. Okay.

24 A. So, somewhere between one and three.

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[WITNESS: Frink]

1                                   *[Laughter.]*

2 BY CMSR. BAILEY:

3 Q.     Okay. Do you have any idea how many nonprofit  
4           customers they have or do we not have that  
5           information?

6 A.     I don't have that information.

7 Q.     Okay. Do you know what the bill impact on  
8           commercial customers would be, if we approve  
9           this? What the monthly bill impact would be?

10 A.     You're talking about the Liberty ratepayers?

11 Q.     If Liberty -- yes. The Liberty commercial  
12           customers, how much would this cost them every  
13           month, and for how long?

14 A.     Well, I looked at -- basically, what I did is  
15           looked at the revenue requirement that's  
16           associated with \$1 million. And it calls for  
17           the revenue requirement, based on the DCF  
18           analysis, would be about 250,000 a year, 264 --

19 Q.     Sixteen or sixty?

20 A.     264,000 a year would be the revenue  
21           requirement. So, the assumption is, when they  
22           come in for rates, that 264,000 would go --  
23           would be recovered from commercial/industrial  
24           customers. I assume that C&I, whether they're

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1 transportation or are firm sales customers,  
2 would all be paying it. And, if that is the  
3 case, then the cost to a middle-sized  
4 commercial/industrial customer, at the G-42,  
5 that's high winter load/medium use, I think,  
6 that would be \$83 a year. And, for the G-52,  
7 which is a very large low winter use customer,  
8 that would be about \$82 a year. I believe the  
9 annual bill for a G-52 on average, and this was  
10 provided as part of the cost of gas, is about  
11 14,000 a year, and, for the G-42, it's about  
12 16,000 a year.

13 Q. Thank you. Can you help me out on the argument  
14 about the DCF analysis? I understand that your  
15 position is that they've already made a  
16 \$1.9 million investment, and your analysis  
17 showed that there would be savings from doing  
18 all the connections at once, and the number of  
19 conversions, in an orderly manner, would --  
20 they would save money from that --

21 A. Just a correction. That was Liberty's  
22 analysis.

23 Q. Okay. Liberty's analysis. And that the  
24 revenue produced by adding those customers and

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[WITNESS: Frink]

1 the savings together, exceeds \$1.9 million in  
2 ten years or less than ten years?

3 A. The net present value, actually, in the very  
4 first year, Liberty would -- the revenue  
5 requirement associated with this 1.9 million  
6 would be a positive 162,000. So, they're  
7 filing a rate case this career. They paid the  
8 1.9 million, but they recognized it as a  
9 regulatory asset. And they're going to put, I  
10 forget what the amount is, but the additional  
11 revenues and savings exceed what that  
12 regulatory charge would be. So, in year one,  
13 it's actually going to reduce the revenue  
14 requirement for Liberty customers by 162,000.  
15 So, when they come in for rates now, that's  
16 less money that will be recovered from  
17 ratepayers. So, lower rates.

18 Q. But, if you add this additional million  
19 dollars, that's going to add another \$264,000.  
20 So, you would subtract 162 from 264, and you're  
21 left with 162,000 on the positive side, right?  
22 It's going to cost ratepayers 162,000?

23 A. The 162 is tied to the \$1.9 million payment.

24 Q. Right.

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[WITNESS: Frink]

1 A. That is not -- they have that with or without  
2 this Fund is created, --

3 Q. I understand.

4 A. -- with or without the million dollars, if you  
5 let Liberty -- if Liberty pays a million  
6 dollars to this Fund, and is allowed to make it  
7 a regulatory asset, recover it through the  
8 rates, then the revenue requirement that  
9 customers are going to have to pay are going to  
10 go up by about \$265,000.

11 Q. I think that's what -- I think we're agreeing  
12 with each other. But, if you have 160 -- oh, I  
13 see what you're saying.

14 A. Yes.

15 Q. And, you're saying, so, you don't give them  
16 credit for the 162,000 --

17 A. They got that without the million dollars.

18 Q. They got that without the million.

19 A. How is that a good investment?

20 Q. Okay. All right. I understand. But, even if  
21 you did give them credit for that, ratepayers  
22 would still pay more. So, instead of having a  
23 revenue -- \$162,000 revenue reduction, revenue  
24 requirement reduction, on net, they'd have a

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[WITNESS: Frink]

1 162,000 revenue requirement increase?

2 A. That's in -- okay. So, the DCF analysis looks  
3 at the costs and the savings. So, you've got  
4 revenues and costs, the \$1.9 million payment,  
5 the \$1 million payment, then it looks at the  
6 associated, you know, they compare those and do  
7 a discounted -- using their approved rate of  
8 return as a discount rate, they see what the  
9 payback is over ten years. That's what the  
10 analysis is. And, in each year, those ten  
11 years, there's, you know, the revenue  
12 requirement versus the revenues produces a  
13 positive --

14 *[Court reporter interruption.]*

15 **CONTINUED BY THE WITNESS:**

16 A. -- a positive or a negative number. So, in the  
17 1.9 million payment, all ten years are  
18 positive, and it's positive 162,000 in year  
19 one. You add the million dollars, which is  
20 wrong, you add the million dollars, those first  
21 five years are all negative. Now, that doesn't  
22 mean that that's in their rates right off the  
23 bat. They're going to do -- you know, they're  
24 coming in for a rate case. And, if they come

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1 in for a rate case somewhere down the road, you  
2 know, or if they're late in coming for this  
3 rate case, it's going to push those, that plus  
4 or minus back and change the end result.

5 But the analysis is that the 1.9, over ten  
6 years, with a discounted cash flow, generates  
7 an extra 1. -- almost \$1.5 million in revenue  
8 for firm sales customers. You do the same  
9 analysis for the million dollars, it's five  
10 years, it produces a negative \$1 million.

11 BY CMSR. BAILEY:

12 Q. Why do you do it over five years?

13 A. It's over five years. So, you'd include the  
14 \$264,000 increase in customer rates, and that's  
15 basically in effect for the next five years.  
16 So, if this -- if it's \$80 a year for a  
17 commercial/industrial customer, he's paying an  
18 extra \$80 a year for five years.

19 Q. Okay. Thank you. On the water case analogy or  
20 case that you were talking about, have we ever  
21 had a water case -- a water company go bankrupt  
22 and another water utility not step in?

23 A. Not that I'm aware of.

24 Q. If that happened, would customers have to dig

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1       their own wells, is that --

2   A.   Well, what we've done is that -- there have  
3       been instances where the water utility -- small  
4       water utility developers put in a water -- a  
5       well to serve his 70s houses or whatever. He  
6       passes away, the kids don't want it, that's one  
7       I worked on. And, so, basically, the  
8       Commission took it over for a year, and put it  
9       in receivership, and had somebody run it until  
10      we could find somebody who was willing to take  
11      that company on.

12                   CMSR. BAILEY: Okay. I think that's  
13      all I have. Thank you.

14                   CHAIRMAN HONIGBERG: I have a few  
15      questions, Mr. Frink.

16   BY CHAIRMAN HONIGBERG:

17   Q.   Senator Feltes asked you about how conversions  
18       are going. And I sensed that you had more to  
19       say about that. What is your expectation, as  
20       we go through the winter and into the spring,  
21       of the remaining Concord Steam customers? Will  
22       they all be doing it at once, once the weather  
23       gets warm?

24   A.   The Concord Steam, as part of their monthly

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1 report, files -- they're allowed to adjust  
2 their rates monthly, they've made one  
3 adjustment, based on their revenues. And, as  
4 part of that, they calculate in customer  
5 losses. So, they had calculated in customer  
6 losses that they knew of, which were fairly  
7 small through December, and then they have  
8 quite a few in April and May. So, the  
9 expectation always was, and I believe we talked  
10 about this in that docket, was that it's late  
11 in the season to be doing conversions. Most of  
12 the customers at that point probably weren't  
13 going to be able to convert before next summer.

14 Q. When May 31st rolls around, what's your  
15 expectation as to how many customers will not  
16 have converted?

17 A. It could be a significant number. For Concord  
18 Steam, most of their customers do not take  
19 steam during the summer. So, they probably  
20 have electrical water heaters or something else  
21 for water, because the steam is so expensive.  
22 So, I believe at the peak they only had about  
23 20 customers, one of them being the Y, which is  
24 probably their biggest summer customer, takes

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[WITNESS: Frink]

1 steam in the summer. So, I expect those  
2 customers really won't have an impact on  
3 May 31st whether they have converted or not.

4 Q. The landlords that we heard from, does some of  
5 them have residential units that they own? So,  
6 while they are commercial customers, they are  
7 serving residential customers of their own?

8 A. Yes.

9 Q. Do you know if those people are taking steam  
10 through the summer for hot water purposes?

11 A. Well, we heard Remi say that he doesn't. That  
12 he doesn't take steam, he stops in April. So,  
13 maybe some do, but I suspect most don't.

14 Q. A couple of times you made reference to  
15 "70,000", I think it was 70, maybe it was  
16 90,000 customers, as being Liberty's number of  
17 customers. Is that all customers or is that  
18 just their C&I customers?

19 A. That is all customers, residential and C&I.

20 Q. Do you know roughly how many are residential  
21 and how many are C&I?

22 A. I don't know what the customer number is. I  
23 mean it's more -- more significant, I think,  
24 would be the load.

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[WITNESS: Frink]

1 Q. Do you know that, roughly?

2 A. I can get that information for you, but I don't  
3 have it in front of me.

4 Q. Actually, there's people in the room who  
5 probably know that information.

6 A. Good point.

7 Q. I want to talk a little bit about how you think  
8 about the 1.9 million and how you think about  
9 the 1 million. And you were asked a number of  
10 questions by a number of people about that.  
11 And I'm going to put words in your mouth and  
12 see if this is a way of thinking about it that  
13 works for you. That the 1.9 million was to  
14 help Liberty and Concord Steam with the  
15 necessary work that needed to be done to  
16 convert Concord Steam's customers, or a lot of  
17 Concord Steam's customers. While the 1 million  
18 that we're talking about today is pretty much  
19 strictly for Concord Steam's customers?

20 A. That is correct.

21 Q. And is that why or does that help explain why  
22 you view the two differently? That the first,  
23 the 1.9 million was for Liberty, and benefited  
24 Liberty, whereas the 1 doesn't?

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[WITNESS: Frink]

1 A. That is the overriding problem.

2 Q. Okay. When you were -- when you were speaking  
3 with Mr. Kreis, I think you said something  
4 along the lines of that "Staff doesn't  
5 negotiate with folks before they file  
6 petitions". Did I remember that roughly  
7 correctly?

8 A. I say, as a policy, we try not to negotiate  
9 deals in advance of filing.

10 Q. But it does happen, does it not?

11 A. It happens.

12 Q. I mean, my memory is that Concord Steam itself  
13 is an example of that, isn't it?

14 A. There were informal discussions, for instance,  
15 Liberty wanted to know in advance what Staff  
16 would want to see to be able to support their  
17 Asset Purchase Agreement. And I specifically  
18 told them "I want to see a "deal" and a "no  
19 deal" scenario. Is this a good deal or not?  
20 Show me what, if you do nothing, what the  
21 benefit is and what the cost is."

22 But we didn't say "\$1.9 million is the  
23 right number". We didn't sit down. Concord  
24 Steam came to us and said "we were thinking of

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1 approaching Liberty, is that a good idea?" My  
2 response was "I don't know why they'd take your  
3 system, but go ahead."

4 We don't have a problem with offering what  
5 our position might be if you come into it,  
6 when -- and, actually, the same thing happened  
7 with this Fund. It wasn't -- you know, it was  
8 raised before the hearing, and I voiced my  
9 concerns with it.

10 So, it's not -- but, again, I don't want  
11 to be in a position saying "oh, yes, 1.9 is the  
12 right number." It's up to them to reach a  
13 number that works for both sides and  
14 demonstrate that.

15 Q. With respect to alternatives to what we have  
16 before us, I sense -- well, you've said that  
17 there are "other things that might work" for  
18 you or for Staff. Is one of the things that  
19 would be helpful for you to include a needs  
20 analysis for the customers in question? Those  
21 who have, for example, 30-year payback time  
22 periods being a more sympathetic case than one  
23 who has a payback period of just over a year?

24 A. Absolutely.

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1 Q. How would something like that be managed? Who  
2 would have to manage that aspect of a program?

3 A. Well, we have a program administrator. And I  
4 don't think it would be a difficult analysis,  
5 or to put on the application what your --  
6 provide the information as to what the 2015  
7 steam costs were, and what the, you know, what  
8 the current gas prices are, and say "these are  
9 our expected annual savings." And that would  
10 give -- it's not, I mean, yes, you can say  
11 insurance might be a little higher and  
12 maintenance might be a little higher. Again, I  
13 don't think it's significant. There's also  
14 goes to be an increased value in the building  
15 if you put in a new system, I would expect.  
16 So, I think those things kind of wash out.

17 But I really do have a problem of giving  
18 money, other people's money to people that are  
19 actually going to benefit.

20 Q. Right. Well, we got that one. We got that  
21 question. We were on administration now. And  
22 I think what you're saying is that, if people  
23 come forward with a proposal, it should contain  
24 the kind of information you would want to see

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1 in analyzing how quick the payback would be and  
2 how much this particular applicant needs, as it  
3 were, the money, right?

4 A. Right.

5 Q. We didn't get a ton of public comment in this  
6 docket, although we did get one filing, one  
7 public comment, that seemed to lay out a  
8 proposal like that. It was complicated, and I  
9 don't pretend to remember all the details. But  
10 it did include the notion about, if someone was  
11 going to be worse off, after a certain number  
12 of years that person should get money, whereas  
13 someone who was better off after a period would  
14 not. And it sounds like a very similar  
15 concept. Do you remember the public comment  
16 that I'm thinking of? I think it was filed by  
17 a Concord City Councilor was who involved  
18 earlier.

19 A. I remember seeing it. I don't remember the  
20 details.

21 Q. Yes, I don't think I remember the details  
22 either, but it's in the file, although it's not  
23 going to be an exhibit in this proceeding.

24 CHAIRMAN HONIGBERG: I don't think I

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[WITNESS: Frink]

1 have any other questions for you, Mr. Frink.

2 Thank you.

3 Why am I not surprised? Commissioner  
4 Scott.

5 CMSR. SCOTT: I never want to  
6 disappoint.

7 BY CMSR. SCOTT:

8 Q. So, back on alternatives. And, obviously, I've  
9 been trying to explore one alternative. If we,  
10 and, again, we haven't decided this yet,  
11 obviously, but let's say I'm concerned about  
12 cross-subsidization, based on what I'm seeing  
13 in the filing, the Settlement, but I'm  
14 interested in, you know, I'm sympathetic the  
15 concerns. And I'll take on-bill financing, for  
16 instance. Obviously, we're missing a major  
17 player in that, which is Liberty. How do we  
18 get from there to here? If we don't approve  
19 the Settlement as is, we want to see something  
20 move forward, what's your suggestion on how  
21 that would work?

22 A. My suggestion before this was even filed was  
23 that Senator Feltes and the Petitioners, or  
24 someone on their behalf, should have that

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1 discussion with Liberty and see what other  
2 options there were to this.

3 CMSR. SCOTT: That's all I have.  
4 Thank you.

5 CHAIRMAN HONIGBERG: Mr. Speidel, do  
6 you have any further questions for Mr. Frink?

7 MR. SPEIDEL: No further questions,  
8 Mr. Chairman.

9 CHAIRMAN HONIGBERG: All right. Mr.  
10 Frink, you can return to your seat. Off the  
11 record.

12 *[Brief off-the-record discussion*  
13 *ensued.]*

14 CHAIRMAN HONIGBERG: So, we're going  
15 to take a five-minute break, try and come back  
16 six minutes after four, if that clock is  
17 correct.

18 *(Recess taken at 4:01 p.m. and*  
19 *the hearing resumed at 4:11*  
20 *p.m.)*

21 CHAIRMAN HONIGBERG: Okay. I think  
22 we've dealt with exhibits. We have 19 reserved  
23 for the City of Concord to submit something,  
24 and we'll deal with that when it comes in.

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1                   Are there any other preliminary  
2 matters we have to take up before the parties  
3 sum up?

4                   *[No verbal response.]*

5                   CHAIRMAN HONIGBERG: All right. Who  
6 that is still here would like to speak?

7                   *[Show of hands.]*

8                   CHAIRMAN HONIGBERG: All right. I'm  
9 sorry, Ms. Glahn, was your hand up? I couldn't  
10 see.

11                  MS. GLAHN: Yes.

12                  CHAIRMAN HONIGBERG: Okay. I thought  
13 it might be.

14                  Why don't we start back there.  
15 Mr. Snow, you didn't have your hand up, did  
16 you?

17                  MR. SNOW: No.

18                  CHAIRMAN HONIGBERG: All right. Mr.  
19 Kreis, why don't you go first.

20                  MR. KREIS: Why thank you. I think  
21 it is important for the Commission to keep in  
22 mind that there is no party who opposes the  
23 Settlement Agreement that is pending before you  
24 today. The Office of the Consumer Advocate has

1       agreed to the proposal salary of the  
2       Petitioners, based on the notion that  
3       residential ratepayers of Liberty Utilities are  
4       held harmless. That has been made amply clear  
5       on the record.

6               And there are no commercial and  
7       industrial customers at Liberty Utilities that  
8       have appeared here to oppose the Petition.  
9       And, I think as everybody in the room is well  
10      aware, when something happens that commercial  
11      and industrial customers don't like, they have  
12      a way of finding there way here and making  
13      their views known.

14             What we do have, though, is the Staff  
15      having offered very emphatic testimony in  
16      opposition to the Petition as conditioned by  
17      the Settlement Agreement. And I think we  
18      should ponder the benefit of them having done  
19      that. In a different set of rules, before a  
20      different agency, those skeptical views about  
21      the proposal would be laid out for the  
22      Commissioners in some conference room upstairs  
23      behind closed doors. And here we have a system  
24      that allows a skeptical internal view of

1 something like this to be presented on the  
2 record, talked about openly, subjected to,  
3 well, reasonably hostile cross-examination, I  
4 would say. And I think that's been really  
5 helpful to this process in terms of  
6 articulating exactly what, if anything, is  
7 wrong with what Senator Feltes has proposed  
8 here.

9 And I have read Mr. Frink's testimony  
10 quite carefully. And the essence of his  
11 opposition is, and I'm quoting from his  
12 testimony now, "if approved, Liberty's  
13 customers will be harmed through higher rates  
14 with no concomitant general benefit."

15 "Concomitant" is one of those words I get in  
16 trouble for using. Mr. Frink used it, and I  
17 looked it up, it means "naturally flowing as a  
18 consequence of something". And I really think  
19 this question of whether there is a  
20 "concomitant general benefit" arising out of  
21 what would admittedly cause harm, i.e. some  
22 very small additional positive rate impact on  
23 commercial/industrial customers, is, you know,  
24 it's a policy call that the Commission has to

1 make. And you have made policy calls like that  
2 in the past.

3 You have done it when big water  
4 companies have taken over small and troubled  
5 water companies, and you did it when you  
6 approved Public Service Company of New  
7 Hampshire taking over the franchise and works  
8 of the Connecticut Valley Electric Company.  
9 There's no doubt that all of PSNH's or  
10 Eversource's customers paid a little bit more  
11 in their electric rates in order to deliver  
12 some benefits for the electric customers, who  
13 as, coincidentally, happen to be the customers  
14 in Claremont that we've also been talking about  
15 today.

16 The other argument that -- or, one of  
17 the other arguments that Mr. Frink makes is  
18 that the proposal before you should be rejected  
19 because it favors natural gas conversions, as  
20 opposed to other conversions. We didn't really  
21 make anything of this during the testimony, but  
22 Mr. Nute addressed that issue in his testimony.  
23 He pointed out that, given the timeline, it is  
24 impractical to expect customers of Concord

1 Steam to be able to do anything at this point  
2 other than convert to natural gas. And,  
3 indeed, as far as I know, that is what Concord  
4 Steam's biggest customer, the State of New  
5 Hampshire, intends to do. And, if it is  
6 difficult or impossible for the State to  
7 convert to something other than natural gas, I  
8 think it's reasonable for the Commission to  
9 conclude that the same thing is true of all of  
10 the other customers of Concord Steam that we're  
11 talking about helping here.

12 Mr. Frink quoted my remarks during  
13 the prehearing conference reasonably so, I  
14 think, even though it was a statement of  
15 preliminary position. Because at that time I  
16 raised, and will now again address, the  
17 question of RSA 378:10, which Mr. Frink talked  
18 about in his testimony. RSA 378:10 precludes  
19 the Commission from adopting rates that involve  
20 an undue or unreasonable preference.

21 I think it's merely to state the  
22 obvious to point out that there are always in  
23 rates cross-subsidizations and customers who  
24 pay for costs that aren't necessarily directly

1       attributable to them. And, you know, the  
2       Commission, again, has to make a policy  
3       determination about whether the public interest  
4       is such that, to the extent there is a  
5       preference, it is not undue or unreasonable.

6               I think it's important to keep in  
7       mind that RSA 378:10 was really -- that  
8       principle, as it is enshrined in the utility  
9       law of most every state, was designed to  
10      eliminate the situation where a utility could  
11      simply take its favored people, you know,  
12      whether they're Titans of industry or  
13      influential politicians or other public  
14      figures, and offer them special deals. The  
15      proverbial, you know, railroad free pass that  
16      the railroads used to give out when the  
17      Vanderbilt family ran railroads under the  
18      theory "the public be damned." And that is not  
19      what is going on here.

20             In a better world, a proposal to  
21      deliver the kind of help to the struggling  
22      Concord Steam customers would have been made  
23      and talked about and presented to you for  
24      approval in Docket Number 16-770, where you

1 approved the \$1.9 million that was paid to  
2 Concord Steam. And we have heard reminder  
3 testimony today that really that \$1.9 million,  
4 even though it was paid to Concord Steam, was  
5 in significant part really expended in a way  
6 that was a form of assistance to the customers  
7 of Concord Steam, by allowing Concord Steam to  
8 continue to operate and not charge even higher  
9 emergency rates than the high ones that the  
10 Commission had to approve given the nature of  
11 the emergency. That's arguably the same thing  
12 that we are talking about here in a somewhat  
13 different form, and, you know, it's a policy  
14 call. I don't think it sinks to the level of  
15 undue or unreasonable preference.

16 I do think there is a concomitant  
17 general benefit that justifies assessing this  
18 small additional increment of increased rates  
19 on commercial and industrial customers of  
20 Concord Steam in order to address this problem.  
21 And there are no customers here arguing  
22 otherwise.

23 And, so, for those reasons, I think  
24 it is reasonable and appropriate for the

1 Commission to approve the Petition as  
2 conditioned by the Settlement Agreement.

3 And I can tell the Chairman is about  
4 to ask me a question.

5 CHAIRMAN HONIGBERG: I am indeed.  
6 The statements from the prehearing conference,  
7 which we understand non-binding/preliminary.  
8 You wrote a letter to the editor, too, on this  
9 topic. And I understand that's non-binding.

10 MR. KREIS: It's also not of record.

11 CHAIRMAN HONIGBERG: What's that?

12 MR. KREIS: Not of record either.

13 CHAIRMAN HONIGBERG: Well, I don't  
14 think you're going to deny that you said these  
15 things.

16 In that letter, as it was  
17 published -- I mean, how else am I going to ask  
18 this? You're not a witness. You talked about  
19 the -- defending your differing positions on  
20 the 1.9 versus the 1 million proposed in the  
21 original filing here. And you said that the  
22 difference, and I'm quoting now, "the  
23 difference is that the 1.9 million is related  
24 to the provision of utility service, the only



1 basis for which including costs" -- I'm sorry  
2 -- "the only legal basis for including costs in  
3 the bills of utility customers." And that's  
4 the end of the quote.

5 How things changed in that.

6 MR. KREIS: Well, Mr. Chairman, as  
7 long as you're going to let me testify, I'll  
8 offer you up a little hearsay evidence and say  
9 that I was essentially asked the same question  
10 by Mr. Kennedy after the prehearing conference.  
11 I mean, his question to me was "why weren't you  
12 in 770 making the same argument?" And the  
13 answer is that "I didn't, and could have." And  
14 the reason I'm not making that argument here  
15 and didn't make that argument there is related  
16 in part to the fact that the constituency that  
17 I'm tasked with representing is not affected by  
18 the Petition as it's been conditioned.

19 But, generally, you know, the idea --  
20 I was really thinking of the "used and useful"  
21 concept. I think about "used and useful" a  
22 lot. And, really, this kind of scenario makes  
23 -- it strains the "used and useful" principle,  
24 because really there's none -- none of this

1 money is being spent on anything that's used  
2 and useful to Liberty Utilities.

3 And, you know, the precedent's  
4 already been set in the Concord Steam context  
5 by writing that \$1.9 million check to Concord  
6 Steam for nothing that really benefits Liberty  
7 Utilities. And, if you wanted to make the same  
8 conclusion about this Fund here, for the  
9 reasons I stated in my letter to the editor,  
10 you could. I just don't think that would do  
11 any good.

12 I mean, you know, and I think,  
13 ultimately, the Commission -- you are a  
14 quasi-judicial decision-making body. And one  
15 of the things that makes -- that puts the  
16 "quasi" in "quasi-judicial" is that you are not  
17 just a court, you're not an umpire calling the  
18 balls and strikes. You have a public policy  
19 role. Your job in some way is to do good, and  
20 this is an opportunity to do good.

21 I have to confess, I don't have a dog  
22 in the fight anymore, because of the way I was  
23 able to settle with the Petitioners. And, so,  
24 in that sense, I consign this Petition to your

1       good judgment. But I would just urge you to  
2       take a look at it from a public policy  
3       standpoint.

4               CHAIRMAN HONIGBERG: Thank you, Mr.  
5       Kreis. Who wants to go next?

6               Mr. Traum.

7               MR. TRAUM: Thank you, Mr. Chairman,  
8       Commissioners. The Concord Family YMCA  
9       continues to support the Settlement, and  
10       especially including the \$1 million as part  
11       of -- in addition to the 1.9 million. It  
12       should be looked at as 2.9 million, in terms of  
13       consistency with the Commission precedent of  
14       protecting not only impacted utility  
15       customers -- the smaller group of impacted  
16       utility customers, but also by spreading any  
17       costs over the larger customer bases.

18               Now, Mr. Frink, when he was  
19       testifying, mentioned "Pennichuck", and that  
20       rang a bell with me. And there have been  
21       cases, as I remember, when there were small  
22       troubled water utilities that went to  
23       Pennichuck or Staff directed them to Pennichuck  
24       for them to acquire them. And Pennichuck had

1 to invest significant amounts of money to fix  
2 those systems, bring them up to par. Those  
3 excess costs were not posted just on the small  
4 number of customers of the particular utility  
5 being acquired, but within I believe it was  
6 then viewed as Pennichuck's non-core customers.  
7 So, that would be a precedence here.

8 Similarly, as Mr. Kreis mentioned,  
9 with CVEC, Connecticut Valley Electric Company,  
10 when Public Service acquired them, they had to  
11 do a lot of work, and they ended up spreading  
12 the excess costs over PSNH's full customer  
13 base. Again, that's a precedent.

14 Similarly, the Eversource  
15 divestiture, if it does occur, the additional  
16 costs of protecting impacted towns and  
17 employees will be spread over the full customer  
18 base of Eversource.

19 And, then, in terms of the  
20 Commission's Mission Statement of protecting  
21 the impacted customers, I just referred to, in  
22 Claremont's case, even though most of the  
23 customers were, in effect, protected by  
24 becoming customers of the parent, there was a

1 clause in there that the Commission approved  
2 where, if for one reason or not, customers  
3 could not convert to propane, they would still  
4 be held harmless in terms of converting to  
5 another fuel source.

6 That's all I have.

7 CHAIRMAN HONIGBERG: Mr. Feltes.

8 SEN. FELTES: Thank you, Mr.  
9 Chairman.

10 CHAIRMAN HONIGBERG: Actually, I was  
11 going to have you go last.

12 SEN. FELTES: That's fine, too. I  
13 would love to go last.

14 CHAIRMAN HONIGBERG: You're  
15 ultimately the one who signed as the moving  
16 party.

17 SEN. FELTES: I'm happy to do that.

18 CHAIRMAN HONIGBERG: I figured you  
19 would be.

20 SEN. FELTES: I just saw you looking  
21 at me, so I thought I'd jump in.

22 CHAIRMAN HONIGBERG: You were  
23 grabbing the microphone.

24 Let's go off the record for just a

1 second.

2 *[Brief off-the-record discussion*  
3 *ensued.]*

4 CHAIRMAN HONIGBERG: All right.  
5 We'll pick back up again. Ms. Glahn, why don't  
6 you go next.

7 MS. GLAHN: Okay. I just wanted to  
8 say a few things for those of us that are sort  
9 of the little people.

10 Some of the things that I've heard  
11 this afternoon particularly, it's unusual, it's  
12 a hardship and savings. A lot of us, I would  
13 say most of us nonprofits are going to feel no  
14 savings. And I really think that's an  
15 important thing to consider. That, at least  
16 for us, our budget is \$29,000, maybe \$30,000 a  
17 year. We've just taken out this \$42,000 loan.  
18 Our savings aren't, once we -- he's taller than  
19 I am.

20 *[Court reporter interruption.]*

21 MS. GLAHN: Yes, we're going to feel  
22 a great savings in what our heating costs are  
23 for the Chamberlin House. But we're not going  
24 to feel those savings for ten years, because of

1 the loan that we've just taken out. So,  
2 there's no savings for those of us who have to  
3 take out a loan that's huge to us. And I think  
4 I speak for a number of the nonprofits, and  
5 probably a number of the small business people,  
6 too.

7 Another thing that I wanted to sort  
8 of point out in that respect is that what Dan  
9 Feltes has brought up is something that will  
10 allow us to do what we're doing, get back on  
11 our feet, and contribute to the community as we  
12 have been. Whereas, if we're strapped, you  
13 know, the Music School, the Capitol Center for  
14 the Arts, us, there's so many of us, and we're  
15 one of the little, teeny, weeny ones, but --  
16 and also for the landlords, you know, we all  
17 contribute to the community. And this grant  
18 that we would be able to apply for would help  
19 us be able to continue our contribution to the  
20 community.

21 And, also, my last point, and then  
22 that's it, once we convert to Liberty  
23 Utilities, we'll be paying as Liberty Utilities  
24 customers. So, we'll be contributing back in

1           that respect.

2                       So, that's my piece for the little  
3           people.

4                       CHAIRMAN HONIGBERG:   Thank you,  
5           Ms. Glahn.   Mr. Sheehan.

6                       MR. SHEEHAN:   Thank you.

7           Understanding you may have some questions, what  
8           I plan to say is essentially what I said at the  
9           prehearing conference and is embodied in our  
10          letter from last October.   And that is that we  
11          were approached by the Senator to, with this  
12          plan as it has evolved, to put up money to help  
13          these various Concord Steam customers.   We were  
14          willing then, we are willing now, to put up  
15          that money, subject to our request for cost  
16          approval -- cost recovery.   And that language  
17          is in Paragraph 11 of the Petition.

18                      So, we support the Petition.   We  
19          completely acknowledge and appreciate Staff's  
20          arguments.   I think Mr. Kreis did a good job of  
21          saying, at the end of the day, it is as much a  
22          policy question for you as a legal one.   So, we  
23          appreciate those concerns.

24                      Nonetheless we recognize the unique



1       circumstance of this situation. We played a  
2       role in part of it last fall. And we are  
3       willing to do our part by making this money  
4       available for the Fund.

5               CHAIRMAN HONIGBERG: Mr. Sheehan,  
6       talk a little bit about the law and the  
7       "preference" section, I think it's 378:10.

8               MR. SHEEHAN: There's a couple ways  
9       to look at it. And, again, I understand  
10      Staff's argument that this second \$1 million  
11      standing alone does not trigger any additional  
12      benefit to the Company. I also appreciate the  
13      argument that the combined 2.9 million, if this  
14      had been presented as a single proposal last  
15      fall, as part of the APA, we pay 1.9 for all  
16      the benefit we got for that, and we included a  
17      million for a fund, the numbers do work as a  
18      whole.

19              The discussion that Commissioner  
20      Bailey and Mr. Frink had left it a little  
21      confusing to me. My understanding of the DCF  
22      is, if you look at the 2.9 payment, and then  
23      the increased revenue that we get, again,  
24      mostly from that original 1.9 payment, it is

1 not cash positive the first few years. But,  
2 over the ten-year window, it does end up being  
3 a benefit, albeit a small one. So, over a  
4 ten-year window, all the other Liberty  
5 customers are not harmed. If you look at year  
6 one, yes. If you look at year three, yes.  
7 But, again, the DCF as a whole. And I  
8 acknowledge Staff's distinction between the two  
9 different payments.

10 So, if you look at it that way, there  
11 isn't as much of a -- there hardly isn't a  
12 preference. There is a very small but  
13 measurable benefit to all Liberty customers  
14 over the ten years.

15 The other way to look at it is the  
16 way Mr. Kreis suggested, that the requirement  
17 is an "unreasonable" preference or an  
18 "unreasonable" discrimination. And the dollars  
19 that are involved here are, again, relatively  
20 small in the grand scheme of our 90,000  
21 customers. Mr. Frink testified to the annual  
22 impact on the commercial customers of \$80 for  
23 these customers, \$7 a month. Again, that's not  
24 zero dollars, but it's not -- there's an

1 argument to be made that's not unreasonable or  
2 not so --

3 CHAIRMAN HONIGBERG: I think  
4 Commissioner Scott has a question for you.

5 MR. SHEEHAN: Sure.

6 CMSR. SCOTT: I'm curious. So, one  
7 of the things discussed, I think Advocate Kreis  
8 mentioned that the C&I customers that are  
9 impacted, generally, if they have a voice,  
10 they'll raise it. (A) Are you aware -- are  
11 your C&I customers aware of this? And (B) is  
12 the Company aware of any pushback?

13 MR. SHEEHAN: I don't know what  
14 people are aware of. If they had been aware of  
15 it, it would have been through the Order of  
16 Notice process. We certainly did not engage in  
17 any outreach on this issue. I'm about to get a  
18 note, though.

19 I personally have not heard any  
20 pushback from any customers.

21 MR. KREIS: Well, at the risk of  
22 interrupting, I would just point out, as Mr.  
23 Chairman noted, this issue has been covered  
24 extensively in the Concord Monitor, which a lot

1 of people read.

2 MR. SHEEHAN: That's what Mr. Licata  
3 just whispered in my ear. It's been in the  
4 paper a lot.

5 CHAIRMAN HONIGBERG: Well, all of  
6 that was before the modification that's  
7 reflected in the Settlement. The new deal  
8 imposes whatever burden there is, to the extent  
9 that there's a burden, on your C&I customers.  
10 And I would be surprised, frankly, if any of  
11 them were aware of what's been going on here,  
12 since it only started up, what, on Monday or  
13 Tuesday.

14 MR. SHEEHAN: That's a fair  
15 statement. To put it in context, when someone  
16 was asked about the breakdown between our  
17 commercial and residential customers, I can  
18 give you a gross number. In 2016, and this is  
19 from the top of Mr. Clark's head, and he knows  
20 these things, our total sales were 16 million  
21 dekatherms. Our commercial and industrial  
22 sales were 9.8 of that 16. So, it's roughly  
23 two-thirds/one-third.

24 So, the inclusion of these costs over

1 the whole customer base versus just  
2 commercial/industrial, which is take that \$80  
3 and reduce it, I don't know, \$70, \$65,  
4 something of that order of magnitude, it  
5 wouldn't -- the proposal, as it existed before,  
6 would not have been only a \$10 bump in the C&I  
7 rates, to get it in context.

8 CMSR. SCOTT: I think I know the  
9 answer to this, but I want to ask the Company  
10 anyways. Your support for this Settlement, if  
11 I heard you right, were contingent upon the  
12 full rate of return as specified. You heard  
13 the discussion between myself and, I hope you  
14 heard, and Mr. Frink, which could suggest that  
15 another alternative would be at the cost of  
16 debt. Am I safe to assume that the Company  
17 would oppose that?

18 MR. SHEEHAN: That's correct. And  
19 for the obvious reason that this million  
20 dollars, theoretically, is in our pocket is  
21 going to spent. If it's not spent here, we can  
22 spend it on the pipeline we're going to put in  
23 the ground next summer, where we would earn our  
24 full return. And we have a fiduciary duty to

1       our shareholders to invest wisely. And they  
2       would obviously ask "why did you invest a  
3       million dollars and get a third of what you  
4       could have gotten?"

5               So, yes, we would oppose and not  
6       agree to that lower rate of return.

7               CHAIRMAN HONIGBERG: Go ahead, sorry.

8               CMSR. SCOTT: But I had a different  
9       question, so --

10              CHAIRMAN HONIGBERG: I do, too.

11              CMSR. SCOTT: Oh. Okay. Obviously,  
12       the Company has been listening to the  
13       discussion. I've inquired a lot about on-bill  
14       financing. Does the Company have a position on  
15       that?

16              MR. SHEEHAN: Just a little  
17       background. At the very beginning, these  
18       questions, and maybe even you raised it at the  
19       prehearing conference, the thought process was,  
20       if we did on-bill financing, that would still  
21       be a 10 percent loan. And our thought was "why  
22       would anyone borrow money from us at 10  
23       percent, when they can go, as we hear now, to  
24       Merrimack County at 4?"

1           The only advantage you get is the  
2           convenience of us tacking it onto your bill.  
3           But these are sophisticated business people,  
4           even with these small nonprofits. So, we just,  
5           frankly, thought no one would take advantage of  
6           it. It would be an administrative hurdle for  
7           us, not an insurmountable one.

8           As a little more background, the gas  
9           company does no on-bill financing; the electric  
10          company does. It is in the energy efficiency  
11          arena. And, in that case, the money is not  
12          ours. That is the money that is collected  
13          through the various energy efficiency funds,  
14          RGGI or the like, and we simply administer it.  
15          So, we "loan", in quotes, the money to the  
16          customer to insulate their house, and they pay  
17          back on their bill with no finance charges,  
18          it's interest-free. And, again, we're really  
19          just the facilitator for that process.

20          CMSR. SCOTT: And I'm just -- this is  
21          just a hypothetical. If there were to be  
22          created an on-bill financing program, let's  
23          say, for argument sake, a zero percent loan to  
24          the affected parties, but Liberty was made

1 whole in effectively they would be made whole  
2 for this Settlement Agreement, with your rate  
3 of return based on the full amount, plus your  
4 rate of return. Would that be objectionable?

5 It would limit the cross-subsidy  
6 quite a bit, because you'd still have the  
7 recipients paying back the bulk of the loan,  
8 just not the interest, for example.

9 MR. SHEEHAN: So, if I understand  
10 your hypothetical, we would loan \$10,000 to the  
11 Woman's Club through this Fund, they would pay  
12 back 10,000, just the 10,000 on-bill, and  
13 through some other mechanism we would get the  
14 return on that. Is that your question?

15 CMSR. SCOTT: Yes.

16 MR. SHEEHAN: Then, the question is  
17 simply administrative -- obviously, we can do  
18 it. We do it in the electric arena. But it's  
19 not an automatic process, it is a manual  
20 process. So, I don't have the authority to  
21 agree to do that.

22 *[Mr. Licata conferring with*  
23 *Atty. Sheehan.]*

24 MR. SHEEHAN: But, again, we do lots



1 of those things, and I'm sure we could  
2 accommodate that. The question that Mr. Licata  
3 raised is we really don't want to be in the  
4 decision-making part of this process, who gets  
5 how much and what the terms would be, which is  
6 why we were very glad to see the CRDC step in,  
7 and I'm sure Staff was, too, or the other  
8 people we were suggesting early on.

9 So, that would be the concern I would  
10 have. The main concern of us administering  
11 some kind of on-bill is we would want to be the  
12 mere administrator, essentially, of the  
13 process.

14 CMSR. SCOTT: Thank you.

15 CHAIRMAN HONIGBERG: Similarly, then  
16 I assume you're going to give the same type of  
17 answer regarding a possible hardship provision,  
18 where people who most need the assistance would  
19 be the ones who would receive it. You'd be  
20 okay with that, as long as you weren't the one  
21 making the decision about who gets the money?

22 MR. SHEEHAN: Again, understanding  
23 the hypothetical is --

24 CHAIRMAN HONIGBERG: Grant.

1                   MR. SHEEHAN: -- the grant is only to  
2                   the most needy, yes, the same answer.

3                   CHAIRMAN HONIGBERG: I think the only  
4                   two left are Staff and Mr. Feltes. So,  
5                   Mr. Speidel, you're up next.

6                   MR. SPEIDEL: Thank you, Mr. Chairman  
7                   and Commissioners. Staff will be short and to  
8                   the point. We don't want to take up the  
9                   valuable time of other parties.

10                  And, in this instance, Staff stands  
11                  alone. It can happen. And, in light of that,  
12                  I mean, I think it's pretty important for us  
13                  just to throw something out there regarding  
14                  what Mr. Kreis has repeated a few times, and  
15                  it's kind of one of these catch phrases you  
16                  hear recently. It's kind of like Eurasia has  
17                  always been at war with East Asia. And I want  
18                  to make sure that Staff, in future proceedings,  
19                  because Mr. Kreis is pretty good at combing  
20                  through transcripts and pointing to things in  
21                  the future. And he keeps repeating this, and I  
22                  want to make sure that we're not waiving  
23                  anything. And I don't want to get into the  
24                  technicalities, because perhaps I don't

1 understand them myself.

2 But, as far as this being a  
3 Settlement that's "not opposed by any party",  
4 and I'm not going to get into what sort of  
5 proceeding this is or whether Staff is a party  
6 in every sort of proceeding. But, at least for  
7 the purposes of having an uncontested  
8 Settlement, Staff does not necessarily agree  
9 that this is an uncontested Settlement that is  
10 not opposed by any party.

11 We do contest the Settlement. And we  
12 do contest the underlying remedy in the  
13 Petition, and there is sound reasoning for  
14 that. The reason we oppose it is not because  
15 we don't feel for the citizens of Concord and  
16 the nonprofits that serve the citizens of our  
17 state, and the wonderful cultural resources  
18 that we have in the City, our Capitol City.

19 The reason we oppose it is because  
20 we're worried about what this might mean for  
21 the future of ratemaking in our Commission.  
22 And there's an edifice that's been built up  
23 over quite a few years, more than 110 years, or  
24 roughly thereabouts, excuse me, more than 100

1 years. 1911 was when this Commission began,  
2 and there was a predecessor commission before  
3 that.

4 So, I think, fundamentally, what  
5 we're concerned about is the precedent, and a  
6 lot of it centers on 378:10 and its exceptions  
7 within 378:11. And, yes, okay, we have a  
8 apartment building in Concord that is going  
9 through some financial strain or a cultural  
10 center, a concert hall, a nonprofit today, and  
11 it's within the context of a failing utility  
12 today. But what about situations where you may  
13 have a shopping center in Merrimack or a  
14 housing development that's not going through  
15 the best of times, but is viewed as  
16 "economically significant" in Windham, or  
17 whatever might happen in the future, that would  
18 call upon the utility to provide a grant that  
19 receives a rate of return and recovery through  
20 rates of whatever category, residential, C&I,  
21 it doesn't matter. We have to police the  
22 boundaries of 378:11. And that's what we're  
23 trying to do here. If we succeed, we succeed;  
24 if we fail, we fail.

1 I don't need to go into the details  
2 of some of the alternatives that Staff has  
3 examined with the Company and with the parties  
4 regarding what else could be done other than  
5 the structure of this Petition. In the end,  
6 this is where we are, and this is what's before  
7 the Commission. And we invite you to consider  
8 the positions elucidated by Mr. Frink in his  
9 testimony, and we stand by the recommendation  
10 therein.

11 Thank you.

12 CHAIRMAN HONIGBERG: Mr. Speidel,  
13 even if a settlement were completely  
14 uncontested, everyone in the room thought it  
15 was marvelous, we'd still be required by  
16 statute and rule to evaluate it on its merits,  
17 would we not?

18 MR. SPEIDEL: Absolutely.

19 CHAIRMAN HONIGBERG: You heard us  
20 question a lot of the witnesses about a lot of  
21 different options. And, in particular, I think  
22 we spoke with Mr. Frink about "need/hardship".  
23 Is that something that Staff is comfortable  
24 with? Is it a complete nonstarter legally,

1 from your perspective? What are your thoughts  
2 on that?

3 MR. SPEIDEL: Well, if the Commission  
4 answers the first question, which is "is the  
5 Fund lawful under Chapter 378?", in the  
6 affirmative saying "yes", then need and  
7 hardship is an important criterion that should  
8 be integrated to make sure that the monies are  
9 distributed fairly. You wouldn't want to have  
10 a scenario where an entity that is in perfect  
11 financial condition receives 99 percent of the  
12 funds, and the rest of these entities that are  
13 really in difficulty are not able to receive  
14 anything. That wouldn't be in the public  
15 interest.

16 But the first question has to be  
17 answered by the Commission in the affirmative,  
18 and we're saying that it most likely will  
19 answer in the negative.

20 CHAIRMAN HONIGBERG: Understood. But  
21 also understanding that a portion of 378:10, as  
22 someone talked about, has the word "reasonable"  
23 or we can't do "unreasonable preferences".  
24 Isn't "reasonableness" or "unreasonableness",

1       that factor, wouldn't "need" or "hardship" by  
2       an element in determining whether a preference  
3       were reasonable or unreasonable?

4               MR. SPEIDEL:   Yes, it would be.   In  
5       that instance, yes.

6               CHAIRMAN HONIGBERG:   Thank you,  
7       Mr. Speidel.   Mr. Feltes.

8               SEN. FELTES:   Thank you,  
9       Mr. Chairman, members of the Commission.   I  
10       respectfully encourage the Commission to  
11       approve the Petition as modified by the  
12       Settlement Agreement.

13               There's a lot of talk about who was  
14       aware of what and when, in terms of parties not  
15       here.   We can just speak the parties that are  
16       here are the parties that are here.   I can tell  
17       you this much, my friends in the Legislature,  
18       including my Republican friends, are very aware  
19       of this Petition.   How many intervened -- I'm a  
20       Petitioner, not an intervenor.   But how many  
21       intervened to oppose?   Zero.   How many pieces  
22       of legislation have been filed by anyone,  
23       including my Republican friends, to stop this?  
24       None.

1                   So, the Concord Monitor Editorial  
2                   Board has their view. They made it very clear.  
3                   That's okay. Everybody has their view. But  
4                   people are very aware of this. And we're at  
5                   where we're at.

6                   We heard testimony earlier that "this  
7                   investment is a bad investment". I don't think  
8                   investing in customer protection is a bad  
9                   investment. I do think you can argue that  
10                  investing in Mark Saltsman's salary going from  
11                  100,000 to 125,000 is a bad investment and  
12                  unfair.

13                  What has been done, in terms of  
14                  customer protection? We heard it, Mr.  
15                  Chairman, a meeting, a meeting at Red River.  
16                  I'm sorry, but that just doesn't cut it.

17                  Costs. Let's talk about costs here,  
18                  because I think this is very, very important.  
19                  We hear a lot about the savings moving forward,  
20                  although you heard from the Woman's Club that's  
21                  not necessarily the case. Even at 3.9 percent  
22                  from Merrimack County Savings Bank, they're not  
23                  able to save over that ten years. So, I think  
24                  everybody's situation is different. So, just



1       assuming that everyone is saving in the private  
2       market and their loans, I don't think is a safe  
3       assumption, certainly not assuming everyone  
4       would save with 10 percent on-bill financing.

5               But what are some of the costs? We  
6       heard about maintenance costs moving forward,  
7       we heard about some of the additional capital  
8       costs. We heard about, from Mr. Ciborowski,  
9       that he's seen contractors -- he's got eleven  
10      buildings he's got to do, seen contractors jack  
11      up their prices, because they know that these  
12      are captive customers.

13              And I think this is very, very  
14      important. Because, if we're going to think  
15      about what I think is an unknown, in terms of  
16      energy savings moving forward, by and large, my  
17      response to Commissioner Scott is "generally  
18      speaking, yes"; Woman's Club, "not  
19      necessarily". And everybody's different. But,  
20      if we're going to think about energy savings  
21      moving forward by this conversion, we ought to  
22      think about what was represented to these  
23      customers, including by Concord Steam,  
24      including in August, this past summer: "Let's

1       enter into ten-year contracts", "seven-year  
2       contracts".   "We're still working on this next  
3       thing to get you at 35 to 40 percent  
4       reduction."   So, people kept on hanging on.  
5       People kept on hanging on and paying the higher  
6       prices.   I think that's an important note when  
7       we think about costs.

8               I'll talk about the -- I'm not sure I  
9       can pronounce it correctly, "concomitant" issue  
10      for a second.   I think the notion that "769,  
11      770, and this docket are separate and distinct"  
12      is really a fiction, number one.   And, to the  
13      extent that they are separate and distinct, we  
14      had this discussion, Mr. Chairman, the Petition  
15      was raised, we had this discussion on  
16      October 5th.   Mr. Frink did testify "it could  
17      be considered after-the-fact".   He did not  
18      testify "Sure, take it up after-the-fact, but  
19      we're not going to consider the 1 and the 1.9  
20      together.   So, the entire basis of your  
21      Petition will be completely undercut."   He  
22      didn't say that.

23              I understand that you can develop  
24      positions as you go.   That's perfectly fine.

1 But had he said it right then, Mr. Chairman, I  
2 would have pressed the issue. I can assure you  
3 of that.

4 So, I think the notion that I think  
5 the -- I think the Staff waived their ability  
6 to raise this argument that the 1 and the 1.9  
7 can't be part of the DCF together.

8 In terms of Claremont, again, you  
9 know, obviously, the major distinction I think  
10 that Mr. Frink testified to in his testimony  
11 was the, you know, major entity at stake  
12 abandoning, they were on the hook, they're  
13 paying. Well, there was no request apparently  
14 for Concord Steam to pay. We do have the --

15 CHAIRMAN HONIGBERG: Well, I think  
16 there was another distinction, and Mr. Traum  
17 testified to it, that there's really no  
18 analogous entity to Liberty.

19 SEN. FELTES: Correct. Correct.

20 CHAIRMAN HONIGBERG: Which is a  
21 pretty significant distinction, I think.

22 SEN. FELTES: Well, significant in  
23 the sense that Concord Steam customers are  
24 fortunate that Liberty is in this position to

1 help. That's how it's significant.

2 You know, whether or not Concord  
3 Steam was fortunate enough to help, or whether  
4 or not the payback to the Bloomfield Trust or  
5 whatever, the question here is --

6 CHAIRMAN HONIGBERG: I thought you --  
7 I thought you were about to tell me how  
8 important the Claremont Gas decision was, not  
9 going back to what bad guys the folks at  
10 Concord Steam are.

11 SEN. FELTES: I think the Claremont  
12 Gas decision and Concord Steam, during this  
13 process, are both important. And I think the  
14 Claremont Gas decision is very important. In  
15 that case, Mr. Chairman, as you know, the  
16 customers were afforded a no-cost conversion  
17 option. Here, there's not competition. We  
18 talked about competition, too. There's no  
19 competition right now. You heard Dana Nute's  
20 testimony. This is only place you go. This is  
21 it. There's no competition like there was in  
22 the Claremont case. This is the place to go.  
23 That's why it makes sense. And that's why  
24 Liberty, in this particular situation, it makes

1 perfect sense and is perfectly aligned, in my  
2 view, with the Claremont case.

3 Last point. On-bill financing, I  
4 think we've heard plenty of testimony about why  
5 it may not be practical. I think you heard  
6 Woman's Club talk about how they wouldn't even  
7 benefit, they would actually lose money.  
8 Again, there is an assumption, I think, that  
9 doesn't bear out in everybody's situation, that  
10 there is cumulative energy savings over time.

11 So, you heard the testimony of  
12 Gfroerer, you know, a number of folks saying  
13 "we've got to look at the finances, we've got  
14 to look at the accounting." Don't even know.  
15 It might be relief, it might not be relief.

16 And, as a practical matter, and in  
17 terms of timing, in response to Commissioner  
18 Scott's questions earlier today, the  
19 flexibility by a grant program afforded to, and  
20 we talked at length about this, Joint  
21 Petitioners, others, Capital Regional  
22 Development Council, about how to construct  
23 this in a way that makes sense right now, given  
24 the time constraints. And this is what we came

1 down to, in terms of timing and functionality  
2 to make it effective.

3 I don't want, and I encourage the  
4 Commission not to -- "gamble" might be a strong  
5 word, but gamble on on-bill financing as a  
6 practical solution to the current situation.  
7 I'm don't think we're in a position to gamble  
8 at this time, right now, in February, when  
9 maybe only 16 percent, only 16 percent of the  
10 customers have transitioned. We got a couple  
11 months. Some of them use hot water, some of  
12 them don't. But only 16 percent have  
13 transitioned, to the best of our knowledge,  
14 right now. And we're not in a position to  
15 gamble.

16 We need to do something that is  
17 flexible, that can get out the door, and really  
18 help customers right now. So, that's why I  
19 think the direct grant program makes the most  
20 sense, Mr. Chairman.

21 So, with that, I'll just close and  
22 say this, is that, you know, there's part of  
23 this job that's left to do. It's a tough  
24 process. You know, Attorney Speidel talked

1       about Public Utilities Commission being in  
2       place since 1910 or 1911. That's about the  
3       same time that Concord Steam has been in place.  
4       And it's happening quick. And everybody has a  
5       job to do, a role to fill. I think we need to  
6       recognize that one part of the job isn't done  
7       yet, and that's helping the Concord Steam  
8       customers in this process. And, so, that's  
9       what this is all about. Let's finish the job.  
10      Let's help those customers. It's in the public  
11      interest to do so.

12               Thank you, Mr. Chairman.

13               CMSR. SCOTT: Senator, I apologize  
14      for not asking earlier, but you mentioned "time  
15      sensitivity" and "flexibility", and I  
16      appreciate that. Assuming we approve the  
17      order, do you have an idea of when the money  
18      could actually start flowing?

19               SEN. FELTES: The guidelines -- well,  
20      I think Liberty would better be able to answer  
21      how quickly they can get the money to CRDC.  
22      But CRDC is actually working on the application  
23      materials right now. And, so, once the money  
24      is in hand and once the application is provided

1 to Liberty, to Liberty to mail it to the  
2 mailing list, and then posted online for CRDC,  
3 then it's 30 days is the deadline to get those  
4 applications in.

5 So, you know, I don't know how  
6 quickly, maybe a week or something, I mean,  
7 Liberty would have a better idea of how quickly  
8 they can get the money to CRDC. Actually, they  
9 can get the application out, before they get  
10 the money, because they're not going to be  
11 filling the applications until that 30-day  
12 window anyways. The application materials are  
13 basically done, from my understanding, from  
14 Mr. Heavener.

15 CMSR. SCOTT: Okay. So, pretty  
16 quick, it sounds like?

17 SEN. FELTES: Very quickly.

18 CMSR. SCOTT: Thank you. And I'm  
19 beating a dead horse, so I apologize. So, your  
20 concerns about on-bill financing, that's  
21 assuming even with the zero percent on-bill  
22 financing is the same comments, is that  
23 correct?

24 SEN. FELTES: I think zero percent



1 on-bill financing rectifies some of the  
2 concerns. And, so, I think, going with  
3 Commissioner Bailey's construct of this, that,  
4 if I understood it earlier, which was basically  
5 approving this Fund, but then overlaying the  
6 recoupment in on-bill, and then that's modified  
7 by your idea of at zero percent interest, I  
8 can't conceive of any practical reasons why  
9 that wouldn't work right now, but --

10 CMSR. SCOTT: I understand you  
11 haven't had time to think about it either. So,  
12 I understand that. Thank you.

13 SEN. FELTES: Thank you,  
14 Commissioner.

15 CHAIRMAN HONIGBERG: Senator Feltes,  
16 what about sticking with grants, but having a  
17 "need" provision? Those who can get quick  
18 payback and financing elsewhere don't really  
19 need this grant. Those that have very long  
20 payback periods, for them it may make a lot  
21 more sense.

22 SEN. FELTES: Mr. Chairman, you know,  
23 I support the Settlement Agreement. The  
24 Settlement Agreement does have a provision on

1       leveraging, that requires leverage. But that  
2       leveraging provision -- that 10 percent  
3       leveraging provision is waived upon financial  
4       hardship. So, there is a financial hardship  
5       component. It's not, I think, to the degree  
6       that you're thinking of right now, Mr.  
7       Chairman. But I support the Settlement  
8       Agreement. And I think the Settlement  
9       Agreement is in the public interest.

10               CHAIRMAN HONIGBERG: All right.

11       Thank you.

12               Does anybody have anything else that  
13       we need to hear before we close the hearing?

14               *[No verbal response.]*

15               CHAIRMAN HONIGBERG: All right.

16       Thank you all. It's been a long day. And I  
17       appreciate everybody's patience, everybody's  
18       hard work.

19               And we will receive the filing from  
20       the City of Concord, otherwise take the matter  
21       under advisement and issue an order as quickly  
22       as we can. We are adjourned.

23               *(Whereupon the hearing was*

24               *adjourned at 4:59 p.m.)*