



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

Docket No. DG 16-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Petition for Expansion of Franchise to the Town of Hanover and the City of Lebanon, New
Hampshire

DIRECT TESTIMONY

OF

DAVID B. SIMEK

November 23, 2016

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry,
4 New Hampshire, 03053.

5 **Q. Please state by whom you are employed and your position.**

6 A. I am a Lead Utility Analyst for Liberty Utilities Service Corp. (“Liberty”) which provides
7 services to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
8 (“Liberty Utilities” or the “Company”). I am responsible for providing rate-related
9 services for the Company.

10 **Q. Please describe your educational background and training.**

11 A. I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
12 received a Master’s of Science in Finance from Walsh College in 2000. I also received a
13 Master’s of Business Administration from Walsh College in 2001. In 2006, I earned a
14 Graduate Certificate in Power Systems Management from Worcester Polytechnic
15 Institute.

16 **Q. What is your professional background?**

17 A. In August 2013 I joined Liberty as a Utility Analyst and I was promoted to a Lead Utility
18 Analyst in December 2014. Prior to my employment at Liberty, I was employed by
19 NSTAR Electric & Gas (“NSTAR”) as a Senior Analyst in Energy Supply from 2008 to

1 2012. Prior to my position in Energy Supply at NSTAR, I was a Senior Financial
2 Analyst within the NSTAR Investment Planning group from 2004 to 2008.

3 **Q. Have you previously testified before this Commission?**

4 A. Yes. I have testified in numerous proceedings before the Commission.

5 **Q. What is the purpose of your testimony today?**

6 A. My testimony discusses the Company's plans for establishing rates and charges for
7 customers in the Town of Hanover and the City of Lebanon, New Hampshire, following
8 Commission approval of the franchise expansion request and construction of the gas
9 supply and distribution system.

10 **Q. How will the rates, charges and terms of service for customers in the expanded**
11 **franchise area be established?**

12 A. As customers in Hanover and Lebanon will be customers of Liberty Utilities, the rates,
13 charges, and terms of service in the Company's current tariff will apply to those
14 customers, with the following exceptions:

- 15 • The Cost of Gas (COG) rate applicable to customers in Hanover and Lebanon will
16 be separately calculated and a separate provision will be added to the Company's
17 tariff; and

- Due to the nature of the liquefied natural gas (LNG) and compressed natural gas (CNG) supply strategy discussed in Mr. Clark's testimony, customers in those communities will not be allowed the option to be transportation customers, at least initially.

Q. Please explain why the COG rate for the Hanover and Lebanon customers would be separately calculated from the COG rate applicable to other Liberty Utilities customers.

A. The supply strategy that will be developed for the Hanover/Lebanon franchise territory will use both LNG and CNG, but not natural gas from an interstate or intrastate pipeline. Therefore, it will be a self-contained system. As such, the gas supply costs will be distinct from those that are included in the COG rate that is charged to other Liberty Utilities customers. The Company will continue to evaluate developments in the LNG and CNG markets. If combining the LNG and CNG supply needs of satellite locations with the existing Company supply requirements will have a beneficial impact on rates for all customers, the Company will consider combining all commodities into a single portfolio.

Q. How would the Hanover/Lebanon COG rate be calculated?

A. The COG rate applicable to customers in those communities will include the commodity costs of acquiring the LNG and CNG to supply the system. In addition, as the LNG and CNG storage, vaporization, decompression, and related facilities will be used for supply

1 purposes, the COG rate will include the revenue requirement associated with the LNG
2 and CNG plant investments, including land. The total commodity and facility costs will
3 then be divided by the total forecasted therm sales to calculate the COG rate.

4 **Q. Does the Company have an estimate of the total cost to construct the supply facility**
5 **or of the COG rate?**

6 A. Yes. As discussed in the Expansion Plan and the testimony of Mr. Clark, the Company
7 is developing plans to construct a supply facility that will be scalable in size to best suit
8 the needs of a growing customer base. The Expansion Plan (Attachment WJC-8)
9 discusses the cost of the supply facility under various assumptions and various
10 configurations. In order to estimate the COG rate, we will need to determine the final
11 design of the facility, the fuel mix, commodity pricing at the time of serving customers,
12 and an estimate of therm sales, which will depend on the number of customers on the
13 system at any given time. However, as explained in Mr. Clark's testimony, LNG and
14 CNG provide for significant economic advantages as compared to alternative fuels, so the
15 resultant pricing is expected to be beneficial to customers.

16 **Q. How often will the COG rate for the Hanover/Lebanon area be adjusted?**

17 A. Similar to the Company's existing COG rate, the COG rate for the Hanover/Lebanon area
18 will be adjusted twice a year with the same summer and winter COG rate periods.

1 **Q. Is it appropriate to charge the same delivery rates to the Hanover/Lebanon**
2 **customers as customers in other areas of the Company's service territory?**

3 A. Yes. Assuming approval of the franchise expansion, Liberty Utilities will construct a
4 distribution system for delivery of gas to its customers. This system will be no different
5 than the distribution system that exists in the remainder of the Company's service
6 territory. Therefore, the costs of constructing, owning, operating, and maintaining the
7 distribution system should not differ in any material way. That also justifies the
8 application of the same general terms and conditions that currently exist in the
9 Company's tariff. Given that there will be no difference in the distribution system
10 constructed in the Hanover/Lebanon service territory as compared to the rest of the
11 Company's system, for ratemaking purposes the costs associated with the
12 Hanover/Lebanon distribution system will be included in the Company's total
13 distribution plant and operation and maintenance costs.

14 **Q. Will the applicable terms and conditions also include the same customer rate**
15 **classifications?**

16 A. Yes. Those customer rate classifications include residential non-heating, residential
17 heating, low-income residential heating, and small, medium and large commercial and
18 industrial rate classes that differentiate based on both annual and winter usage.

1 **Q. Will the Local Delivery Adjustment Clause (LDAC) apply to all customers in the**
2 **Hanover/Lebanon service territory?**

3 A. Yes. Consistent with the terms of the tariff, the LDAC (which includes charges for
4 demand-side management lost revenues and program costs, energy efficiency programs,
5 certain environmental remediation costs for the clean-up of former manufactured gas
6 sites in New Hampshire, and lost revenues and program costs associated with the
7 Residential Low Income Assistance Program) is applicable to all therms sold or
8 transported by the Company and is used to recover costs of general applicability to all
9 customer classes. As Hanover/Lebanon customers will be Liberty Utilities customers, it
10 is appropriate that they be charged the LDAC rate. This will also provide the new
11 Liberty Utilities customers in this new service territory access to the Company's award
12 winning CORE energy efficiency programs.

13 **Q. Why will customers not be allowed the option to be transportation customers?**

14 A. The Company will obtain LNG and CNG supplies by trucking in the commodity. If a
15 customer wished to obtain its own supply, that would necessitate the customer making its
16 own trucking arrangement, which would have to be coordinated with the Company's own
17 supply scheduling. If customers were able to obtain their own supply, the logistical
18 challenges would become more complex. Therefore, at least initially, all customers will
19 be sales customers. That said, the Company will evaluate potential alternatives and will
20 not rule out providing transportation-only service if there is a demand for such service.

1 **Q. Could there be situations where it may be appropriate to serve certain customers**
2 **pursuant to a special contract?**

3 A. Yes. Consistent with Section 5(C) of the Company's tariff, there may be circumstances,
4 such as a large dual-fuel customer, where a customer may be served pursuant to a special
5 contract that involves such terms as longer service periods, revenue guarantees through
6 minimum take-or-pay amounts, or other terms to ensure recovery of the Company's
7 investment in the system and facilities necessary to serve a particular customer's needs.
8 Any such situations will be evaluated on a case-by-case basis.

9 **Q. Does your testimony include proposed tariff pages?**

10 A. Yes. Attachment DBS-1 includes proposed tariff pages for the Cost of Gas provision
11 applicable to Lebanon and Hanover customers as well as revised tariff pages to include
12 the City of Lebanon and the Town of Hanover in the Company's service area.

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

14 A. Yes, it does.