

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 26, 2017 - 10:04 a.m.
Concord, New Hampshire

15 JUN '17 PM 12:50

RE: DG 17-048
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES: Request for Change in
Rates. (*Prehearing conference*)

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a Liberty
Utilities:
Michael J. Sheehan, Esq.

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

Reptg. PUC Staff:
Paul B. Dexter, Esq., Esq.
Alexander F. Speidel, Esq.
Stephen Frink, Asst. Dir./Gas & Water
Jayson Laflamme, Gas & Water Division
James Cunningham, Jr., Electric Div.

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket DG 17-048, which is Liberty Utilities (EnergyNorth Natural Gas) Corp.'s Petition for Permanent and Temporary Rates. We're in a prehearing conference right now, which will be followed by a technical session. This will be an opportunity for the parties to state their initial positions and for I think at least some questions to be raised.

Before we do anything else, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas). With me are some familiar faces and a new face: Steve Hall, Steve Mullen, and David Simek, and behind me is Gaetana Girardi, I'm sorry. She's the Director of Regulatory Strategy, based in Canada, for Liberty Utilities.

CHAIRMAN HONIGBERG: You're the one who's supposed to know her name.

MR. SHEEHAN: I wrote it down and looked at it four times.

1 MR. BUCKLEY: Good morning, Mr.
2 Chairman, Commissioners Bailey and Scott. It's
3 Brian Buckley, staff attorney with the Office
4 of the Consumer Advocate. With me here today
5 is Mr. Pradip Chattopadhyay, Assistant Consumer
6 Advocate. And we're here representing the
7 interests of residential ratepayers.

8 MR. DEXTER: Appearing on behalf of
9 the Commission Staff, Paul Dexter and Alexander
10 Speidel. With me today from the Gas & Water
11 Division are Steve Frink and Jayson Laflamme,
12 and, from the Electric Division, James
13 Cunningham.

14 CHAIRMAN HONIGBERG: All right. Is
15 there anything, any preliminary matters we need
16 to deal with, before we hear from the parties?

17 Mr. Sheehan.

18 MR. SHEEHAN: The Company filed three
19 motions with the Petition. I spoke to Mr.
20 Dexter, he does not have any objections to
21 them. I did not get a chance to speak to Mr.
22 Buckley. They are a Motion for Waiver of
23 1203.02, Customer Notice. Just the timing of
24 our filing and the mailing of our bills, it

1 would be a little lag in getting the customer
2 notices out required by that rule.

3 The second was a request for
4 confidential treatment of a single page that
5 has some compensation information of directors.

6 And the third was to waive the
7 requirement that we file some documents with
8 the Keene part of the filing requirements,
9 because they were already part of the
10 EnergyNorth part, simply to eliminate redundant
11 filings.

12 So, we ask the Commission consider
13 those.

14 CHAIRMAN HONIGBERG: Mr. Buckley,
15 does the Consumer Advocate have any position on
16 the three motions?

17 MR. BUCKLEY: We have no objection.

18 CHAIRMAN HONIGBERG: All right. I
19 think all three motions are noncontroversial,
20 and we'll grant all three of them.

21 MR. SHEEHAN: Thank you. And that's
22 the only preliminary matter I had.

23 CHAIRMAN HONIGBERG: Anything else
24 from Mr. Buckley or Mr. Dexter in the nature of

1 preliminary matters?

2 MR. DEXTER: Nothing from the Staff.

3 *(Mr. Buckley indicating in the*
4 *negative.)*

5 CHAIRMAN HONIGBERG: All right.

6 Mr. Sheehan.

7 MR. SHEEHAN: The Company is pleased
8 to be here starting its EnergyNorth rate case.
9 There are a handful of basic requests contained
10 in it. The obvious are a request for temporary
11 rates effective July 1. I understand there's
12 already a hearing scheduled for that in a
13 couple weeks. There's a request for permanent
14 rates to go in effect in the Spring of '18.
15 And a request for a step adjustment, also to go
16 in effect next spring, based on capital
17 expenditures adjustments this year.

18 The main driver of this rate request
19 is the fact the Company has spent a lot of
20 money in mostly capital projects since the last
21 rate case, which totals over \$100 million, not
22 all of that is in this rate case, part of that
23 is CIBS and the like, but it is a substantial
24 amount of money.

1 And they went to projects such as the
2 Tilton Hi-Line, which we completed last year;
3 the Bedford expansion, which was completed in
4 '15; continued growth, we are now at about
5 95,000 customers; the Training Center. The
6 Training Center allows us to train in-house our
7 gas and electric staff. Our CSAs go through
8 some basic training, so they can better handle
9 customer calls and better deal with the people
10 in the field. There's an active leak field,
11 where the staff can practice finding and
12 detecting leaks. There are poles, where
13 electric staff can climb poles and practice the
14 various techniques they need.

15 In the Training Center itself, there
16 are used furnaces that the staff actually
17 bought from Craig's List, so people can
18 practice lighting them and troubleshooting them
19 when we turn service back on. There's actually
20 a manhole on the second floor, so the staff
21 can, from above and below, practice manhole
22 recoveries, rescues, and that sort of thing.

23 Also, the other two primary --
24 important issues here is we have made a

1 decoupling proposal. Partly, our desire, we
2 actually filed one last rate case, but
3 supported also by the EERS order, which has
4 strongly urged the companies to file such
5 proposals.

6 And, last, we're asking to roll the
7 Keene Division into the distribution rates of
8 EnergyNorth, but keep its own cost of gas.

9 We've already started discovery.
10 We're looking forward to working with Staff to
11 help them understand all the issues that we
12 presented, and with the hope of working towards
13 a amicable resolution.

14 Thank you.

15 CHAIRMAN HONIGBERG: Mr. Buckley.

16 MR. BUCKLEY: Thank you. The Office
17 of the Consumer Advocate is still evaluating
18 many of the issues presented within the
19 Petition. Mr. Sheehan noted several of the
20 issues, which we have noted for ourselves as
21 ones of particular focus, including the
22 Company's consolidation of Keene Division along
23 with EnergyNorth.

24 We've also noted for ourselves a

1 particular focus on the Company's requested
2 return on equity, as well as a rather
3 significant increase in fixed customer charges,
4 which, when viewed in light of the Company's
5 request for decoupling, which we're generally
6 supportive of, may be unsupported, the fixed
7 charges.

8 But we are generally looking forward
9 to working with the parties at hand to resolve
10 these issues, and in a judicious manner.

11 CHAIRMAN HONIGBERG: Mr. Dexter.

12 MR. DEXTER: Thank you. Well, the
13 case is comprehensive and complete. In
14 addition to the typical areas that Staff plans
15 to look at, payroll, pensions, benefits,
16 property taxes, lead/lag study, prepayments,
17 depreciation, amortizations, there are a number
18 of issues that jump out in our preliminary
19 review that are going to require in-depth
20 examination. And Staff has preliminary
21 positions on many of those.

22 First of all, as Mr. Sheehan
23 mentioned, Staff will be looking at the
24 significant increased in rate base from the

1 last case. We believe that to be a key issue
2 in this case that requires examination.

3 The Concord Training Center, in
4 particular, is of concern to the Staff, not
5 necessarily in concept, as much as it is in the
6 amount of the Training Center, as we understand
7 its current cost versus its projected cost when
8 it was first mentioned to the Staff several
9 years ago.

10 Staff has concerns with the proposal
11 to roll the Keene operations into the
12 EnergyNorth operations. It appears, from our
13 review at this point, and I believe the filing
14 states, there's about a \$700,000 revenue
15 deficiency that would be attributable to the
16 Keene operations, and yet, at the same time,
17 the Keene customers are being offered a rate
18 decrease. And we believe this is essentially a
19 cross subsidy, and not in keeping with Staff's
20 position in the docket where the Keene
21 acquisition was approved. And we want to look
22 at the settlement in that case, Staff's
23 position in that case, and examine that
24 closely. But our preliminary position on that

1 is that it looks like it violates the "no net
2 harm" test that was applied in that case.

3 Sticking with the Keene Division, we
4 believe the filing has some deferred production
5 costs that occurred outside the test year.
6 Staff's preliminary position is that these are
7 out-of-test-year costs and should not be
8 recovered in this case, where the test year is
9 2016, the costs we believe mostly arose in
10 2015.

11 Staff also wants to look at the
12 significant expenditure planned for the
13 conversion of the Keene Division to compressed
14 natural gas.

15 Liberty's filing mentions that their
16 corporate parent recently acquired Empire
17 Electric, and that that should have an impact
18 on the corporate overheads that are allocated
19 down to the EnergyNorth customers. And, yet,
20 there are no figures. The impact is mentioned,
21 but not quantified. There's a promise that
22 additional information will be coming, and
23 Staff will be looking closely at the impact of
24 that Empire Electric acquisition on corporate

1 overheads.

2 We agree that the decoupling
3 provision is an issue that's going to require
4 examination in this case. We agree that the
5 decoupling provision was filed in conformance
6 with the EERS order that came out last year.
7 We note that it is the first opportunity that
8 the Company has had to file since the EERS
9 order. It wasn't necessary -- it wasn't
10 ordered that the decoupling provision be
11 included in this case, but it's certainly
12 within the parameters that were laid out in the
13 EERS time frame.

14 As far back as 2007, the Commission
15 has noted that decoupling could have an impact
16 on a company's return on equity. We note that,
17 in this case, the Company is looking for a
18 10.3 percent return on equity, which is the
19 same percent that was sought last year in the
20 Granite State Electric case, where there was no
21 decoupling provision provided or requested.
22 So, we want to look to see if there is any
23 impact, what impact there should be on return
24 on equity, now that a decoupling provision has

1 been submitted.

2 Staff will continue to look at the
3 customer service metrics and customer
4 satisfaction rates that were established back
5 in 2011 with the acquisition of EnergyNorth, to
6 see to what extent those are at issue still in
7 this case.

8 And, finally, Staff plans to propose
9 a decrease to the residential Low Income
10 Assistance Program. This was a rate -- a
11 discounted rate for residential customers that
12 was established about ten years ago. There
13 were some parameters established around that
14 program, and it appears to Staff that the
15 parameters have been exceeded, and it's time to
16 look at the discount. And we plan to propose a
17 discount -- a decrease to that discount.

18 And, finally, consistent with the
19 order that was issued -- with the secretarial
20 order that was issued a day or two ago
21 regarding the affiliate agreement between the
22 two companies for the Training Center, Staff
23 will be examining that arrangement as well.

24 So, we look forward to working with

1 the Company and the OCA, but we believe this is
2 going to be a complicated rate case.

3 CHAIRMAN HONIGBERG: Thank you, Mr.
4 Dexter. Commissioner Scott.

5 CMSR. SCOTT: Thank you. Not to
6 iterate, I will note that, when I looked at the
7 Simek/Dane prefiled, on Page 22, that the
8 justification for the proposed consolidation of
9 the Keene Division into EnergyNorth raised an
10 eyebrow with me, I guess I'll leave it at that.

11 But my question is, on the Keene
12 Division, the Keene -- the staffing of the
13 Keene production facility, is that issue
14 brought into this rate case? Or remind me
15 where we are on that, if you could?

16 MR. SHEEHAN: The Settlement
17 Agreement in the Keene acquisition required
18 that we maintain a certain staffing, and we
19 have done so and we will continue to do so.

20 I hadn't thought of this ahead of
21 time, my expectation we will discuss that
22 through this how the consolidation will affect
23 that, if at all. We do intend to keep the
24 Customer Center there, we do intend to keep

1 Keene-based employees. The numbers I'm not
2 sure have shaken out, at least to my knowledge.
3 But that's --

4 *(Atty. Sheehan conferring with*
5 *Mr. Mullen.)*

6 MR. SHEEHAN: Mr. Mullen just
7 mentioned the Settlement Agreement required
8 separate books and records, and part of the
9 consolidation we would look at that and try to
10 consolidate them for the obvious economies.
11 But we will maintain them until the Commission
12 so orders.

13 Right. I think the point Steve was
14 trying to make is, that until such time as the
15 Commission approves a consolidation. So,
16 certainly, there was some expectation that we
17 would be here at some point proposing a
18 consolidation, and we are.

19 CMSR. SCOTT: Thank you.

20 CHAIRMAN HONIGBERG: All right. I
21 think, if there's nothing else, we'll leave you
22 to your technical session, and look forward to
23 the schedule that you guys can develop. And it
24 sounds like it's going to be a fair bit of work

1 to work through, but we know that everybody is
2 committed to getting it done, and we'll go from
3 there. Thank you all.

4 ***(Whereupon the prehearing***
5 ***conference was adjourned at***
6 ***10:18 a.m., and a technical***
7 ***session was held thereafter.)***
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