

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 4, 2013 - 10:09 a.m.
Concord, New Hampshire

NHPUC DEC18'13 PM 3:21

RE: DG 13-198
ENERGYNORTH NATURAL GAS, INC.
d/b/a LIBERTY UTILITIES:
*Investigation into Line Extension
Policy Matters.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Amanda O. Noonan, Dir./Consumer Affairs Div.

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

ORIGINAL

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I N D E X

PAGE NO.

WITNESS PANEL: **WILLIAM T. SHERRY**
 STEPHEN R. HALL
 STEPHEN P. FRINK

Direct examination by Ms. Knowlton	8, 28
Cross-examination by Mr. Speidel	33
Direct examination by Mr. Speidel	34
Cross-examination by Ms. Hollenberg	39
Interrogatories by Cmsr. Harrington	26, 41
Interrogatories by Cmsr. Scott	49, 65
Interrogatories by Chairman Ignatius	54
Redirect examination by Ms. Knowlton	67

CLOSING STATEMENTS BY:

PAGE NO.

Ms. Hollenberg	70
Mr. Speidel	70
Ms. Knowlton	71

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
2	Settlement Agreement (11-21-13)	7
3	RESERVED for revised tariff page, (Company, OCA & Staff to collaborate to further define and clarify existing vs. non-existing main language and time period for calculations)	69

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 13-198. This is EnergyNorth Natural
4 Gas's line extension policy. This is a hearing that was
5 scheduled and has been noticed for this morning, a hearing
6 on the merits. Let's begin first with appearances.

7 MS. KNOWLTON: Good morning,
8 Commissioners. My name is Sarah Knowlton. I'm here today
9 on behalf of EnergyNorth Natural Gas, Inc., which does
10 business as Liberty Utilities. And, with me today from
11 the Company at counsel's table is Richard MacDonald and
12 Gwyn Cassetty. And, behind me is Stephen Hall and William
13 Sherry, the Company's two proposed witnesses for this
14 morning.

15 CHAIRMAN IGNATIUS: Good morning and
16 welcome.

17 MS. HOLLENBERG: Good morning. Rorie
18 Hollenberg, here for the OCA.

19 CHAIRMAN IGNATIUS: Good morning.

20 MR. SPEIDEL: Good morning. Alexander
21 Speidel representing the Staff of the Commission. And, I
22 have with me Assistant Director Steve Frink of the Gas and
23 Water Division and Amanda Noonan, Director of the Consumer
24 Affairs Division. Mr. Frink will be presenting Staff

1 testimony on a panel with the Company's witnesses. Thank
2 you.

3 CHAIRMAN IGNATIUS: Great. Thank you.
4 Welcome, everyone. So, it sounds like the three witnesses
5 together as a panel to begin?

6 MR. SPEIDEL: Yes.

7 MS. KNOWLTON: Yes.

8 CHAIRMAN IGNATIUS: That's fine with us.
9 Is there anything -- I do know there's a motion for
10 protective order and confidential treatment that the
11 Company filed on November 27th. We should probably
12 address that first. Is there any opposition? Has
13 everyone had a chance to read that? Any opposition from
14 OCA or the Staff to the motion?

15 MR. SPEIDEL: Staff actually supports
16 the motion. Thank you.

17 MS. HOLLENBERG: We don't oppose the
18 motion. Thank you.

19 CHAIRMAN IGNATIUS: All right. And,
20 we've reviewed it. It involves contract price information
21 and customer information. It's acceptable to us. So, we
22 will approve the request for confidential treatment. And,
23 everyone should keep that in mind if those issues come up
24 during the hearing. To the extent we can discuss it in

1 general, without giving specifics, that's best. If we
2 need to get specific, then, we'll mark the transcript as
3 needed. There are no other parties here to ask to leave
4 the hearing room. And, so, that helps.

5 Then, unless there's anything else
6 before witnesses? Ms. Knowlton.

7 MS. KNOWLTON: Just one issue. There is
8 one document that we would propose to mark for
9 identification, and I believe it would be "Exhibit 2",
10 which is the Settlement Agreement that was filed last
11 week.

12 CHAIRMAN IGNATIUS: Is that right, that
13 it would be "Exhibit 2"?

14 MS. HOWARD-PIKE: Yes.

15 CHAIRMAN IGNATIUS: All right. Thank
16 you.

17 CMSR. HARRINGTON: What was Exhibit 1
18 then?

19 MS. KNOWLTON: I believe Exhibit 1 was
20 the Partial Settlement Agreement that was filed in the
21 summer in this docket.

22 CMSR. HARRINGTON: Oh. Okay. That's
23 right.

24 MR. SPEIDEL: Oh. Just one second, if I

[WITNESS PANEL: Sherry~Hall~Frink]

1 may.

2 (Atty. Speidel conferring with Atty.
3 Knowlton.)

4 MR. SPEIDEL: All set.

5 MS. KNOWLTON: We're all set.

6 CHAIRMAN IGNATIUS: All right. Then,
7 we'll mark the Settlement Agreement as "Exhibit 2" for
8 identification.

9 (The document, as described, was
10 herewith marked as **Exhibit 2** for
11 identification.)

12 CHAIRMAN IGNATIUS: And, we also
13 received information regarding the --

14 MR. SPEIDEL: The cost per foot?

15 MS. KNOWLTON: The Extra Footage Charge.

16 CHAIRMAN IGNATIUS: -- the Extra Footage
17 Charge, and I assume that you'll bring that in through a
18 witness?

19 MS. KNOWLTON: Right. I mean, we're
20 happy to mark the letter. But I did anticipate asking Mr.
21 Hall questions about what that charge is.

22 CHAIRMAN IGNATIUS: That's fine. We can
23 do it that way. All right. Then, why don't you seat your
24 witnesses.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 MS. KNOWLTON: The Company calls William
2 Sherry and Stephen Hall.

3 MR. SPEIDEL: And, Staff calls Stephen
4 Frink.

5 (Whereupon *William T. Sherry,*
6 *Stephen R. Hall,* and *Stephen P. Frink*
7 were duly sworn by the Court Reporter.)

8 MS. KNOWLTON: Good morning, gentlemen.

9 WITNESS SHERRY: Good morning.

10 WITNESS HALL: Good morning.

11 **WILLIAM T. SHERRY, SWORN**

12 **STEPHEN R. HALL, SWORN**

13 **STEPHEN P. FRINK, SWORN**

14 **DIRECT EXAMINATION**

15 BY MS. KNOWLTON:

16 Q. Mr. Sherry, I'll start with you. Would you please
17 state your full name for the record.

18 A. (Sherry) William T. Sherry.

19 Q. Make sure you speak into the microphone.

20 A. (Sherry) William T. Sherry.

21 Q. By whom are you employed?

22 A. (Sherry) Liberty Utilities New Hampshire.

23 Q. What is your position with the Company?

24 A. (Sherry) Vice President of Customer Care.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 Q. Just make sure you speak into that microphone. What
2 are your job responsibilities?

3 A. (Sherry) I have overall responsibility for all of the
4 Company's customer-facing activities for its gas and
5 electric operations in New Hampshire, including
6 customer service, sales and marketing, energy
7 efficiency programs, and a number of other customer
8 contact services.

9 Q. Mr. Hall, I'll turn to you. Please state your full
10 name for the record.

11 A. (Hall) My name is Stephen R. Hall.

12 Q. By whom are you employed?

13 A. (Hall) I'm employed by Liberty Energy Utilities New
14 Hampshire Corp.

15 Q. What is your position with that company?

16 A. (Hall) I am Director of Regulatory and Government
17 Affairs.

18 Q. Would you describe your job responsibilities.

19 A. (Hall) I have overall responsibility for regulatory
20 relations and governmental relations, and that
21 responsibility includes pricing and tariff
22 administration, and it also includes overall
23 responsibility for revenue requirements.

24 Q. Thank you. Mr. Sherry, would you provide some

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 background on the genesis of this docket.

2 A. (Sherry) Gladly. Good morning, Commissioners. The
3 Staff had raised concerns about the application of
4 Section 7 of EnergyNorth's tariff. Section 7 provides
5 for line extensions for residential and commercial
6 customers to provide new gas services. National Grid,
7 the prior owner of EnergyNorth, had applied the tariff
8 in such a way that residential customers were paying a
9 flat \$900 fee for service installations when that
10 service was less than 100 feet from a gas main. Under
11 the Transition Service Agreement, National Grid had
12 continued to administer the line extension provisions
13 for EnergyNorth.

14 Staff was concerned that this did not
15 follow the letter of the tariff, and that perhaps
16 customers were being overcharged. And, the Company at
17 the time, when we became aware of this, we stopped
18 using the \$900 fee immediately, until we could consult
19 with Staff. And, at the time, then we reached a
20 partial settlement agreement with Staff and the OCA
21 allowing the contemporary continued use of the \$900 fee
22 for services through the end of this calendar year.

23 Q. And, since that partial settlement agreement, did the
24 Company participate in discovery in this docket?

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 A. (Sherry) Yes, we did.

2 Q. And, in the discovery process, did the Company provide
3 any calculations to the Staff and the Office of
4 Consumer Advocate about the charges to customers?

5 A. (Sherry) Yes, we did. We actually conducted extensive
6 analysis of all the services installed in New Hampshire
7 in recent years. And, we believe we demonstrated that
8 there were no cases where customers were being
9 overcharged. Rather, costs, in nearly all the cases,
10 well exceeded the \$900.

11 Q. How did the Company respond to the concerns that were
12 raised by the Staff in this docket?

13 A. (Sherry) The Company proposed to Staff and the OCA a
14 revised Section 7 of the tariff governing line
15 extensions.

16 Q. Were the Staff and the OCA amenable to the Company's
17 proposal?

18 A. (Sherry) Yes, they were. We met with Staff and OCA on
19 numerous occasions to discuss the proposed changes to
20 the tariff. And, we reached a settlement on the new
21 Section 7, which is what you have before you today as
22 part of the Settlement Agreement.

23 Q. And, Mr. Sherry, do you have that Settlement Agreement
24 in front of you?

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 A. (Sherry) I do.

2 Q. Did you participate in the development of this
3 Settlement?

4 A. (Sherry) I did, along with Mr. Hall.

5 Q. Okay. And, Mr. Hall, would you describe what your role
6 with regard to the Settlement Agreement was?

7 A. (Hall) Certainly. Along with Mr. Sherry, I
8 participated in the discussions with Staff and OCA to
9 develop a proposal that would resolve the issues in the
10 docket. And, following those discussions, I drafted
11 the revised tariff language that we are proposing
12 today, and that's attached as "Attachment A" to the
13 Settlement.

14 Q. Mr. Sherry, if you would turn to Attachment A to the
15 Settlement Agreement, which contains the new Section 7
16 that the Company is proposing to its tariff on
17 "Services" -- "Service and Main Extensions". Would you
18 walk through Section 7 and explain, I would say start
19 with service installations for residential customers
20 and explain what this new provision provides.

21 A. (Sherry) Gladly. Essentially, the existing tariff,
22 Section 7, applies a four-year revenue test against the
23 cost of service installations for a customer. And, the
24 four-year revenue test applies to all customers,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 commercial and industrial, as well as residential.

2 What we have done with the Settlement is
3 we've separated the qualifications, if you would, for
4 new services for residential customers from commercial
5 and industrial customers. For residential customers,
6 we've increased that revenue test allowance from four
7 years to eight years. So, we're giving the customer,
8 the residential customer, essentially credit for eight
9 years of net revenue, distribution revenue, in the
10 customer charge against the cost of providing the
11 service. Once we're done with the analysis, that
12 eight-year revenue test essentially justifies the cost
13 of providing a 100-foot residential -- a 100-foot
14 residential service under normal digging conditions.
15 So, if the Settlement is approved, then, in most cases,
16 a customer would not have to pay a construction advance
17 to the Company to attach to its gas system.

18 In the case of commercial and industrial
19 customers, where the long-term viability of the
20 business is somewhat different sometimes than a
21 residential customer, we're allowing for a six-year
22 revenue test against an estimated cost of providing
23 service. So, in each case, for a commercial and
24 industrial customer, an estimate would be performed,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 and then it's weighed against a six-year revenue test,
2 as opposed to the current four-year test.

3 Q. If the Company encounters difficult working conditions
4 on the customer's property, how will that be taken into
5 account, as far as any charges that may be or costs
6 that are imposed on the customer?

7 A. (Sherry) We, and it's articulated in the Attachment A,
8 and we would expect that the customer would pay for any
9 abnormal digging conditions associated with installing
10 a service on the property. That could be, and if we
11 encounter ledge, for example, when digging on the
12 property to install the service.

13 Q. How would the situation be handled where a customer,
14 say, wants to have the meter put behind their house for
15 aesthetic reasons, as opposed to, you know, the
16 shortest distance that the Company determines for the
17 location of the meter.

18 A. (Sherry) The short answer is the customer would pay for
19 the difference in feet to go that extra distance around
20 to the back of the house, if it's only for aesthetic
21 reasons. Most cases, we work with the customer on-site
22 to determine what's the best meter location, both in
23 terms of short distance and appropriateness. So, it's
24 not a very common case, but the provision is there in

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 the Settlement.

2 Q. And, Mr. Sherry, if you would sort of walk through a
3 situation where, let's say a residential customer
4 requires more than the 100 feet, how would that -- how
5 would that calculation be done under this new Section
6 7, as far as any contribution the customer might be
7 required to pay to have the service installed?

8 A. (Sherry) Sure. Gladly. One of the -- this extra
9 footage charge, which we discussed --

10 (Court reporter interruption.)

11 **CONTINUED BY THE WITNESS:**

12 A. (Sherry) In revising the tariff, we tried to make it a
13 little more simple for customers and contractors to
14 understand. So, when we go beyond the 100-foot
15 extension, one way to approach it would be to conduct
16 an actual engineering estimate for each service. Or,
17 what we've proposed is to come up with a standardized
18 cost per foot, based on the services that we're
19 installing over the course of a year in New Hampshire,
20 and use that figure, which -- and it would apply
21 towards excess footage charges beyond that 100 feet.
22 So, for example, if a customer needs a service that
23 will be 140 feet, the first 100 feet are accounted for
24 under the revenue test against the 100-foot, which is

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 essentially no charge. And, then, the difference of
2 the 40 feet would be 40 feet times the excess footage
3 charge. So, the customer would be responsible for
4 paying that in advance. It's administratively more
5 efficient. It's easy for customers and contractors to
6 understand. And, then, we'll update it on a yearly
7 basis based on our actual experiences going forward.

8 BY MS. KNOWLTON:

9 Q. Mr. Hall, has the Company performed any calculation of
10 what that average footage cost would be?

11 A. (Hall) Yes.

12 Q. What is that charge?

13 A. (Hall) And, that amount is \$45.64 per foot.

14 Q. When Mr. Sherry said it would be updated annually, what
15 time of the year would that update occur?

16 A. (Hall) The update would occur prior to April 1st, and
17 would be effective April 1st of each year. And, it
18 would be based on historical data for the previous
19 calendar year.

20 Q. So, if the Commission were to approve the Settlement
21 Agreement that is before it today, with the extra
22 footage charge that you just testified to, would that
23 charge be updated in April of 2014?

24 A. (Hall) Yes.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 Q. Mr. Sherry, back to you. You've walked through how
2 service installations would be charged under this new
3 provision. If you look at Section 7(3) -- I'm sorry,
4 7(B)(3) of the tariff, it talks about "Service and Main
5 Extensions", and this is on Bates Page 009?

6 A. (Sherry) I have that.

7 Q. Can you walk through what happens if there's a main
8 extension that's involved?

9 A. (Sherry) I'd be glad to. In defining a "service
10 extension" versus a "main extension", the main are the
11 pipes that are in the ground. We're defining a
12 "service extension" as a service that can be installed
13 off an existing main. So, 100-foot off an existing
14 pipe in the ground. If we need to extend the main or
15 extend the pipe in the street to get to the customer's
16 property, there are provisions now in the proposal to
17 take into account the customer's revenue to -- and
18 against that eight-year test, and the six-year test,
19 potentially, if there's a mixing of customers, and
20 weigh that against the cost of extending the main and
21 the service to be provided for the customer.

22 Q. Mr. Hall, what, under the tariff that's proposed, what
23 would happen if a customer requested to have the
24 service installed, and the installation occurred and

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 the customer never hooked up to the Company's system?

2 A. (Hall) Under the tariff provision, the Company would
3 have the right to charge the customer for the cost
4 associated with the service. And, that's a provision
5 that's in the tariff right now. That hasn't changed.

6 Q. Can you explain, Mr. Hall, how the Company would
7 account for any new installations --

8 A. (Hall) Certainly.

9 Q. -- under the tariff?

10 A. (Hall) Certainly. The cost associated with any new
11 installation gets booked into plant in service, which
12 is part of rate base. To the extent that, under this
13 tariff provision, any contribution in aid of
14 construction is required by the customer, the total
15 cost of the installation is added to plant in service.
16 The contribution received from the customer is credited
17 to plant in service. So, only the net amount would go
18 into rate base. The net being the total cost minus the
19 amount of contribution in aid of construction made by
20 the customer.

21 Q. Mr. Hall, if you would look at Section 7(B)(3)(a), this
22 involves "Residential Service and Main Extensions".

23 A. (Hall) Uh-huh.

24 Q. In the second paragraph of subsection (a), little "a",

[WITNESS PANEL: Sherry~Hall~Frink]

1 there's a discussion in the tariff about the estimated
2 annual margin and the allocation of the costs under the
3 tariff to customers. Can you explain in detail how
4 that will work?

5 A. (Hall) Certainly. If a main extension is going to
6 serve more than one location, what the Company will do
7 is look at the estimated annual margin that it expects
8 from all metered services from that location. And, in
9 addition, the Company would also add in the estimated
10 annual margin and cost of construction for premises
11 that the Company reasonably anticipates will take
12 service, using the assumption that 60 percent of those
13 existing premises would take service.

14 The Company would then add up all of
15 those costs and all of the revenue, and determine --
16 take that estimated annual margin and determine whether
17 any contribution is required from all of the customers
18 who are requesting service. If a contribution is
19 required, then, in the case of residential customers,
20 it would be divided equally among all of the
21 residential customers.

22 There's a similar process when there is
23 a mix of commercial and industrial and residential
24 customers, and gets a little more complicated, but only

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 to the extent that different estimated annual margins
2 are used, and any amount of contribution in aid of
3 construction is pro -- is apportioned, prorated amongst
4 all of the customers based on the customers anticipated
5 revenue. And, therefore, you know, it's not going to
6 be divided equally between a commercial customer and a
7 residential customer. Commercial customers, where we
8 would anticipate getting more revenue from them, would
9 pay proportionally more of any contribution to be
10 required.

11 Q. What is the basis for the "60 percent assumption"
12 that's used in that section of the tariff, that
13 "60 percent of the premises will take service"?

14 A. (Hall) The "60 percent" was based on judgment that was
15 taken from a study that had been done for National Grid
16 back in October 2012. That study indicated that there
17 was about an 82 percent saturation level for locations
18 that were on main, i.e. within 100 feet of a main.
19 And, that study also indicated that, over a 25 year
20 period, a new main, you could expect to get a maximum
21 of a 90 percent saturation level by the end of 25
22 years. So, using that information, the Company came up
23 with an estimated saturation level for the first year,
24 and the Company arrived at a 60 percent level, which

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 would mean that the Company is going to have to go out
2 and market the service to potential customers to get to
3 that 60 percent saturation level.

4 Q. What happens if a customer, along that same main
5 extension, doesn't take service when the main is
6 installed, and let's say the 60 percent of customers
7 that the Company was anticipating taking service come
8 on, a year later goes by and somebody else decides they
9 want to hook onto that main? How is that customer
10 treated under this tariff provision, as far as the cost
11 associated with connecting to the Company's system?

12 A. (Hall) Well, if a customer comes on later on, then,
13 under this tariff provision, what that customer is
14 doing is attaching to an existing main, and only is
15 requiring a service extension. And, therefore, to the
16 extent that there would be any charge to that customer,
17 it would only be if that service extension was in
18 excess of 100 feet, because the main would then be
19 "existing".

20 Q. Do you have any concerns about customers trying to game
21 the system, so to speak, based on this tariff
22 provision? You know, someone trying to wait until a
23 year has gone by or two years has gone by, you know, so
24 that they wouldn't have to pay that pro rata share

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 under Section (3)(a)?

2 A. (Hall) Yes. The Company doesn't have those concerns,
3 but that was one of the subjects of discussion when we
4 sat down and talked to Staff and OCA. And, the
5 possibility exists that a customer could understand all
6 of the provisions of the tariff, could see a main being
7 installed, and could say "Okay, I'm going to wait a
8 year, so that, in the event that any contribution is
9 required for main and service extensions, I won't have
10 to pay it. So, I'll wait another year before I hook
11 up. And, therefore, I'll only have to pay for a
12 service extension if it's over 100 feet."

13 We agreed that what we would do is we're
14 going to monitor whether, over the next two or three
15 years, whether the situation is indeed occurring. And,
16 if it is, we're going to sit down and get together with
17 Staff and OCA after that time period to determine
18 whether any tariff change is appropriate to address the
19 situation.

20 The thing to keep in mind in all of this
21 is that, if we did have a situation where that customer
22 waited for another year, to avoid paying any potential
23 upfront contribution in aid of construction, we would
24 still be including 60 percent of the anticipated

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 revenue from that customer in the calculation of the
2 contribution. But, beyond that, customers are -- would
3 be switching to gas service in order to save money. So
4 that, if a customer made the decision to delay the
5 installation, because they didn't want to pay a
6 potential contribution in aid of construction, they'd
7 be making that decision understanding that they would
8 be forgoing a year or more of savings that they could
9 realize as a result of having gas service. So, it's a
10 balance that a customer would really have to understand
11 what the costs are involved, understand what the
12 savings are, and really do some somewhat detailed
13 calculations to arrive at that conclusion.

14 Q. Are there other reasons that you can think of regarding
15 why a customer might not come on to the Company's --
16 might not hook up, you know, later in time? Either Mr.
17 Sherry or Mr. Hall?

18 A. (Sherry) Sure, if I might. I mean, the cost for a
19 customer to convert from, say, a oil heat system to a
20 gas system, is -- the bulk of the cost the customer is
21 facing is inside their house. If they make the
22 decision to convert their heating system, they could be
23 spending anywhere from 7 to \$12,000, based on what
24 we're seeing these days to convert their furnace. So,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 I think a customer's decision to come onto the gas
2 system is as much about their own economics, in terms
3 of what they have to do inside their -- inside their
4 property.

5 One other point I'd just like to make,
6 going back to the "what does this 60 percent mean and
7 how are we applying it?" Under the current tariff,
8 there's something called a "look-back provision". And,
9 it's been in place for many, many years. So, using the
10 same example Mr. Hall described, if an individual
11 customer comes along, and they're at the end of a side
12 street, we would calculate four years' worth of revenue
13 against the cost of a line extension. And, just for an
14 example, let's say it costs \$10,000. So, that
15 individual customer would be required to pay \$10,000
16 for that line extension. We would not -- the current
17 tariff does not take into account any other potential
18 customers that could be connected along that pipe
19 that's going in the street. If Customer Number 2 comes
20 on six months later or a year later or two years later,
21 we're required to go back and recalculate that initial
22 construction advance, adjust what was collected or paid
23 by the original customer, and then try to get some
24 money from Customer Number 2. While that's going on,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 if Customer Number 3 comes along, in between Customer
2 Number 1 and Number 2, we have to adjust again. You
3 can see quickly how the math gets a little unwieldy,
4 and it's also administratively quite burdensome.

5 Essentially, what we've done, not only
6 with the eight and six-year revenue test, but taking
7 into account 60 percent of the potential customers that
8 could be served with essentially a short main extension
9 is we're flipping that "look-back" provision to a
10 "look-forward" provision, and we're eliminating that
11 review. And, so, Customer Number 1 won't pay as much
12 of a construction advance, because they get the benefit
13 of anticipated revenue the Company will see from 60
14 percent of the other customers on the street. So,
15 then, and we'll do the calculation at the time to
16 determine what would be an allocated cost among
17 60 percent of the homes on the street to hook up to
18 gas. So, as Customer Number 2 and Number 3 and Number
19 4 come on and say "what's it going to cost to hook up?"
20 Well, here is the calculation, up to a certain point in
21 time. Beyond that, five years, as Mr. Hall said, if
22 it's five years down the road, it's an existing main.

23 So, the onus is on the Company to
24 actively market and hook up customers to that gas

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 service. But the benefit is out there right now,
2 because gas today, for an average customer, is 50 to 60
3 percent of the cost of oil. So, there's a significant
4 demand for customers to hook up to natural gas. This
5 makes it easier for customers to connect to the system.

6 CMSR. HARRINGTON: Excuse me, could I
7 just -- I'm trying to clarify something, because I wasn't
8 quite sure I understood what you said. You're saying, if
9 there's going to be a main extension, and you go in, let's
10 just say it's going to go by, you know, ten properties,
11 so, you assume six of the ten will eventually connect up
12 with gas.

13 WITNESS SHERRY: Correct.

14 CMSR. HARRINGTON: So, then, you make
15 that calculation, and the first person gets hooked in, you
16 take the cost and divide it up over the six properties
17 that you assume are going to come in and assign to them.
18 Then, a year later, somebody -- the next one comes in and
19 actually decides they want to hook up. Are they
20 considered hooking up to an existing main then or are they
21 still given a charge for that -- that one-sixth charge,
22 just like the first customer did?

23 WITNESS SHERRY: I'd say, a year or
24 more, it's an existing main.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 CMSR. HARRINGTON: A year or more. But,
2 if it's six months?

3 WITNESS SHERRY: We would apply the
4 charge.

5 CMSR. HARRINGTON: You'd apply the
6 charge. So, that's it, it goes up to a year, then it's --

7 WITNESS SHERRY: That level of detail
8 isn't in the Settlement.

9 CMSR. HARRINGTON: Okay.

10 WITNESS SHERRY: I think that's been --
11 we can refine it a little further, if needed, but that's
12 not articulated specifically.

13 CMSR. HARRINGTON: Okay. That's what I
14 was trying, because I couldn't find it in there, but I was
15 just trying to figure, because Mr. Hall had said that "it
16 becomes an existing main", I was wondering when that
17 happens. So, what you're saying is that,
18 administratively, you're going to say "prior to a year,
19 it's -- you pay part of the fee, but, after a year, it's
20 considered an existing"?

21 WITNESS HALL: I think that's probably
22 right.

23 CMSR. HARRINGTON: All right. Thank
24 you.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 BY MS. KNOWLTON:

2 Q. Mr. Sherry, does the Company plan to undertake any
3 marketing efforts with this new tariff provision as
4 proposed, so that potential customers know about this
5 change?

6 A. (Sherry) Yes. This would be -- we're in the process
7 now of developing our 2014 marketing campaign --
8 marketing campaigns, targeting a whole host of
9 customers. And, we would roll this into our 2014
10 marketing plans to reach out to customers.

11 Q. Would there be any coordination with any CIBS projects
12 that the Company conducts in the future?

13 A. (Sherry) Absolutely. We're already coordinating our
14 sales activity this year, along with any CIBS projects
15 that are taking place. We heavily target -- we heavily
16 market customers along the route of a CIBS project, up
17 to and including hanging fliers on their doors, staff
18 walking the street knocking on doors, direct mail
19 campaigns. So, customers know we're coming down the
20 street. And, that would be the plan going forward as
21 well.

22 Q. What impact do you think that this new tariff provision
23 will have on the Company if it is approved?

24 A. (Sherry) Looking at existing services and main

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 potential, say, short-term main -- short-distance main
2 expansions, some initial calculations that we just ran
3 recently, we could see as much of a 20 percent uptick
4 in customer interest in gas service. So, it's got some
5 potential to help grow the business and get gas to more
6 customers.

7 Q. Mr. Sherry, if you would turn to the Settlement
8 Agreement itself, and I'm looking at Bates Page 003 of
9 the Settlement Agreement. Specifically, Section --
10 it's II, (b), that section of the Settlement describes
11 a possible refund process. Would you explain what that
12 provision means?

13 A. (Sherry) Yes. During the course of the pendency of
14 this proceeding, and the interim Settlement Agreement
15 that's been in place for the continuing use of the \$900
16 fee, there were a small number of customers who had
17 services over 100 feet. So, they paid more than the
18 \$900 under the existing tariff. What we've proposed to
19 do and agreed to do is the Company would go back and
20 recalculate that excess footage charge for the service
21 over 100 feet, based on the new excess footage charge.
22 And, if that number results in a credit to the
23 customer, we'll refund a credit to the customer
24 compared to what they had paid since July of this year.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 We've identified approximately 20 customers this would
2 apply to. And, we're in the process of doing the
3 analysis right now.

4 Q. Mr. Sherry, do you think that the Settlement Agreement
5 is in the public interest?

6 A. (Sherry) I do.

7 Q. Can you explain why?

8 A. (Sherry) I do. I think this will -- first off, if a
9 customer makes a decision -- a residential customer
10 makes a decision to convert from oil to natural gas,
11 they're making a significant investment in their own
12 property. As they go through the expense and the work
13 of taking out an oil tank, taking out a furnace,
14 plumbing in a new heating system, it's going to be
15 there for the long term. They're not going to turn
16 around and take it out again. Highly unlikely. Unless
17 oil prices suddenly flip with natural gas prices, which
18 I don't expect we'll see. So, that says to us that it
19 makes sense to give the customer credit for a longer
20 period of revenue, hence the four years to the eight
21 years.

22 In the case of commercial/industrial
23 customers, why did we go with the six? Businesses
24 change. It's as simple as that. You know, people open

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 up businesses, they go in there with all good
2 intentions, but the economic conditions drive it. So,
3 a business could go in and move out, and the property
4 could sit vacant for a period of time. Likely, the gas
5 is still going to be there, but it could sit empty.
6 So, that's just the difference between the eight and
7 the six.

8 This makes it a lot easier for customers
9 to understand what's involved in getting natural gas
10 service. If we eliminate the need for a \$900 upfront
11 fee, the revenue supports the cost of installation, and
12 it will make it easier for contractors to sell it and
13 market it.

14 And, in addition, customers will be able
15 to take advantage of our energy efficiency programs.
16 So, if we made the service installation easier for the
17 customer and the contractor, they can still take
18 advantage of the energy efficiency rebates for that
19 high-efficiency boiler or high-efficiency furnace, and
20 other equipment that might be going into the house.

21 Q. And, Mr. Sherry, the purpose of the energy efficiency
22 rebates that you just discussed is to incentivize the
23 customer to purchase that higher level of efficiency
24 furnace or boiler, is that correct?

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 A. (Sherry) That's correct. That's correct.

2 Q. Instead of making a choice of something that is
3 available on the market, but less efficient and less
4 costly, frankly, to the customer on an upfront basis?

5 A. (Sherry) That's correct.

6 Q. Mr. Hall, do you believe that the Settlement is in the
7 public interest?

8 A. (Hall) Yes, I do.

9 Q. And, do you have any reasons that you want to expand on
10 from what Mr. Sherry said or --

11 A. (Hall) Certainly. The only thing I'd add is that what
12 this policy will do is it will encourage gas expansion
13 in a manner that will result in lower costs in the long
14 run for all customers, and also provides more
15 opportunity for savings for new customers, who are
16 switching, who want to switch to gas service.

17 MS. KNOWLTON: The Company has nothing
18 further for its witnesses.

19 CHAIRMAN IGNATIUS: Thank you.

20 Mr. Speidel, do you have direct of Mr. Frink?

21 MR. SPEIDEL: Should we go with direct
22 first or maybe some limited cross-examination of the
23 Company's witnesses?

24 CHAIRMAN IGNATIUS: I think it's

[WITNESS PANEL: Sherry~Hall~Frink]

1 probably easier to put Mr. Frink on, and then -- well,
2 either way. If you'd rather break it apart, I don't care.

3 MR. SPEIDEL: I do just want to ask one
4 quick question of Mr. Sherry.

5 **CROSS-EXAMINATION**

6 BY MR. SPEIDEL:

7 Q. Mr. Sherry, in response to Commissioner Harrington's
8 question, you mentioned that, if there are main
9 extensions, and within one year of a main extension
10 being built there are certain customers who had not
11 contributed to the cost recovery pot, they elect to
12 establish service connections to that main line, they
13 would be required by the Company to contribute to the
14 cost recovery pot, instead of taking advantage of the
15 100-foot free service provisions of this Settlement and
16 the tariff. Could you please point us to the
17 provisions of the Settlement or the tariff that
18 authorize the Company to do that?

19 A. (Sherry) I think we were responding to a hypothetical
20 question as well. And, I agree, and I think -- I
21 believe I stated in my answer to Commissioner
22 Harrington that the Settlement does not articulate
23 specifically the one year provision.

24 Q. So, the Company's understanding is that it would not be

[WITNESS PANEL: Sherry~Hall~Frink]

1 engaged in such a practice under this Settlement or
2 tariff, but, in the future, if there were to be a need
3 to modify this tariff, one year would be a fair
4 delineation point for the imposition of cost recovery
5 on customers engaging in service extensions, is that
6 correct?

7 A. (Sherry) I think that would be a fair statement. And,
8 as Mr. Hall had stated, we've also agreed that we will
9 continue to monitor this Settlement and the application
10 of the Settlement going forward. And, at such time, if
11 we believe we needed to make some changes, we would
12 engage in discussion with Staff and OCA.

13 MR. SPEIDEL: Okay. Thank you very
14 much. I appreciate that clarification. I will begin my
15 direct examination of Mr. Frink.

16 **DIRECT EXAMINATION**

17 BY MR. SPEIDEL:

18 Q. Mr. Frink, could you please state your full name and
19 your place of employment.

20 A. (Frink) Stephen P. Frink. I'm employed by the Public
21 Utilities Commission.

22 Q. And, what are your responsibilities and position here
23 at the Commission?

24 A. (Frink) I'm the Assistant Director of the Gas and Water

[WITNESS PANEL: Sherry~Hall~Frink]

1 Division, primarily responsible for gas filings.

2 Q. And, you submitted a Staff request to open the current
3 investigation docket on June the 20th of 2013?

4 A. (Frink) Yes, I did.

5 Q. What were Staff's primary concerns in requesting the
6 investigation?

7 A. (Frink) We were concerned that the CIAC requirements
8 were economically prohibitive. And, we were concerned
9 that customers that were paying the -- that did
10 actually install services and mains were overpaying
11 contributions in aid of construction.

12 Q. Based on the results of the Staff investigation, did
13 you find that that was the case?

14 A. (Frink) Yes and no. The requirement that -- the \$900
15 standard fee was actually less than the requirement
16 that would have been imposed if they had used the
17 25 percent test. But, as far as being prohibitive,
18 compared to New Hampshire's other natural gas utility,
19 Northern Utilities, the contribution in aid of
20 construction requirements were prohibitive.

21 Q. How do Liberty's CIAC requirements currently in place
22 compare to Northern's?

23 A. (Frink) Looking at the existing requirements, Northern
24 uses a discounted cash flow that looks for a return on

[WITNESS PANEL: Sherry~Hall~Frink]

1 residential customers of 20 years. They look at the
2 revenues over those 20 years and seek to recover the
3 direct costs for installing that service, service
4 and/or mains. And, for the commercial/industrial
5 customers, they look for a 10-year payback. And,
6 that's a policy that's been in place for a number of
7 years with Northern. Many years ago, they were using
8 the 25 percent test, too, but requested to use the
9 discounted cash flow analysis, and the Commission
10 approved that.

11 Q. Is it Staff's opinion that a 10 and 20-year payback
12 period for commercial and residential customers,
13 respectively, provides a balanced financial incentive
14 for existing customers and new customers in the
15 Company?

16 A. (Frink) That is Staff's position. Although, with a
17 10-year and 20-year payback, there's a negative return
18 in the early years, just due to the upfront cost of the
19 construction versus a revenue stream over a number of
20 years. It's not -- it's a sufficiently limited time
21 that the Company is willing to absorb those costs.
22 And, it doesn't act as a disincentive for the Company
23 to not add customers. So, under this proposal, new
24 customers see a lower contribution in aid requirement,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 and existing customers don't have to pay that
2 additional cost. And, the Company doesn't have to --
3 is at less of a risk for underearning as a result of
4 that negative return on the investments. Over the 40
5 or 50-year life of the mains and services, the Company,
6 existing customers, and new customers will all benefit
7 from those additional revenues. So, it does seem to be
8 a very balanced and reasonable time frame.

9 I would note that the -- looking at the
10 residential customers, using the discounted cash flow
11 analysis that Northern currently uses, if they were
12 going to go to a similar test as what we're proposing
13 for Liberty, it would be a seven-year revenue test, as
14 opposed to an eight-year. So, it's in the ballpark.
15 The expectation is that, under this proposed line
16 extension policy, that the payback will be similar for
17 both Liberty and Northern, that they will be 10 years
18 for C&I and 20 years for residential.

19 Q. Does the Settlement generally address Staff's concerns
20 regarding CIAC requirements or C-I-A-C requirements?

21 A. (Frink) It does. It should make, similar to Northern,
22 customers that are on an existing main within 100 feet
23 will receive a free service, and that is sufficient to
24 cover the direct costs of installation. I would note,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 the \$900 fee was less than the contribution is
2 calculated at the 25 percent test. One thing a little
3 different from what -- how EnergyNorth was calculating
4 the contribution was they were including indirect
5 overheads in their calculation of the capital costs.
6 This new tariff excludes those indirect overheads. So,
7 in addition to recognizing more revenue and recovering
8 over a longer period of time, they're also reflecting
9 direct costs. So, that's another improvement.

10 Q. Mr. Frink, does Staff have the expectation that this
11 Settlement will stimulate growth in the customer base
12 of the Company?

13 A. (Frink) Yes, we certainly do.

14 Q. And, would you expect that such growth in the customer
15 base of the Company would tend to benefit existing
16 customers of Liberty's system at large?

17 A. (Frink) Yes. Over -- again, over a 40 or 50-year life
18 of the pipe, those revenues, while you may have a
19 negative return for a few years, ultimately, you'll
20 have a positive return for many, many years. So, yes,
21 over time, it's definitely beneficial to existing
22 customers.

23 Q. And, so, Staff supports the Settlement as filed,
24 correct?

[WITNESS PANEL: Sherry~Hall~Frink]

1 A. (Frink) Yes, we do.

2 MR. SPEIDEL: Thank you. No further
3 questions.

4 CHAIRMAN IGNATIUS: Thank you. I think
5 we would -- I'd like to get all of the direct and friendly
6 cross out of the way first. So, I'm going to turn to
7 Ms. Knowlton, any questions of Mr. Frink, then OCA, for
8 all of the witnesses, and then see if there's questions
9 from the Commissioners. Ms. Knowlton?

10 MS. KNOWLTON: I have no questions for
11 Mr. Frink.

12 CHAIRMAN IGNATIUS: All right.
13 Ms. Hollenberg.

14 MS. HOLLENBERG: Thank you.

15 **CROSS-EXAMINATION**

16 BY MS. HOLLENBERG:

17 Q. I apologize for going back to the subject of
18 Mr. Speidel's cross-examination question of you. But,
19 just to clarify, the prior to one year/after one year
20 issue, with respect to service and main extensions, is
21 not something that the Company intends to implement
22 under the current tariff?

23 A. (Sherry) That is correct.

24 Q. And, also to clarify, the refund provision that is

[WITNESS PANEL: Sherry~Hall~Frink]

1 provided in the Settlement at Page 3, in Paragraph
2 Section 11(b), the Company is going to go back and
3 recalculate the cost to residential customers based on
4 the extra footage charge, but you will not be using the
5 longer payback period or the 60 percent saturation,
6 those new provisions in that, in calculating that
7 refund?

8 A. (Sherry) No, it will be a straight calculation of any
9 footage that was in excess of 100 feet for those 20 or
10 so customers, against the new excess footage charge,
11 compared to what they had paid this year for that
12 service. And, if they would have paid less under the
13 new provision, we'll refund the difference.

14 Q. Thank you. A question for you, Mr. Frink. Do you
15 agree with the statement of the Company that no
16 residential customers were overcharged for service
17 extensions less than 100 feet when the Company was
18 using the \$900 flat fee?

19 A. (Frink) As per the requirement of the 25 percent test,
20 they did not overcharge.

21 Q. Thank you. And, for the Company, either one of you.
22 Does the Company have any other ideas for making
23 natural gas service more accessible to residential
24 customers in New Hampshire?

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 A. (Sherry) Yes.

2 Q. Could you provide some examples of ideas or what --
3 could you explain your answer?

4 A. (Sherry) I think the -- the Company is preparing, I
5 think that these changes to the tariff provisions are a
6 first step in making natural gas service more available
7 to customers. We're working on a number of ideas that
8 we'll be in to talk to Staff and OCA about early in
9 2014, on ways that we could potentially expand natural
10 gas to more customers beyond a simple main extension.

11 MS. HOLLENBERG: Thank you.

12 WITNESS SHERRY: You're welcome.

13 MS. HOLLENBERG: I don't have any other
14 further questions.

15 CHAIRMAN IGNATIUS: Thank you.

16 Commissioners Harrington.

17 CMSR. HARRINGTON: Yes. Good morning.

18 WITNESS SHERRY: Good morning.

19 BY CMSR. HARRINGTON:

20 Q. A couple of questions dealing with the Settlement
21 Agreement, Attachment A, the proposed new tariff, on
22 the bottom of Page 8. And, it appears in Section
23 7(B)(1) and (2) that the estimated annual margin, when
24 you're dealing with commercial/industrial, is based

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 site-specific, is that correct? I mean, assuming that
2 you make some estimate of the type of business that's
3 going in and how much their annual usage would be?

4 A. (Sherry) That's correct. It's calculated on a per
5 customer basis.

6 Q. But, on residential, it doesn't seem to be the same
7 type of thing. So, do you just use a standard
8 one-size-fits-all for residents?

9 A. (Sherry) Yes.

10 Q. Okay. And, is that because there's been an analysis
11 done that they're so close it wouldn't make any
12 difference? It would just strike me as a, you know, a
13 1,200 square foot passive solar heat with a wood stove
14 is going to use a lot less gas than a 6,000 foot house
15 with a heated hot tub in the back yard.

16 A. (Sherry) That's correct, on an individual basis. But
17 the difference in an annual therm consumption is
18 actually very small. And, we're using the actual data
19 that's been provided in our cost of gas proceedings on
20 the average use per customer. So, from an
21 administrative perspective, for residential customers,
22 it's much more administratively efficient to say
23 "here's the number for a residential customer." Taking
24 into account that a small house may use a little bit

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 less than a large house, it's a balancing act.

2 Q. Okay. So, without getting into a lot of details, you
3 have done an analysis that's shown that using a single
4 one-size-fits-all for a residency is the appropriate
5 approach?

6 A. (Sherry) Correct.

7 Q. Okay. On the commercial/industrial, where you do this
8 estimated thing, is there any true-up after the -- what
9 is it going to be, six years, I guess? I mean, if
10 somebody uses extremely less than you anticipated or,
11 of course, extremely more you wouldn't really care.

12 A. (Sherry) No. It's a single decision. Everything we do
13 is based on an estimate up front. We're basing it on
14 estimated revenues and the estimated cost of
15 construction. And, it's the -- the business is making
16 the decision at that point in time as well,
17 Commissioner.

18 Q. And, moving to the next, the top of the next page, then
19 you talk about the main extensions, again, the same
20 thing applies to the residential main extensions, it's
21 a one-size-fits-all?

22 A. (Sherry) Correct.

23 A. (Hall) Yes.

24 Q. Just to clarify, because I've gotten a little bit

[WITNESS PANEL: Sherry~Hall~Frink]

1 confused here, maybe the question has been asked too
2 many times, maybe this can be the last time. This idea
3 about when a new main becomes existing, I thought I
4 heard it was going to be after a year, and then, in
5 response to Ms. Hollenberg's question, it sounded like
6 that's something that hasn't been decided yet. So, can
7 you clarify exactly what the policy is on that?

8 A. (Sherry) That particular, without -- seeing if I can
9 agree with myself, that was not addressed in the
10 Settlement.

11 Q. Correct.

12 A. (Sherry) And, so, as a result of that, we will not
13 treat that one year point in time any differently when
14 we apply this particular policy, in terms of
15 determining the customer's participation. I think the
16 intent of the 60 percent revenue projection or revenue
17 estimate, if you will, up front, is that we will -- we
18 expect to be able to hook up 60 percent of those
19 customers on an existing main extension within a year.
20 The time to hook them up will be at the time it's being
21 built. And, that will be built in a very short period
22 of time. It will be weeks or a couple of months. It
23 will be done, the street will be closed. So, the time
24 to -- you know, it's like any sales opportunity, the

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 time to get them is when we're there building.

2 Q. And, that's because the individual residential
3 customer, and let's just say, because there was a
4 question of gaming brought up, if I am going to
5 install, while you've got the street dug up, are my
6 costs going to be less than if they would be, of
7 course, if it's less than 100 feet, it really doesn't
8 make any difference, right?

9 A. (Sherry) No.

10 Q. So, I mean, somebody -- I'm just trying to figure about
11 that somewhere along the line there has to be some type
12 of a rule put in. So, you know, if you come in and you
13 say "Do you want gas, because we're extending the
14 main?" And, I say "no". And, they go "okay". And,
15 then, I call you back two weeks later and say, "you
16 know, I've changed my mind. I want gas now." Am I not
17 -- am I not charged for that main extension or whether,
18 you know, by using the 60 percent factor? So, I'm not
19 sure, it doesn't seem to be addressed here, but maybe
20 it's something that should be addressed fairly shortly.

21 MR. SPEIDEL: If I may, Commissioner,
22 I'd like to ask a question of Mr. Frink to clarify that.

23 CMSR. HARRINGTON: I was just going to
24 go to him.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 BY MR. SPEIDEL:

2 Q. Mr. Frink, --

3 CHAIRMAN IGNATIUS: Well, Mr. Speidel,
4 why don't you let us finish. If you have redirect that
5 still needs to be addressed, we'll get there.

6 MR. SPEIDEL: Okay.

7 CMSR. HARRINGTON: I see Mr. Frink
8 shaking his head over there, so, I was going to -- I think
9 it's up and down, but I wanted him to comment.

10 BY CMSR. HARRINGTON:

11 Q. Do you care to comment on this?

12 A. (Frink) Yes. That's definitely a concern. The
13 potential is there to game. I think, from a practical
14 matter, if you install a main in one construction
15 season, then adding a new customer during that same
16 season is probably not going to happen. So, these new
17 service requests, they get scheduled, they get
18 installed. But I would expect there would be a lag.
19 But, technically, you're correct. They could very well
20 wait until they cover up that main and repave, and then
21 call up and say, and per the letter of the law, they
22 have to go out there and put in that new service. So,
23 it is a concern. How valid it is, we'll find out.
24 And, if it is an issue, then, it's a fairly -- I think

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 it would be a fairly simple process to propose a
2 revision to the tariff that would allow for that.

3 So, no, it was -- it's definitely a
4 concern. And, the expectation is it's not going to
5 happen. But, if we find that it does, then it will
6 have to be addressed.

7 Q. But, even if it's not necessarily somebody gaming it,
8 but somewhere administratively you're going to have to
9 set the definition of an "existing main". Because, you
10 know, where do you -- is it existing -- does it become
11 existing when you close the street up? That would seem
12 to me to be maybe a practical approach to doing it.
13 And, that way, anybody that calls after the
14 construction of the main is completed and closed off
15 would be considered "existing". That's one
16 possibility.

17 A. (Sherry) Yes.

18 A. (Hall) Uh-huh.

19 Q. Just there has to be some way of doing it, because you
20 have a different set of charges to existing and
21 non-existing. So, maybe we don't decide that today,
22 but maybe Staff and the Company could work on coming up
23 with something on that as a recommendation. But you're
24 going to have to have some way of making that

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 determination.

2 A. (Hall) Uh-huh. Agreed.

3 A. (Sherry) I agree.

4 Q. It can't be arbitrary or vary from one to the next.

5 But we probably talked enough about that, I think. One
6 other question. The Company, and quite rightly so,
7 seems like, and as well as Staff, that this would
8 stimulate expansion of the system and allow more
9 residents and businesses in New Hampshire to take
10 advantage of the lower natural gas prices, which I
11 think everyone is in favor of. Is there -- does the
12 Company have access to increasing, what, a 20 percent
13 customer increase, is that -- that's substantially more
14 gas, is that -- we all keep hearing about pipeline
15 constraints.

16 A. (Sherry) Let me clarify my "20 percent" response. That
17 our projection for a 20 percent increase would be for
18 new residential customers on main extensions.

19 Q. Okay.

20 A. (Sherry) Not an overall 20 percent increase in our
21 customer base. But, even if we were to see a
22 20 percent increase in new residential customers, let's
23 say, last year we added 800 residential customers, and
24 next year we add a thousand, for example. We don't see

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 that as a supply problem.

2 Q. Okay. So, any supply problems, even with substantial
3 expansion are off in the distance someplace, as far as
4 your Company is concerned?

5 A. (Sherry) I can't speak to it from an energy -- the
6 broader energy supply perspective, I think we have
7 other experts in the Company that could speak to it at
8 a broader perspective. But, in terms of adding
9 incrementally, --

10 Q. Yes.

11 A. (Sherry) -- you know, more residential customers, no.

12 CMSR. HARRINGTON: Okay. Good. Thank
13 you. That's all the questions I have.

14 CHAIRMAN IGNATIUS: Commissioner Scott.

15 CMSR. SCOTT: Thank you. And, good
16 morning.

17 WITNESS HALL: Good morning.

18 BY CMSR. SCOTT:

19 Q. Whoever feels best qualified to answer it, please do
20 so. I was curious to explore a little bit more about
21 pulling in new customers. And, I heard you to say,
22 obviously, you're -- you're obviously developing plans
23 that you're hoping to share with the Staff in the
24 spring. And, I also heard you say that, which makes

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 sense, as you develop new mains, you market it sounds
2 like aggressively along that route to make sure you can
3 sign people up, and that makes a lot of sense. I was
4 curious if you could articulate, what do you do
5 currently with potential customers who have not signed
6 up yet, but are along the existing old mains, if you
7 will? And, I'll be very frank, I've watched, in the
8 past year and a half, even in the Concord area, it
9 appears that you've lost some commercial customers that
10 you either had or were on existing -- right near
11 existing lines. You know, it kind of surprised me that
12 customers would go in a different direction than gas.
13 So, I was curious if you could articulate what's
14 currently going on?

15 A. (Sherry) I'd say that, taking a step back, we're a
16 little over a year since the sale closed, since Liberty
17 took over EnergyNorth and Granite State. We've been
18 very actively building our own sales team, putting our
19 own sales plans in place. We've seen modest success,
20 from my perspective, the last six to seven months,
21 because we really implemented our own sales plan
22 probably in the Spring of 2013, as we were peeling off
23 the Transition Service Agreements from National Grid.
24 Those included such programs as, you know, an American

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 Express gift card for a customer if they converted
2 their home heating system within a certain period of
3 time. Contractor referral programs, meaning if a
4 customer calls up and says "I'm interested, I want to
5 do this, but I don't know who to work with", we've
6 identified contractors in the given communities,
7 Nashua, Manchester, Tilton, and Concord, who are
8 willing to install new services for certain prices to
9 get the business.

10 We've worked out arrangements on oil
11 tank removals, where, if a customer gets a referral
12 through these programs, they have a discount on the oil
13 tank removal price. So, we're target-marketing certain
14 areas where we know there are CIBS replacements, but
15 we're not there yet, and we have more work to do, in
16 terms of getting the word out. And, then, there's the
17 cost of construction that balances against it.

18 I don't like to hear we've lost anybody.
19 But, I mean, that's the nature of the business. The
20 individual customers are making their individual
21 decisions based on what's -- what are the economics at
22 a given point in time.

23 Q. On the same tack, do you feel -- and, again, it makes a
24 lot of sense to target as you're developing new lines,

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 and I get that, and I'm glad you're doing that. Is
2 there -- do you feel there's opportunities along the
3 lines that have been there for a long time?

4 A. (Sherry) Most service areas where the lines have been
5 -- I'll use Manchester as an example. Saturation level
6 is pretty high. And, the customers that are at long
7 existing mains in the Nashua's, Manchester's,
8 Concord's, where it's a built-up community, there's a
9 pretty high saturation level. We'll still cover those
10 customers with marketing campaigns.

11 Where we have opportunities for what we
12 call "low use customers" in those areas, the customer
13 who might have water heating and cooking, but they
14 don't have heat. So, we'll target those particular
15 customers during the course of our marketing campaigns,
16 to say, you know, "here's some opportunity to convert
17 your heating system as well." But the saturation
18 levels in those areas are pretty high already.

19 Q. Okay. Thank you. And, almost all my questions are on
20 the same bent, so this is probably going to be Mr.
21 Sherry, I'm going to guess, that answers. But there's
22 been a lot of discussion about how much, in the tariff,
23 obviously, how much the customer typically would pay up
24 front, if they go outside certain bounds. Do you have

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 any kind of programs where it's still the customer's
2 cost, but they pay over time, or do you expect them to
3 write a check right then and there or do you have other
4 options for customers.

5 A. (Sherry) At this point in time, we're expecting the
6 customer to pay up front.

7 Q. Okay. And, back to the "60 percent", my
8 characterization, not yours, but, obviously, that's
9 based on some estimates that National Grid had put
10 together. It sounds like perhaps Liberty is going to
11 and is marketing more aggressively. Are you going to
12 be relooking at that assumption in the future?

13 A. (Hall) It's certainly something that we can look at,
14 once we get some experience regarding what the
15 saturation level is for new extensions. We're hoping
16 it's going to be a lot higher than 60 percent, quite
17 frankly. And, we're going to strive to do just that.
18 And, if our efforts show that the 60 percent amount is
19 too low, then, that's certainly something we'd talk to
20 Staff and OCA about and consider an amendment to the
21 tariff provision.

22 CMSR. SCOTT: Fair enough. That's all I
23 had. Thank you.

24 CHAIRMAN IGNATIUS: Thank you. I have

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 some questions. I keep thinking this is more
2 straightforward than it turns out to be, or maybe I'm
3 making it more complicated than it needs to be.

4 BY CHAIRMAN IGNATIUS:

5 Q. Let's follow just with the 60 percent that you
6 mentioned, Mr. Hall. If, in an area where you're doing
7 that outreach in anticipation of doing a service
8 extension -- a main extension, let me say it
9 differently.

10 A. (Hall) uh-huh.

11 Q. If you get 80 percent of the people signing up, does
12 that affect the charge that they will be imposed for
13 the main extension?

14 A. (Hall) Yes. Let's say we have a main extension going
15 down a street, and there are ten houses on the street.
16 And, we go out, we do our marketing, and we get eight
17 of the ten houses to say "yeah, sign me up." We will
18 now incorporate the eight houses in our analysis. And,
19 therefore, it basically would either reduce the
20 contribution in aid of construction for everyone else,
21 spread it out over eight customers, instead of six, or
22 it might eliminate any required contribution
23 altogether, depending on what the costs are. So, the
24 short answer is "yes, it would have an impact."

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 Q. So, you might go to people saying "we want to do this,
2 are you interested? We are assuming 60 percent. This
3 would be the charge to you." When, after you've
4 canvassed the area, it turns out you get 80 percent,
5 you'd go back and say "good news" --

6 A. (Hall) "Guess what, we have very good news."

7 Q. Okay. If you go out and you present it with the
8 assumption of the 60 percent, and you only get
9 40 percent, do you go back with a higher rate?

10 A. (Sherry) No.

11 A. (Hall) No.

12 Q. All right. And, so, explain why it's different in that
13 case.

14 A. (Frink) I could clarify, for the 10-person example,
15 when you calculate the revenue, you get eight
16 customers, it's eight customers at 100 percent and two
17 customers at 60 percent.

18 A. (Hall) Yes.

19 Q. Do that again, because I didn't follow that.

20 A. (Frink) If you add -- if you're putting in a main that
21 has ten houses on it, when you calculate that revenue
22 requirement, if you're going to convert eight of them,
23 you calculate the revenue for 100 percent on those
24 eight customers, and the other two remaining customers

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 that you didn't get you're going to be including
2 60 percent of their revenues.

3 Q. So, do all ten customers see a charge, even if only
4 eight of them are taking service?

5 A. (Frink) No. Those two customers that do not sign up
6 for service will never be required to pay any customer
7 contribution. But, for those other customers that are
8 getting service, the Company is assuming that they're
9 going to eventually pick up those customers. Now, you
10 wouldn't expect it would be -- it might be when their
11 furnace dies in 15 years, it could be whenever. But
12 the assumption is that at some point you're going to
13 collect revenues from those customers. So, I think
14 it's reasonable to -- or, we think it's reasonable to
15 factor that in.

16 These customers that are not taking --
17 these buildings that are not taking service at this
18 point in time will eventually take service, or at least
19 60 percent of them will.

20 Q. Another question about the distinction between "service
21 extensions" and "main extensions". And, I'd ask
22 everybody to look at Pages 8 and 9, which is the
23 Attachment A. If I followed the testimony, it may be
24 just a drafting issue, at the bottom of Page 8, I'm

[WITNESS PANEL: Sherry~Hall~Frink]

1 looking at Section 7(B)(1), it talks about "Residential
2 Service Extensions", and this is the "no charge unless
3 you're over 100 feet." And, if you're over 100, then
4 it's the excess Extra Footage Charge that you've given
5 us today, correct?

6 A. (Hall) Uh-huh.

7 A. (Sherry) Yes.

8 Q. And, there's no calculation of expected revenue or how
9 many sign up or assumptions made, it's just --

10 A. (Sherry) Right. It's a single service.

11 A. (Hall) And, there's an existing main.

12 Q. Yes. So, then, if you compare that to the top of
13 Page 9, Section (3)(a), it again refers to "Residential
14 Service" and "Main Extensions" now are included,
15 "installed at no charge, provided", and then it goes on
16 to talk about the "one-eighth test". But aren't you
17 mixing two different things here? The service
18 extension still is what's governed by Section (1) on
19 the prior page, and this Section (3)(a) is talking
20 about "main extensions", am I right?

21 MS. HOLLENBERG: May I offer something?

22 CHAIRMAN IGNATIUS: Well, can we --

23 MS. HOLLENBERG: Sure.

24 CHAIRMAN IGNATIUS: -- hear from the

[WITNESS PANEL: Sherry~Hall~Frink]

1 witness first?

2 MS. HOLLENBERG: Sure. Yes. Thank you.

3 **BY THE WITNESS:**

4 A. (Hall) 7(B)(3)(a), if there's no main there, you're not
5 going to have a service extension without having also a
6 main extension. So, 7(B)(3) is covering the situation
7 where there's no service whatsoever. And, therefore,
8 since we'd be coming in new, we're going to look at the
9 cost of installing both the main and the service, and
10 then do the revenue analysis.

11 BY CHAIRMAN IGNATIUS:

12 Q. And, it may be a matter of just changing headings a
13 little bit to be a little bit clearer, so that, if I
14 were a customer, and I say, "well, service extension, I
15 don't know if I'm looking at -- I know I'm residential,
16 I don't know if I go under 7(B)(1) or 7(B)(3)." And,
17 I'm sure you, working with customers, can explain which
18 is which. But it would be -- they're might be a more
19 straightforward way to block that out with just a
20 couple of headings. And, Ms. Hollenberg, you may have
21 thoughts on it as well.

22 MS. HOLLENBERG: My only comment was
23 that "Service and Main Extensions" is actually a term of
24 art. And, so, it's in the definitions. I don't know if

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 that's helpful to have --

2 WITNESS HALL: Yes, 7(A)(1).

3 MS. HOLLENBERG: There's a -- we
4 attempted, anyway, to make a distinguish -- to distinguish
5 what a "service" was versus a "service and main
6 extension", and it may be that it could be more clearly
7 identified.

8 CHAIRMAN IGNATIUS: All right. Well,
9 that's -- and I don't mean to be mucking up other
10 documents, if it's clear to everyone here. I just want to
11 make sure that this is workable.

12 WITNESS SHERRY: Commissioner, if I
13 could just call your attention to 7(A)(1) and (2), --

14 WITNESS HALL: Right.

15 WITNESS SHERRY: -- is where we
16 attempted to clarify the difference between the two.

17 CHAIRMAN IGNATIUS: I think, to a
18 utility person, probably to the people who negotiated
19 that, that's clear. To a customer, who, --

20 MS. HOLLENBERG: Uh-huh.

21 CHAIRMAN IGNATIUS: -- you know, is
22 lucky if they know what kind of fuel they have firing
23 their furnace, that may not be that clear. But I guess
24 that's good enough.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 BY CHAIRMAN IGNATIUS:

2 Q. The Settlement Agreement calls for a recalculation, if
3 needed, of the Extra Footage Charge filed every
4 April 1st. If this one has just been developed, why is
5 it necessary to recalculate so soon, just in a matter
6 of four months? Let me ask differently. Is this, the
7 number you've given us today, the \$45.64 per foot, is
8 that a number that has been calculated based on
9 historic costs, which you said would be the basis for
10 it every April, or is it a number being taken from
11 another, I suppose, to use for the time being while you
12 do those calculations?

13 A. (Hall) The calculation of the \$45.64 is based on
14 historic costs over the last one plus years, roughly
15 back to June 2012, and it's more a representative
16 sampling of various installations. And, therefore,
17 what we want to be able to do is look at actual 2013
18 data and update it. The number may not change all that
19 much. It may be very -- I expect it to be relatively
20 close to the 45.64.

21 Q. So, this is not a number that's been taken from a
22 National Grid --

23 A. (Hall) No.

24 Q. -- calculation or just sort of a proxy number. There's

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 been some attempt to really calculate it?

2 A. (Hall) Correct.

3 A. (Sherry) Yes.

4 Q. And, with more data to look at of the 2013 figures, it
5 might be refined?

6 A. (Hall) Yes.

7 Q. Also, on Page 3 of the Settlement Agreement, at the top
8 of the page it talks about any possible refunds to
9 customers. I want to be sure I understand. Mr.
10 Sherry, you had stated that you've looked at extensions
11 going back, and I don't know exactly what your frame of
12 reference was, but you said "in all cases they exceeded
13 the \$900".

14 A. (Sherry) This particular paragraph in the Settlement
15 applies to customers who had service extensions of more
16 than 100 feet. So, the \$900 fee did not apply. They
17 were actual estimates developed, under the interim
18 Settlement Agreement, there were actual estimates
19 developed, compared their revenue estimates using the
20 four-year test. And, there some 20 of those customers.
21 And, what we've agreed to do here is we will look at
22 those customers and recalculate the difference, based
23 on the Excess Footage Charge. And, if they would have
24 paid less under the new fee, then we'll refund the

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 difference.

2 Q. So, that was the next statement you made I wanted to
3 ask you about. You said there are "20 customers" this
4 would apply to. But this is, this provision to look
5 at, for those who were greater than 100 feet, which
6 cost approach is better for them. And, if it's less
7 under the proposed, assuming it's approved by the
8 Commission, it would -- then they would see a refund?

9 A. (Sherry) Correct. Correct.

10 Q. But it may be that, of those 20, many of them would not
11 see a refund?

12 A. (Sherry) That's possible. And, to add to that,
13 Commissioner, if it looks like they would have paid
14 more, we won't go back for any additional difference.

15 Q. So, what was the reference to "in all cases it exceeded
16 the \$900"? All cases of what exceeded \$900?

17 A. (Frink) We looked at the -- what the cost was to
18 install services in all the major cities. So, we
19 looked at Nashua specifically, Manchester, Concord, and
20 we lumped the others. So, most of the installations
21 were within those cities. And, calculated what those
22 costs were and what -- how those -- what the projected
23 revenue and what the requirement would have been using
24 the 25 percent test. Because the 25 percent test is

[WITNESS PANEL: Sherry~Hall~Frink]

1 less than four years' worth of revenue, it exceeded, in
2 every instance, it well exceeded the 900. So, if they
3 had been using the 25 percent test, all those customers
4 that were charged that \$900 standard fee would have
5 been paying substantially more. And, that's why we
6 expect this provision that would refund customers over
7 100 feet, again, the expectation is that with this more
8 favorable extension policy, that they -- if they had
9 done it subsequent to this policy being implemented, if
10 it is, then they would have made out much better.

11 Q. For customers that were not over 100 feet, there's no
12 calculation of a refund, is there?

13 A. (Frink) No. That \$900 standard fee was consistent with
14 what had been done in the prior years, less than the 25
15 -- would have been required under the 25 percent test.
16 Those customers paid their \$900 standard fee and they
17 won't get a refund.

18 Q. I think the last thing I wanted to ask about is this
19 question about whether you can define what's an
20 "existing main", after the improvements have been made,
21 the extension has been made. And, Commissioner
22 Harrington's thought that, you know, one possible way
23 to define it would be, once you've done the final
24 close-up of the street, final paving, or some stage of

[WITNESS PANEL: Sherry~Hall~Frink]

1 closing up the project, would be considered now an
2 "existing main". And, so, anyone who hooks up after
3 that would be under the different provisions than those
4 who were in before. Is that something that -- I think
5 it sounds as though everybody would agree that that --
6 there needs to be some definition fairly soon, in
7 locking up what's existing and which set of rules
8 applies?

9 A. (Frink) From a rate base perspective, when a service --
10 when a line is put into service is when it is included
11 in rates. So, to me, that's the -- that would be the
12 definition of when a line is -- when a new service or a
13 new main becomes active, that would be an "existing
14 main". I mean, it may be, from an accounting
15 perspective, you don't actually book that main until
16 year-end. But, as far as from a regulatory
17 perspective, once it's in service, it's eligible for
18 recovery through rates.

19 Q. Do you think, and I ask Mr. Frink, as well as Mr.
20 Sherry and Mr. Hall, do you think it's possible within,
21 say, a week or ten days that you could come up with a
22 recommendation on a tariff provision that would lock
23 this up? That you could agree upon something that
24 would be the right way to define the period of time

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 that would consider it -- you'd be -- the customers
2 would be under the existing main or under the
3 needing-to-be-extended main, I don't even know how to
4 use the words here. My thought is, if we could close
5 it up now and not have to have another docket six
6 months from now, it would be a lot better to do it that
7 way. And, yet, we can't do it on the fly. I don't
8 expect that right now to be working on language.

9 A. (Frink) That sounds reasonable.

10 A. (Hall) I agree. I think we could do that.

11 A. (Sherry) Yes.

12 CHAIRMAN IGNATIUS: Commissioner Scott.

13 BY CMSR. SCOTT:

14 Q. I had one, while you're looking at language, I had one
15 suggestion to perhaps, to the extent the Chair
16 mentioned some potential confusion with customers on
17 the difference between "service and main extensions"
18 and "service extensions", I was wondering if, under
19 your "Definitions" section for "Service Extensions" you
20 just add the word "existing", would that be more clear
21 to the average customer and not change any of the
22 meaning of what you have? So, I'm suggesting is
23 "extension from an existing main to the point of
24 delivery".

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 A. (Hall) Do that in (A), Item (2)?

2 Q. Yes.

3 A. (Sherry) 7(A) --

4 (Court reporter interruption.)

5 **BY THE WITNESS:**

6 A. (Sherry) Referencing -- Commissioner Scott's
7 referencing in the Attachment A, Section 7(A), Item
8 Number (2), "Service Extensions".

9 A. (Hall) Right. And, I think, in response to Chairman
10 Ignatius's request, that's probably the area -- that
11 was the area that I was thinking we were going to be
12 looking at is to more clearly define, put in a
13 definition somewhere, more clearly define what an
14 "existing main" is.

15 CMSR. SCOTT: Thank you.

16 WITNESS HALL: I think that's a good
17 suggestion.

18 CHAIRMAN IGNATIUS: All right. Did
19 counsel have any concern about trying to wrap that up
20 within a ten-day period? Your witness has said it was
21 fine, but you're going to be the ones who are going to
22 have to write it out, probably.

23 MS. KNOWLTON: I don't have a concern
24 about that.

{DG 13-198} {12-04-13}

[WITNESS PANEL: Sherry~Hall~Frink]

1 MS. HOLLENBERG: No. Thank you.

2 CHAIRMAN IGNATIUS: I think the only
3 issue would be the desire to have this in effect
4 January 1st, we would also want to see that, and we don't
5 want to bog down the ability to turn it around. And, so,
6 if it came in earlier than ten days, obviously, that would
7 help. But I know people have a lot of commitments right
8 now. And so, I don't want to assume that you can get
9 right to it in the next day or two.

10 All right. I have no other questions.
11 Nothing else from the Bench. Any redirect, Ms. Knowlton?

12 MS. KNOWLTON: I have one question for
13 Mr. Sherry.

14 **REDIRECT EXAMINATION**

15 BY MS. KNOWLTON:

16 Q. Mr. Sherry, do you recall that you were asked by
17 Commissioner Harrington about whether the Company had
18 sufficient capacity to serve any incremental growth as
19 a result of the adoption of this policy?

20 A. (Sherry) Yes.

21 Q. Did you, in preparing for the hearing today, confer
22 with anyone at the Company about that issue of capacity
23 to serve any new growth as a result of this tariff?

24 A. (Sherry) I did. I conferred with Chico DaFonte, our

[WITNESS PANEL: Sherry~Hall~Frink]

1 Director of Energy Procurement.

2 Q. Okay.

3 A. (Sherry) And, his response to me, just yesterday
4 afternoon, and his response to me was that the changes
5 as a result of this tariff provision should have no
6 impact on our ability to meet the capacity needs of the
7 customers.

8 MS. KNOWLTON: Thank you. Nothing
9 further for the panel.

10 CHAIRMAN IGNATIUS: Thank you.
11 Mr. Speidel, anything on redirect?

12 MR. SPEIDEL: No. No thank you.

13 CHAIRMAN IGNATIUS: And, Ms. Hollenberg,
14 I've forgotten you were a signatory to this. Any redirect
15 from you?

16 MS. HOLLENBERG: No thank you.

17 CHAIRMAN IGNATIUS: Then, the witnesses
18 are excused, but why don't you stay where you are. I
19 think that we're wrapping up here.

20 The final items I guess would be to
21 reserve an exhibit for a revised page or pages to the
22 tariff that would be developed in conjunction with the
23 Company, the Consumer Advocate's Office, and Staff,
24 regarding any further clarity about existing mains and

{DG 13-198} {12-04-13}

1 service extensions versus those where the main itself
2 needs to be extended, and the time period for the
3 calculations of new customers supporting, coming on board,
4 when a main needs to be extended. So, let's reserve
5 Exhibit 3 for that. If it can be filed within -- it
6 should be filed within ten calendar days from today. If
7 it can come in sooner, so much the better. But the hope
8 would be that it's done with agreement, after the Parties
9 and Staff have a chance to work together. If there can't
10 be any agreement, then, I guess submit what you have and
11 we'll take that up. And, any conflicting provisions, it
12 would be helpful, if anyone who has an alternate proposal,
13 were to submit that in writing within the same ten-day
14 period, that would be helpful. This doesn't sound
15 controversial. So, I don't think we'll get into all of
16 this, but, just in case, we don't want to do it
17 sequentially, ten days after the first filing, because
18 then we really will run up against the end-of-the-year
19 deadline for finalization of an order.

20 **(Exhibit 3 reserved)**

21 CHAIRMAN IGNATIUS: I guess, then, if
22 there's no objection, we'll strike the identification on
23 Exhibit 2?

24 (No verbal response)

1 CHAIRMAN IGNATIUS: And, seeing no
2 objection, we'll do that.

3 I guess the only thing then would be any
4 final comments from participants. Why don't we begin with
5 Ms. Hollenberg.

6 MS. HOLLENBERG: Thank you. The Office
7 of Consumer Advocate appreciates the efforts of the
8 Company and Staff. And, we support the Settlement
9 Agreement.

10 CHAIRMAN IGNATIUS: Thank you.
11 Mr. Speidel.

12 MR. SPEIDEL: Staff supports the
13 Settlement Agreement with the expected modification. Just
14 for the purposes of clarity, the understanding of Staff
15 regarding the so-called "existing" versus "non-existing
16 main" issue revolves around the fact that, for service
17 extensions under Subpart (7)(B), the "100-foot free"
18 provision would apply to all mains for which only a
19 service extension would be necessary for a given customer.
20 So, what that means is that, if the main has been
21 constructed and it is in service and it supplies gas to a
22 given spot, all the Parties, it was Staff's understanding,
23 understood that that meant that that individual customer
24 would not have to pay the CIAC referenced in the "Service

1 and Main Extensions" segment of Subpart (3). So, it was a
2 clear understanding among the three Parties. And, the
3 Staff apologizes for any confusion regarding that
4 understanding at today's hearing. Thank you.

5 CHAIRMAN IGNATIUS: Thank you. And, I
6 saw nodding in agreement from the Company as you were
7 describing that. No apologies. I think I may not have
8 been reading it very well myself. So, anyway, we'll get
9 it as clear as we can.

10 Ms. Knowlton, final comments.

11 MS. KNOWLTON: Thank you. Thank you.
12 The Company has certainly appreciated the efforts of the
13 Staff and the Consumer Advocate to work through these
14 issues. And, I think that the resolution that's been
15 proposed is very favorable. I think the benefits of the
16 Settlement are that the Staff's concerns, which
17 precipitated this docket, have been addressed by the
18 Settlement Agreement. The new tariff will promote growth
19 on the system. And, this is beneficial, really, to
20 everybody. It's beneficial to existing customers, because
21 there will be more customers across which the Company can
22 spread its costs; it's beneficial to potential customers,
23 who are able to take advantage of gas service at a time
24 when gas prices are very favorable relative to other fuel

1 sources; and it's beneficial to the Company, since it will
2 increase the revenues over -- the Company's revenues over
3 time.

4 What I -- I was going to say that we
5 thought that the tariff was easily understood. But, I
6 think, subject to the correction that we've discussed
7 today, I think it will be, with that clarification, easily
8 understood, and, in fact, more easily understood than the
9 current tariff provision, and certainly easier for the
10 Company to administer, given the elimination of the
11 look-back provision, which itself is quite complicated.

12 So, based on those factors, we would ask
13 that the Commission approve the tariff, as revised by what
14 will be submitted as Exhibit 3. And, I'm quite confident
15 that the Company can work successfully with the Staff and
16 the OCA to reach agreement on what that language should
17 be.

18 CHAIRMAN IGNATIUS: Thank you. The only
19 other thing I wanted to mention is that this has been a
20 docket that moved quickly, when it was clear that whatever
21 disagreements there were really had to do with the
22 starting point was in question, rather than the proposal
23 going forward was in question. And, it was I found
24 gratifying to see that everybody kind of recognized what

1 the heart of the dispute was. Let's create what we think
2 is the right policy going forward and not just inherit
3 from other sources, and find out what's workable, and
4 spend less time on what should have been, could have been,
5 how things were administered or applied from the past, and
6 moved quickly to what sounds like a really sound policy.
7 So, we appreciate that. And, we look forward to the final
8 submission. And, we'll take the Settlement Agreement
9 under advisement. Thank you.

10 **(Whereupon the hearing ended at 11:35**
11 **a.m.)**