ORIGINAL

N.H.P.U.C. Case No. DG 14-091

Exhibit No. #3

Witness Panel #1

DO NOT REMOVE FROM FILE

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 14-___

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

Request for Approval of Special Contract and Lease Agreement with Innovative Natural Gas, LLC d/b/a iNATGAS

PREFILED TESTIMONY

OF

STEPHEN R. HALL

April 4, 2014

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I. INTRODUCTION

Q. Please state your name, occupation and business address.

A. My name is Stephen R. Hall and I am employed by Liberty Energy Utilities (New Hampshire) Corp. as Director, Regulatory and Government. My business address is 11 Northeastern Blvd., Salem, NH 03079. I am responsible for rates and regulatory affairs for Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth") and Liberty Utilities (Granite State Electric) Corp. and I have supervisory responsibility for government affairs at the companies.

Q. Have you previously testified before the Commission?

A. Yes, I have testified extensively before the Commission during my 34-year career at Public Service of New Hampshire and more recently on behalf of Liberty Utilities ("Liberty"). My testimony has covered a wide range of regulatory, ratemaking and pricing issues, including testimony in support of many special contracts.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the ratemaking that will apply to Liberty's investment and associated revenue from the proposed contract with Innovative Natural Gas, LLC (iNATGAS) that is described in the direct testimony of William J. Clark.

Q. What are you proposing for ratemaking treatment for the investment and revenue that will result from the contract?

A. Liberty is proposing that the investment be included in EnergyNorth's rate base, just as any other investment in infrastructure is treated. As a result, EnergyNorth's distribution rates will include the revenue requirement associated with the investment following the next distribution rate case. Liberty is also proposing that the revenue realized under the contract be treated in the same fashion as any distribution revenue is treated. In this way, customers will pay for the cost of the investment and will also receive the value of the revenue under the contract, since that revenue will decrease EnergyNorth's distribution revenue requirement.

Q, Have you performed an analysis of the annual revenue requirement and the revenue to be realized under the contract?

A. Yes, we have. Attachment SRH-1 contains that analysis.

Q. Please describe Attachment SRH-1.

A. Attachment SRH-1 shows a calculation of the cumulative annual revenue requirement for the project for each year of the 15-year term of the contract. It also shows the anticipated cumulative annual revenue under the contract under three different scenarios. The first scenario shows cumulative revenue under the minimum take-or-pay level. The second scenario shows cumulative revenue at the base assumption level. The third scenario shows cumulative revenue at a high level (i.e., at a level in excess of the baseline assumptions).

The revenue from each scenario is then compared to the revenue requirement calculated in the upper portion of the attachment, and the cumulative difference between the revenue requirement and assumed revenue is calculated to determine the year in which the cumulative revenue exceeds the cumulative revenue requirement (i.e., a simple payback analysis).

As shown on the attachment, even if the revenue under the contract remains at the minimum level, there will be a cumulative net benefit starting in the fifth year of the term of the contract. Under baseline assumptions, there is a cumulative net benefit in the second year of the term of the contract, and under the high revenue level assumption, there is a net benefit at the commencement of the contract.

Based on this analysis, we have concluded that the financial risk to customers associated with the contract is low, since even at the minimum revenue level, there will be a cumulative net benefit beginning in the fifth year.

Q. Does this complete your testimony?

A. Yes, it does.

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