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| N.H.P.U.C. Case No. | DG 14-380 |
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**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 14-380

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.
D/B/A LIBERTY UTILITIES

Approval of Tennessee Gas Pipeline, LLC Precedent Agreement

**REBUTTAL TESTIMONY
OF
WILLIAM J. CLARK**

June 4, 2015

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1 **I. INTRODUCTION**

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

3 A. My name is William J. Clark and I am employed by Liberty Utilities Services Corp.
4 (“Liberty” or “the Company”) as a Business Development Professional. My business
5 address is 15 Buttrick Rd., Londonderry, NH 03053. In that capacity, I am responsible
6 for creating new business opportunities for Liberty Utilities (EnergyNorth Natural Gas)
7 Corp. and Liberty Utilities (Granite State Electric) Corp. while identifying and
8 recommending new products, services and businesses including enhancements of existing
9 offerings to improve the overall profitability, earnings production and strategic
10 positioning of the companies.

11 **Q. Please summarize your educational and business experience.**

12 A. I graduated from St. Anselm College in Goffstown, New Hampshire with a Bachelor of
13 Science degree in Financial Economics in 1991. In 1992, I began my career at Boston
14 Gas Company. During this time I was a member of the Steel Workers of America, Local
15 12007 and held various positions in gas distribution and customer service, as well as
16 being a union official. In 1998, I was employed by National Grid to start an unregulated
17 energy service subsidiary, where I worked as a Sales Account Manager until 2010. In
18 2010, when National Grid sold this business, I was employed by National Grid as a
19 Commercial Gas Sales Representative, working in EnergyNorth Natural Gas, Inc.’s
20 territory. In 2012, I joined Liberty and progressed into my current position. In this role, I
21 am responsible for organic growth opportunities and commercial development for both
22 EnergyNorth and Granite State.

1 **Q. Have you previously testified before any regulatory bodies?**

2 A. Yes. I testified before the New Hampshire Public Utilities Commission (“Commission”)
3 in Docket No. DG 14-091 regarding a Special Contract and Lease Agreement with
4 Innovative Natural Gas, LLC d/b/a iNATGAS pertaining to construction of a compressed
5 natural gas (CNG) facility in Concord, NH.

6 **Q. Have you reviewed the testimony filed in this proceeding on behalf of Commission**
7 **Staff, the Office of Consumer Advocate (“OCA”) and the Pipeline Awareness**
8 **Network (“PLAN”)?**

9 A. Yes. Among the comments included in the testimony was the view that not enough
10 information had been provided to substantiate the Company’s growth projections.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to provide background and data regarding Liberty’s
13 growth initiatives, the progress the Company has made in staffing its sales organization,
14 as well as specific examples of successful growth projects. My testimony will
15 demonstrate that EnergyNorth’s growth estimates in this docket are reasonable and
16 supportable based on the Company’s growth initiatives.

17 **II. INNOVATIVE NATURAL GAS**

18 **Q. Please provide a brief background regarding the iNATGAS and its facilities.**

19 A. iNATGAS is a constructing two tolling CNG facilities in New England. The first station
20 is under construction in Worcester, Massachusetts with a target opening date of July,

1 2015. iNATGAS and Eversource received approval of a Special Contract with the
2 Massachusetts Department of Public Utilities in which iNATGAS will be a Sales
3 Customer of Eversource. The second station will be constructed in Concord, New
4 Hampshire with a target opening date of late summer 2015. The Worcester site was
5 chosen to serve customers located in Massachusetts and southern New England. The
6 Concord site was chosen to serve customers in New Hampshire and northern New
7 England. While there are other CNG facilities in New England, these facilities are the
8 only ones with year round firm gas supply. They are also the only “open access” stations
9 that will contract directly with end users as well as allow other CNG providers to fill their
10 trailers at these facilities for increased reliability and economics.

11 **Q. How does having firm capacity, being “open access” and taking Sales Service affect**
12 **the Design Day forecast and capacity assignment?**

13 A. iNATGAS is currently in negotiations with existing CNG providers and
14 transportation/logistic companies to become customers of its facilities. Even though
15 existing CNG providers have their own facilities, they do not have firm capacity and are
16 subject to commodity price fluctuations during peak periods. During periods of
17 interrupted service end users would normally have to switch to their alternative fuel
18 source. If their CNG provider were to have a contract with iNATGAS for supply they
19 would be able to meet their customer’s needs on critical days. While this may occur
20 infrequently, it will definitely affect the design day and future capacity assignment if
21 iNATGAS were to leave sales service after 12 months. While Liberty projects a ramp-up
22 of yearly consumption while iNATGAS grows their firm customer base, it is a reasonable

1 projection that the facility should operate near full capacity on a few days during its first
2 year. If iNATGAS were to “sell out” the facility for only a single day during the first
3 year, its design day capacity allocation would be calculated based on that peak day if it
4 switches to transportation service.

5 **Q. Do you agree with the testimonies of John A. Rosenkranz on behalf of PLAN and**
6 **Melissa Whitten on behalf of Staff that Liberty should use a lower design day**
7 **requirement than 8,800 Dth/day with respect to the iNATGAS facility?**

8 A. No, I do not agree with Mr. Rosenkranz and Ms. Whitten. For reasons stated above, I
9 firmly believe that the iNATGAS facility will experience at least a few days of design
10 throughput given the lack of firm capacity available to other CNG providers in the
11 region. This will result in a capacity allocation based on the highest day of peak use.

12 **III. SALES ORGANIZATION**

13 **Q. Please provide an overview of the current sales organization within EnergyNorth.**

14 A. Energy North’s gas sales staff consists of nine full-time employees and up to three
15 seasonal, temporary employees, who are located in Manchester, New Hampshire. The
16 sales department is led by the Sales Manager, who reports directly to the Corporate Vice
17 President of Sales, who is located at our corporate headquarters in Oakville, Ontario. The
18 sales team is made up of two Commercial and New Construction Account
19 Representatives, who manage assigned geographic regions within the state, the
20 Supervisor of Residential Sales and Managed Expansion Projects and a Marketing
21 Analyst. In addition, four internal Residential Sales Representatives report to the

1 Supervisor of Residential Sales and Managed Expansion Projects. Liberty also utilizes
2 up to three seasonal, temporary employees as demand warrants. Another improvement
3 that has had a positive impact on sales metrics, customer satisfaction and operational
4 efficiency was the creation of a new union Construction Supervisor position with a
5 concentration on new service connections. This employee will now create work packages
6 while verifying material, locations and dates. Whenever a member of the Inside Sales
7 Team requires verification of site conditions this employee will perform a site visit and
8 meet with the customer to review service line and meter locations. This employee will
9 also meet with commercial site managers to review any special conditions that may
10 apply.

11 **Q. How is this organizational structure different than the pre-Liberty Utilities**
12 **organization?**

13 A. Prior to Liberty Utilities' acquisition of EnergyNorth, National Grid was the owner of
14 record. National Grid supported EnergyNorth's gas sales and marketing process with
15 three positions located in New Hampshire. These three positions were: Key Account
16 Manager, Commercial Sales Representative and New Construction Sales Representative.
17 To support these employees, National Grid had a centralized, internal residential sales
18 team located in Massachusetts. This centralized team also supported New York, Rhode
19 Island and Massachusetts. Only one residential sales representative at the centralized
20 Massachusetts team was assigned to cover all of New Hampshire. National Grid also had
21 a centralized marketing and lead intake center located in New York, which provided
22 service to all Northeast states. At this location there were two employees dedicated to

1 serving New Hampshire. Therefore, National Grid supported gas growth in
2 EnergyNorth's territory with three in-state employees and three centralized employees,
3 who were located in Massachusetts and New York. Liberty has nine full-time, in-state
4 Sales employees along with the aforementioned Construction Supervisor assigned to
5 Sales, which results in a much more focused approach to managing the growth in New
6 Hampshire.

7 **Q. Did this change in structure have a positive impact on customer growth?**

8 A. Yes, there was a dramatic improvement in customer additions over the last two years
9 under the Liberty growth approach when compared to the two years prior under the
10 National Grid model. In 2011 and 2012, the last two years of National Grid ownership,
11 EnergyNorth performed 596 and 698 customer additions, respectively. During 2013
12 EnergyNorth had approximately 1,100 new customer connections and in 2014
13 EnergyNorth performed 1,195 new customer connections. In addition, Liberty converted
14 516 residential customers from Low Use to R-3 Heating rates during 2014. Residential
15 Gross Profit Margin (GPM) in 2014 was the highest in EnergyNorth's history. These
16 results clearly demonstrate that Liberty is focused on growing the business, as evidenced
17 by the substantial increase in customers as compared to what occurred during National
18 Grid's ownership.

19 **Q. Has Liberty initiated any other measures that will enhance growth opportunities?**

20 A. Yes. In January 2014, the Commission approved a settlement providing for a tariff

1 change modifying EnergyNorth's Line Extension Policy.¹ The new policy allows
2 residential customers to receive up to 100 feet of service line at no cost under most
3 circumstances. Prior to this tariff enhancement National Grid was charging \$900 for a
4 new service line up to 100 feet. In addition, EnergyNorth was able to utilize six years of
5 expected revenues for commercial customers instead of four to determine whether
6 commercial customers should be required to make a contribution toward the cost of
7 construction for new service. Overhead loadings were also removed from the cost of
8 construction in determining whether a Contribution in Aid of Construction (CIAC) is
9 required from a customer requesting service. In that same order, EnergyNorth received
10 approval for another enhancement that would allow for a "portfolio view" when dealing
11 with Managed Expansion Projects (MEPs). This enhancement allows for the assumption
12 that 60% of potential customers would take gas service along a new main installation in
13 the determination of whether a CIAC is required from customers. Therefore, when a
14 potential anchor customer requiring a main extension is identified or when a residential
15 customer who lives "off main" inquires about gas service, Liberty can now utilize the
16 GPM for 60% of the potential load on the new main, while also applying the expected
17 service connection costs for those customers, to determine if a CIAC is required.

18 **Q. Has this "portfolio view" been a benefit to the Managed Expansion Project**
19 **initiative?**

20 A. Yes. This has greatly facilitated the process when dealing with potential MEPs by
21 reducing the amount of time spent negotiating with customers individually and gathering

¹ Order 25,624 dated January 24, 2014 in Docket No. DG 13-198.

1 the required number of Service Line Agreements (“SLA”) to make a project viable.

2 **Q. Can you give a specific example of how this enhancement was utilized to close a**
3 **MEP?**

4 A. Yes, the Bedford Expansion Project is a prime example of the effectiveness of this tariff
5 enhancement. The Bedford Expansion Project is broken into two phases. Phase 1 is
6 currently under construction and will be complete in late summer 2015. Phase 1 consists
7 of 2.3 miles of new gas main installation starting at the intersection of Palomino Dr. and
8 Whittemore Rd. in Bedford, New Hampshire and ending at the intersection of Route 101
9 and Bedford Center Rd. Phase 2 will include an extension down Bedford Center Rd
10 culminating at the intersection of Wallace Rd and Route 101. Phase 2 will begin in the
11 spring of 2016 and be completed by late summer of 2016. Liberty has been working
12 closely with the Town of Bedford, New Hampshire Department of Transportation and
13 large anchor tenants along the proposed route for over a year. The Business
14 Development and Sales teams worked together to identify the potential anchor customers,
15 their load profiles, as well as their interest in converting to natural gas. Upon completion
16 of that task, a load profile of all potential customers along the route was developed. From
17 there, construction estimates were completed for both Phase 1 and Phase 2. The analysis
18 showed that with the execution of signed SLAs with the three largest customers and
19 under the premise that 60% of the remaining customers would take gas service, the
20 project was viable without a CIAC required. The Account Manager for that region was
21 able to sign-up the three anchor customers and the Project was moved to “sold” status
22 and sent to Gas Operations to be placed on the construction schedule. The Account

1 Manager then began contacting the remaining potential commercial customers, while the
2 Residential Sales Manager started the process of contacting all potential residential
3 customers along the route. Since the project has been moved to “sold,” the Account
4 Manager has been able to sign eight additional commercial accounts. These eight
5 additional signed agreements pushed the project into a revenue justified position even if
6 no additional commercial customers take service, and without including the more than 40
7 potential residential customer additions. Liberty will be actively pursuing all these
8 potential customers over the coming weeks and months.

9 **IV. KEENE DIVISION**

10 **Q. What is the Keene Division?**

11 A. The Keene Division is the former New Hampshire Gas Corporation located in Keene,
12 New Hampshire. Liberty Energy Utilities (New Hampshire) Corp. acquired these assets
13 from Iberdrola in January 2015. The Keene Division is a propane/air utility supplying
14 approximately 1250 customers through 29 miles of underground distribution piping. The
15 system currently has a throughput of approximately 130,000 Dth annually.

16 **Q. What plans does Liberty have for the Keene Division?**

17 A. Liberty is currently evaluating the potential to convert this system to a natural gas based
18 system. This evaluation includes load potential within the city limits of Keene, as well as
19 the Swanzey region. The load potential for these two areas is estimated to be between
20 900,000 and 1,175,000 Dth annually.

1 **Q. How would this potential load affect EnergyNorth's demand forecast?**

2 A. One potential source of natural gas supply for the Keene Division is the proposed
3 Northeast Energy Direct (NED) pipeline project. The NED project would be passing
4 approximately 9.85 miles south of this load pocket providing the option for Liberty to
5 construct a small lateral north to supply this region with capacity under its PA with
6 Tennessee.

7 **V. PROJECTIONS**

8 **Q. Is Liberty currently working on any large MEP projects and large commercial
9 projects?**

10 A. Yes, Liberty is in various stages of the sales and construction cycle on quite a few large
11 projects for 2016.

12 **Q. What are those projects and the associated ADTH and GPM values?**

13 A. Liberty has recently completed a main extension for a new commercial development
14 behind the Manchester Airport with three large customers. The total ADTH for those
15 customers is 57,500 and reflects an annual GPM of \$120,529. Other projects that will be
16 ongoing over the next two years are as follows:

- 17 • Phase 2 of the Bedford Project with potential of 30,000 ADTH
- 18 • Concord Conversion Project with potential of 47,756 ADTH
- 19 • Loudon Project with potential of 180,000 ADTH
- 20 • Laconia Project with potential of 12,740 ADTH
- 21 • Merrimack 1 Project with potential of 47,213 ADTH

- 1 • Merrimack 2 Project with potential of 25,925 ADTH
- 2 • Londonderry Project with potential of 15,600 ADTH
- 3 • Nashua Project with potential of 47,000 ADTH

4 In total, these projects alone represent a potential increase in annual load of 406,234 Dth.

5 **Q. Has Liberty identified the potential “on main” (less than 100feet) and “off main”**
6 **(more than 100 feet) residential customers in its existing franchise territories?**

7 A. Yes, Liberty believes that there is a pool of approximately 14,000 “on main” candidates
8 and 80,000 “off main” candidates.

9 **Q. Is Liberty exploring potential new franchise territories that could create additional**
10 **conversion opportunities?**

11 A. Yes, Liberty is currently exploring franchise opportunities in two communities
12 contiguous to our existing franchise area. Liberty has had discussions with local officials
13 in those communities as well as potential customers. In addition, Liberty has begun the
14 process of evaluating franchise opportunities in communities along the proposed NED
15 route from southwestern NH and has provided a high level review of the potential growth
16 in those communities in its response to Staff request Staff 1-11.

17 **Q. Is Liberty looking at other potential enhancements that could accelerate growth**
18 **metrics?**

19 A. Yes, Liberty is currently evaluating different tariff enhancement mechanisms that would
20 accelerate growth by removing potential barriers to conversion. Liberty hopes to have a

1 formal proposal before the Commission within the next year.

2 **Q. Has Liberty received the support of corporate leadership to achieve these aggressive**
3 **growth goals?**

4 A. Yes, the Liberty leadership team, located in both New Hampshire and Oakville, Ontario,
5 has stressed that customer growth is of the highest priority. Leadership has established a
6 new customer connection goal of 2,000 additions per year and is willing to support that
7 goal with the required capital.

8 **Q. Do you believe the 2,000 customer addition per year goal is achievable?**

9 A. Yes, with the staff that is currently in place, the process improvements that have been
10 implemented and the commitment from senior leadership, I firmly believe we will be
11 reaching that goal in the near future.

12 **Q. Please summarize your testimony.**

13 A. Liberty has demonstrated that it has significantly increased the number of new customer
14 additions since taking over the EnergyNorth sales and marketing process and that this
15 growth is not only sustainable but will increase year-over-year with the organic growth
16 opportunities that exist in its current service territories and in new service territories.
17 Further, the aggressive pursuit of these new growth opportunities is buoyed by a
18 dedicated local sales team and the support of corporate management.

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

2 **A. Yes, it does.**