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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 21, 2015 - 10:32 a.m.
Concord, New Hampshire

NHPUC APR27'15 AM 8:04

RE: DG 15-117
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a LIBERTY
UTILITIES - KEENE DIVISION
2015 Summer Cost of Gas.

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

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Michael J. Sheehan, Esq.
Rorie E. Patterson, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Division

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

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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We're here this
3 morning in DG 15-117, which is Liberty Utilities
4 (EnergyNorth Natural Gas) Corp., which is really, for
5 purposes of this hearing, talking about the Keene
6 Division, which used to be New Hampshire Gas. Is this the
7 first cost of gas hearing here since you purchased the
8 Company?

9 MS. KNOWLTON: Yes, it is.

10 CHAIRMAN HONIGBERG: Does it still have
11 that "new company" spell?

12 (Laughter.)

13 MS. KNOWLTON: Yes.

14 MR. SHEEHAN: It smells like propane.

15 (Laughter.)

16 CHAIRMAN HONIGBERG: And, we don't have
17 to do it by teleconference from Rochester, which is a
18 treat, although it was a good test of our technology when
19 it was being done.

20 Again, we don't want to get into -- I
21 don't want to read from the Order of Notice. It's boring.

22 Why don't we take appearances before we
23 go further.

24 MS. KNOWLTON: Good morning,

1 Commissioners. My name is Sarah Knowlton. I'm here today
2 on behalf of Liberty Utilities (EnergyNorth Natural Gas)
3 Corp., and the Keene Division. We're very excited and
4 pleased to be here today. It's the first matter since the
5 closing.

6 CHAIRMAN HONIGBERG: We're going to have
7 to come up with a smoother way to get that out. I had the
8 same problem you did as we did the name. So, we'll have
9 to come up a --

10 MS. KNOWLTON: Maybe I'll just say "the
11 Keene Division of EnergyNorth"?

12 CHAIRMAN HONIGBERG: That could work.

13 MS. KNOWLTON: We can think about that.
14 With me today from the Company are its two witnesses, Mr.
15 Simek and Mr. DaFonte. And, also here from the Company is
16 I have Mr. Mullen and Mr. Hall and Mr. Killeen.
17 Mr. Killeen is the Director of Regulatory Strategy for
18 Liberty Utilities.

19 MR. SHEEHAN: Good morning. Mike
20 Sheehan, for Commission Staff. Present with me are Steve
21 Frink, Al-Azad Iqbal, and co-counsel Rorie Patterson.

22 And, I call it "Liberty-Keene".

23 CHAIRMAN HONIGBERG: The OCA is not in
24 this one?

[WITNESS PANEL: Simek~DaFonte]

1 MR. SHEEHAN: No, sir.

2 CHAIRMAN HONIGBERG: Let's go off the
3 record for just a second.

4 (Off-the-record discussion ensued.)

5 CHAIRMAN HONIGBERG: Let's go back on
6 the record. Ms. Knowlton.

7 MS. KNOWLTON: Yes. The Company has two
8 administrative matters to take up before we proceed. The
9 first is the Company filed a Motion for Waiver of Puc
10 1203.05(b), which is the rule that requires that rates
11 take effect on a service-rendered basis. The Company is
12 seeking to implement the proposed rate on a bills-rendered
13 basis, which has been the historic practice of New
14 Hampshire Gas, as I understand it, largely due to the
15 system that's used to process bills. And, we have
16 continued to produce bills in the exact same manner that
17 New Hampshire Gas used to use. So, we do seek approval to
18 implement the rate on a bills-rendered basis.

19 CHAIRMAN HONIGBERG: Mr. Sheehan.

20 MR. SHEEHAN: We have no objection. The
21 prior motions had numbers, and the cost to transform it to
22 a different billing system were not cost-effective. So,
23 that's why it's been approved on many occasions. So, we
24 have no objection.

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[WITNESS PANEL: Simek~DaFonte]

1 CHAIRMAN HONIGBERG: That motion is
2 approved.

3 MS. KNOWLTON: Thank you. And, then,
4 the second matter is the Company would propose to mark for
5 identification the April 1st, 2015 filing, which consists
6 of the Direct Testimony of Francis DaFonte and David
7 Simek, which is Bates numbered 001 through 030.

8 CHAIRMAN HONIGBERG: Okay.

9 (The document, as described, was
10 herewith marked as **Exhibit 1** for
11 identification.)

12 CHAIRMAN HONIGBERG: And, with that, you
13 ready to call your witnesses?

14 MS. KNOWLTON: Yes. The Company calls
15 Mr. Simek and Mr. DaFonte.

16 (Whereupon **David B. Simek** and
17 **Francisco C. DaFonte** were duly sworn by
18 the Court Reporter.)

19 **DAVID B. SIMEK, SWORN**

20 **FRANCISCO C. DaFONTE, SWORN**

21 **DIRECT EXAMINATION**

22 BY MS. KNOWLTON:

23 Q. Good morning, Mr. DaFonte.

24 A. (DaFonte) Good morning.

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[WITNESS PANEL: Simek~DaFonte]

- 1 Q. Would you state your full name for the record please.
- 2 A. (DaFonte) Francisco C. DaFonte.
- 3 Q. By whom are you employed?
- 4 A. (DaFonte) Liberty Energy Utilities (New Hampshire)
- 5 Corp.
- 6 Q. In what position do work for the Company?
- 7 A. (DaFonte) I am the Vice President of Energy
- 8 Procurement.
- 9 Q. In that capacity, what activities do you carry out?
- 10 A. (DaFonte) I oversee the propane procurement for the
- 11 Keene Division of EnergyNorth.
- 12 Q. And, how long have you been doing that?
- 13 A. (DaFonte) Let's see. A few months now.
- 14 Q. Since the closing in January 2015?
- 15 A. (DaFonte) Since the closing in January.
- 16 Q. And, we've marked for identification as "Exhibit 1"
- 17 your joint testimony with Mr. Simek. Do you have that
- 18 before you?
- 19 A. (DaFonte) Yes, I do.
- 20 Q. And, was that prepared by you or under your direction?
- 21 A. (DaFonte) Yes, it was.
- 22 Q. Do you have any corrections or updates to your
- 23 testimony today?
- 24 A. (DaFonte) I do not.

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[WITNESS PANEL: Simek~DaFonte]

1 Q. If I were to ask you the questions contained in your
2 testimony today, would the answers be the same?

3 A. (DaFonte) Yes, they would.

4 Q. Mr. Simek, would you state your full name for the
5 record.

6 A. (Simek) David B Simek.

7 Q. By whom are you employed?

8 A. (Simek) Liberty Energy Utilities (New Hampshire) Corp.

9 Q. What is your position with the Company?

10 A. (Simek) I am a Lead Utility Analyst within the
11 Regulatory Group.

12 Q. Do you have any responsibility as it relates to the
13 Keene Division of EnergyNorth?

14 A. (Simek) Yes. I'm responsible for the rate calculations
15 for Keene.

16 Q. And, do you have before you what we've marked for
17 identification as "Exhibit 1", which is the April 1st,
18 2015 Summer Cost of Gas Filing?

19 A. (Simek) Yes.

20 Q. And, the testimony that you filed, was that prepared by
21 you or under your direction?

22 A. (Simek) Yes, it was.

23 Q. Do you have any corrections or updates to your
24 testimony?

{DG 15-117} {04-21-15}

[WITNESS PANEL: Simek~DaFonte]

1 A. (Simek) I have no corrections to my testimony. I would
2 like to bring up a proposal for filing dates related to
3 the cost of gas. We would like to propose changing our
4 filing dates from what is currently in the tariff of
5 being "30 days prior to the effective date", to
6 actually move those dates up, to allow OCA and Staff
7 more time to review these filings. We would like to
8 change the summer cost of gas filing due date to March
9 9th, and then, for the winter cost of gas, we're
10 proposing to change the filing due date to
11 September 16th.

12 Q. Other than that update, if I were to ask you the
13 questions in your testimony today, would the answers be
14 the same?

15 A. (Simek) Yes, they would.

16 MS. KNOWLTON: The Company has no
17 further questions for its witnesses.

18 CHAIRMAN HONIGBERG: Mr. Sheehan.

19 MR. SHEEHAN: Thank you. To the extent
20 Mr. Simek's request was a motion, and we're not offering
21 testimony, we would support the requested change to those
22 filing dates as he set out. It would give us, Staff, and
23 the OCA more time for review, and it would give the world
24 more notice of the hearing to step in and intervene, if

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[WITNESS PANEL: Simek~DaFonte]

1 they so chose. So, that's Staff's position on those
2 changes.

3 CHAIRMAN HONIGBERG: What's the current
4 source of the dates that are being used today? Why are
5 they being filed on the current schedule?

6 MR. SHEEHAN: I understand they're part
7 of tariff, is that right?

8 MS. KNOWLTON: Correct. Section 17(f)
9 of the tariff states that the filing shall be made "30
10 days prior to the effective date", which puts us on a very
11 truncated schedule. And, so, we feel that it would be
12 good to give everybody more time.

13 CHAIRMAN HONIGBERG: Does that language
14 prevent you from filing earlier? Isn't there an implied
15 "at least" there?

16 Let's go off the record for a minute.

17 (Off-the-record discussion ensued.)

18 CHAIRMAN HONIGBERG: All right. Back on
19 the record. Mr. Sheehan.

20 MR. SHEEHAN: Thank you. I just have a
21 few questions, and whoever feels best able to answer.

22 **CROSS-EXAMINATION**

23 BY MR. SHEEHAN:

24 Q. After acquiring New Hampshire Gas, and we just heard

[WITNESS PANEL: Simek~DaFonte]

1 the closing was in January of this year, have there
2 been any changes in the operations of the company?
3 And, if so, could you summarize.

4 A. (Simek) No. We continue to operate the company as it
5 was. There's been no change in operations since
6 acquisition.

7 Q. Thank you. Regarding the futures prices, have you
8 looked at the current futures price for propane? And,
9 if the filing were to be updated to reflect the current
10 prices, how would that change the proposed rate?

11 A. (Simek) Based on the April 17th settlement date, the
12 cost of gas would actually go up by about \$9,200, and
13 this would have a 2.9 percent increase in the rate.
14 So, the rate -- the proposed rate right now is at 91
15 cents. And, it would go up to about, with rounding,
16 about 94 cents.

17 Q. And, as we discussed in the prior hearing on the same
18 topic, you would actually implement any change on a
19 monthly basis based on the most current futures price
20 at that time, is that correct?

21 A. (Simek) Correct.

22 Q. There's a discussion in your testimony about the
23 Propane Purchase Stabilization Plan, I think this is
24 Mr. DaFonte's testimony. And, you note that, in this

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[WITNESS PANEL: Simek~DaFonte]

1 past winter, it actually cost customers quite a bit,
2 50 percent, I believe. Did the Company consider
3 updating or changing that plan, in light of this
4 experience this past winter? And, if so or if not,
5 please explain.

6 A. (DaFonte) You know, The nature of any price
7 stabilization plan is that it's designed to minimize
8 price volatility. There are going to be winters when
9 prices for propane come down, and, therefore, the
10 locked-in price is going to be higher. So, customers
11 aren't going to benefit entirely from that lower price.
12 In other winters, the Winter of 2013-14, for example,
13 it was a benefit to customers. But it's designed to
14 stabilize the price.

15 In addition, where -- we target about
16 65 percent of the hedge, so that there is an
17 opportunity with that other 35 percent for customers to
18 participate in the downside of the market. So, even
19 this winter, when propane prices started to drop off,
20 the customers were able to benefit from that lower
21 price through incremental spot purchases. And, because
22 it was such a cold winter, there were a lot of
23 incremental spot purchases at lower prices. But, you
24 know, going into the winter, that -- the market price

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[WITNESS PANEL: Simek~DaFonte]

1 for the winter period was at the level that we locked
2 in at. So, we would not propose to change the
3 program.

4 Q. And, how does the program fit in with the Fixed Price
5 Option? Does the Company still offer that? And, does
6 that play any role that you want to lock in some supply
7 for your Fixed Price customers?

8 A. (DaFonte) Right. It certainly helps, insofar as
9 establishing what that fixed price is going to be. If
10 we hadn't locked in a price, then, you know, that fixed
11 price would lead to more cost-shifting. Because we're
12 just floating with the market, yet we're locking in a
13 segment of the customers at some fixed price. So, that
14 also helps to provide what is truly a fixed price for
15 customers.

16 Q. And, you intend that program to be available this
17 winter as well, the Fixed Price?

18 A. (DaFonte) Yes, I would. Yes.

19 Q. Can you give us the update of the bid results for your
20 hedging plan this -- I understand that you were in the
21 process just this last few weeks completing?

22 A. (DaFonte) Yes. We did finalize that. We sent it out
23 to six companies for bid. We received two bids, and
24 selected the lowest bid. We, through our experience in

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[WITNESS PANEL: Simek~DaFonte]

1 dealing with propane suppliers, we were able to add a
2 new supplier to that list. And, that new supplier was
3 ultimately the lowest bidder, and by a decent amount.
4 Because it's confidential, I can't reveal that at this
5 point in time, but it was what I considered to be
6 significantly lower than the next best bid. So, I
7 think that's just another benefit I think that we
8 can -- we have brought to the Keene Division, just
9 through our work with some of these propane suppliers
10 and our knowledge of the business.

11 Q. Can you disclose the premium you paid last year for
12 this program? I can't remember if it was in the
13 testimony or not.

14 A. (DaFonte) It is in there. I believe it was nine cents.

15 Q. That sounds right. And, is that the equivalent -- the
16 similar figure for this year, is that the number that
17 is confidential? Or, can you disclose that premium
18 that you're paying this year?

19 A. (DaFonte) Yes. We'd have to look. It's structured a
20 little bit differently.

21 Q. Okay.

22 A. (DaFonte) The bids came in at a Mont Belvieu, which is
23 essentially the Henry Hub of propane, plus the
24 delivered basis.

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[WITNESS PANEL: Simek~DaFonte]

1 Q. And, that's --

2 A. (DaFonte) And, so, that's the locked -- that's the
3 locked in value, is, you know, a total delivered price,
4 and then you add on the Mont Belvieu price, which is
5 what we lock in. So, we're actually in the process
6 right now of locking that in as part of the Propane
7 Price Stabilization Program. So, we'll be doing that
8 throughout this summer period, from April through
9 September.

10 Q. And, again, we'll have a more thorough discussion of
11 this in the winter cost of gas this fall?

12 A. (DaFonte) Yes, indeed.

13 MR. SHEEHAN: That's all I have. Thank
14 you.

15 CHAIRMAN HONIGBERG: Commissioner Scott.

16 COMMISSIONER SCOTT: It's still morning.
17 Good morning.

18 WITNESS DaFONTE: Good morning.

19 WITNESS SIMEK: Good morning.

20 COMMISSIONER SCOTT: A couple questions.

21 BY COMMISSIONER SCOTT:

22 Q. Looking at your exhibit, it would seem that your
23 customer count is pretty stable. Is that correct?

24 A. (DaFonte) That's correct.

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[WITNESS PANEL: Simek~DaFonte]

1 Q. Do you expect any changes in that? Is there growth
2 prospects or departures?

3 A. (DaFonte) Subject to check, I don't think there's much
4 growth. I think it's going to be pretty stable, until
5 there's another option for customers. Whether it be a
6 natural gas pipeline option, or LNG, or some
7 combination.

8 Q. Okay. And, now that you have some time under your belt
9 collectively for this new acquisition, are the -- am I
10 correct that the facility storage, *etcetera*, are
11 sufficient to meet those needs? If they're pretty
12 stable, I would assume they are.

13 A. (DaFonte) Yes, they are. We've also had discussions
14 with Staff with regard to additional utilization of the
15 capacity in EnergyNorth's Amherst propane facility,
16 which would, again, provide additional benefits to the
17 Keene Division customers, whereby we could purchase
18 additional summer volumes, which are typically at a
19 lower price than winter, store them in the facility,
20 and then, in lieu of purchasing additional spot
21 supplies at a higher price, we would take the storage
22 supply and use that for the Keene Division.

23 Q. Interesting. Thank you. And, regarding your request
24 for filing date changes, does that pose any concerns

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[WITNESS PANEL: Simek~DaFonte]

1 regarding locking in future prices along those lines?

2 A. (DaFonte) It would not. Having it -- having the filing
3 done by September 16th, we would -- certainly, we would
4 want to have that last month, which is in September, we
5 want to have that hedged. So, that purchase will
6 probably take place early September, so that we can
7 reflect it in the rate to be effective November 1st.

8 Q. Okay. Thank you. And, again, going back to the fact
9 that you recently acquired the utility, have there been
10 any issues that have come up with that? For instance,
11 customer awareness, who do they call, billing, that
12 type of thing? Any issues?

13 A. (DaFonte) We have not experienced any, any changes,
14 really, from that. Essentially, the same employees are
15 there, the same processes are in place. We're
16 reviewing all of those to look at ways in which we can
17 improve them. But they have done a very good job there
18 in Keene. And, so, to date, things have really been
19 essentially the same as they were prior to the
20 acquisition.

21 Q. So, sounds like it's relatively seamless, is that a
22 fair characterization?

23 A. (DaFonte) It has been. But for, you know, a few
24 changes, as I mentioned earlier, with the ability to

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1 store additional propane, and adding another supplier
2 to the bid list and so forth. Just things that we'll
3 continue to bring to the Keene Division to help and
4 enhance, you know, the customer experience.

5 COMMISSIONER SCOTT: Okay. Thank you.
6 That's all I have.

7 CHAIRMAN HONIGBERG: I have no questions
8 that haven't already been asked.

9 Ms. Knowlton, do you have any further
10 questions for your witnesses?

11 MS. KNOWLTON: I have nothing.

12 CHAIRMAN HONIGBERG: There's no other
13 witnesses, correct?

14 MR. SHEEHAN: Correct.

15 CHAIRMAN HONIGBERG: I think, then we're
16 done with them.

17 Is there any objection to striking the
18 ID from the exhibit?

19 MR. SHEEHAN: No, sir.

20 MS. KNOWLTON: No.

21 CHAIRMAN HONIGBERG: I didn't think so.
22 Then, we'll do that.

23 I have nothing else to do before you sum
24 up. Mr. Sheehan.

1 MR. SHEEHAN: Thank you. And, if I
2 didn't say it before, we also do not object to the waiver
3 request on the bills.

4 Staff has reviewed this Petition and the
5 numbers beneath it, and we support the proposed Summer
6 Cost of Gas rate for the Keene Division. And, it sounds
7 like, as you suggest, that the transition has gone well,
8 from what we've seen, too. So, we support it. And, we
9 look forward to following the Winter Cost of Gas. Thank
10 you.

11 CHAIRMAN HONIGBERG: Ms. Knowlton.

12 MS. KNOWLTON: Thank you. The Company
13 is requesting that the Commission approve the rate on a
14 bills-rendered basis as of May 1st, 2015. The Company is
15 pleased that the cost of gas is going down. And, as Mr.
16 DaFonte testified, the Company has brought some additional
17 resources to the table for the customers in Keene, through
18 the services of its Energy Procurement Group, identifying
19 an additional source of supply for propane that has been
20 cheaper for customers. So, we think that's a good thing.
21 As well as the availability of the storage in the Amherst
22 tank.

23 So, that's all I have for now. And,
24 thank the Staff for their expeditious review of this.

1 And, we look forward to coming back in the winter for the
2 cost of gas proceeding.

3 CHAIRMAN HONIGBERG: And, you need an
4 order next week, correct?

5 (Atty. Sheehan indicating in the
6 affirmative.)

7 CHAIRMAN HONIGBERG: All right. And, if
8 there's nothing else we need to do, then we will adjourn.
9 Thank you all.

10 **(Whereupon the hearing was adjourned at**
11 **10:55 a.m.)**

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