



**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 15-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Petition for Expansion of Franchise to the Town of Hanover and the City of Lebanon, New
Hampshire

DIRECT TESTIMONY

OF

STEVEN E. MULLEN

July 24, 2015

1 **I. INTRODUCTION**

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

3 A. My name is Steven E. Mullen. My business address is 15 Buttrick Road, Londonderry,
4 NH 03053.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Liberty Utilities Service Corp. (“Liberty”) as Manager, Rates and
7 Regulatory. I am responsible for rates and regulatory affairs for Liberty Utilities
8 (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or “the Company”) and Liberty
9 Utilities (Granite State Electric) Corp.

10 **Q. On whose behalf are you testifying today?**

11 A. I am testifying on behalf of EnergyNorth.

12 **Q. Mr. Mullen, please state your professional experience and educational background.**

13 A. Prior to joining Liberty in 2014, I was employed by the New Hampshire Public Utilities
14 Commission from 1996 through 2014, in various roles. From 1996 through 2008, I held
15 positions first as a PUC Examiner, then as a Utility Analyst III and Utility Analyst IV.

16 In those roles, I had a variety of responsibilities that included field audits of regulated
17 utilities’ books and records in the electric, telecommunications, water, sewer and gas
18 industries, rate of return analysis, review of a wide variety of utility filings and
19 presentment of testimony before the Commission. In 2008, I was promoted to Assistant

1 Director of the Electric Division. Working with the Electric Division Director, I was
2 responsible for the day-to-day management of the Electric Division, including decisions
3 on matters of policy. In addition, I evaluated and made recommendations concerning
4 rate, financing, accounting and other general industry filings. In my roles at the
5 Commission, I represented Commission Staff in meetings with utility officials, outside
6 attorneys, accountants and consultants relative to the Commission's policies, procedures,
7 Uniform System of Accounts, rate case, financing and other industry and regulatory
8 matters.

9 From 1989 through 1996, I was employed as an accountant with Chester C. Raymond,
10 Public Accountant in Manchester, NH. My duties involved preparation of financial
11 statements and tax returns, as well as participation in year-end engagements.

12 In 1989, I graduated from Plymouth State College with a Bachelor of Science degree in
13 Accounting. I attended the NARUC Annual Regulatory Studies Program at Michigan
14 State University in 1997. In 1999, I attended the Eastern Utility Rate School sponsored
15 by Florida State University. I am a Certified Public Accountant and have obtained
16 numerous continuing education credits in accounting, auditing, tax, finance and utility
17 related courses.

18 **Q. Have you previously testified before this Commission?**

19 **A.** Yes. I have testified in numerous proceedings before the Commission.

1 **Q. What is the purpose of your testimony today?**

2 A. My testimony discusses the Company's plans for establishing rates and charges for
3 customers in the Town of Hanover and the City of Lebanon, New Hampshire, following
4 Commission approval of the franchise expansion request and construction of the gas
5 supply and distribution system.

6 **Q. How will the rates, charges and terms of service for customers in the expanded**
7 **franchise area be established?**

8 A. As customers in Hanover and Lebanon will be customers of EnergyNorth, the rates,
9 charges and terms of service in EnergyNorth's current tariff will apply to those
10 customers, with the following exceptions:

- 11 • The Cost of Gas (COG) rate applicable to customers in Hanover and Lebanon will
12 be separately calculated and a separate provision will be added to EnergyNorth's
13 tariff; and
- 14 • Due to the nature of the liquefied natural gas (LNG) and compressed natural gas
15 (CNG) supply strategy discussed in Mr. Clark's testimony, customers in those
16 communities will not be allowed the option to be transportation customers, at
17 least initially.

1 **Q. Please explain why the COG rate for the Hanover and Lebanon customers would be**
2 **separately calculated from the COG rate applicable to other EnergyNorth**
3 **customers.**

4 A. The supply strategy that would be developed for the Hanover/Lebanon franchise territory
5 would use both LNG and CNG, but not natural gas from an interstate or intrastate
6 pipeline. Therefore, it would be a self-contained system. As such, the gas supply costs
7 would be distinct from those that are included in the COG rate that is charged to other
8 EnergyNorth customers.

9 **Q. How would the Hanover/Lebanon COG rate be calculated?**

10 A. The COG rate applicable to customers in those communities would include the
11 commodity costs of acquiring the LNG and CNG to supply the system. In addition, as
12 the LNG and CNG storage, vaporization, decompression and related facilities would be
13 used for supply purposes, the COG rate would include the revenue requirement
14 associated with the LNG and CNG plant investments. The total commodity and facility
15 costs would then be divided by the total forecasted therm sales to calculate the COG rate.

16 **Q. Does the Company have an estimate of the total cost to construct the supply facility**
17 **or of the COG rate?**

18 A. Not at this time. As discussed in the testimony of Mr. Clark, the Company is developing
19 plans to construct a supply facility that will be scalable in size to best suit the needs of a
20 growing customer base. In order to estimate the COG rate, we would need an estimate of

1 the cost of the facility, as well as an estimate of therm sales, which will depend on the
2 number of customers on the system at any given time, as well as their annual therm
3 usage. However, as explained in Mr. Clark's testimony, LNG and CNG provide for
4 significant economic advantages as compared to alternative fuels, so the resultant pricing
5 is expected to be beneficial to customers.

6 **Q. How often would the COG rate for the Hanover/Lebanon area be adjusted?**

7 A. Similar to EnergyNorth's existing COG rate, the COG rate for the Hanover/Lebanon area
8 would be adjusted twice a year, with the same summer and winter COG rate periods.

9 **Q. Would it be appropriate to charge the same delivery rates to the Hanover/Lebanon
10 customers as customers in other areas of EnergyNorth's service territory?**

11 A. Yes. Assuming approval of the franchise expansion, EnergyNorth would construct a
12 distribution system for delivery of gas to its customers. This system would be no
13 different than the distribution system that exists in the remainder of EnergyNorth's
14 service territory. Therefore, the costs of constructing, owning, operating and maintaining
15 the distribution system should not differ in any material way. That also justifies the
16 application of the same general terms and conditions that currently exist in
17 EnergyNorth's tariff. Given that there would be no difference in the distribution system
18 constructed in the Hanover/Lebanon service territory as compared to the rest of
19 EnergyNorth's system, for ratemaking purposes the costs associated with the

1 Hanover/Lebanon distribution system would be included in EnergyNorth's total
2 distribution plant and operation and maintenance costs.

3 **Q. Would the applicable terms and conditions also include the same customer rate**
4 **classifications?**

5 A. Yes. Those customer rate classifications include residential non-heating, residential
6 heating, low-income residential heating, and small, medium and large commercial and
7 industrial rate classes that differentiate based on both annual and winter usage.

8 **Q. Would the Local Distribution Adjustment Clause (LDAC) apply to all customers in**
9 **the Hanover/Lebanon service territory?**

10 A. Yes. Consistent with the terms of the tariff, the LDAC (which includes charges for
11 demand-side management lost revenues and program costs, energy efficiency programs,
12 certain environmental remediation costs for the clean-up of former manufactured gas
13 sites in New Hampshire, and lost revenues and program costs associated with the
14 Residential Low Income Assistance Program) is applicable to all therms sold or
15 transported by the Company and is used to recover costs of general applicability to all
16 customer classes. As Hanover/Lebanon customers would be EnergyNorth customers, it
17 would be appropriate that they be charged the LDAC rate. This would also provide the
18 new EnergyNorth customers in this new service territory access to the Company's award
19 winning CORE energy efficiency programs.

1 **Q. Why would customers not be allowed the option to be transportation customers?**

2 A. LNG and CNG supplies would be obtained by trucking in the commodity. If a customer
3 wished to obtain its own supply, that would necessitate the customer making its own
4 trucking arrangement, which would then need to be coordinated with the Company's own
5 supply scheduling. If customers were able to obtain their own supply, the logistical
6 challenges would become more complex. Therefore, at least initially, all customers
7 would be sales customers. That said, the Company would evaluate potential alternatives
8 and would not rule out providing transportation-only service if there were a demand for
9 such service.

10 **Q. Could there be situations where it may be appropriate to serve certain customers**
11 **pursuant to a special contract?**

12 A. Yes. Consistent with Section 5(C) of EnergyNorth's tariff, there may be circumstances,
13 such as a large dual-fuel customer, where a customer may be served pursuant to a special
14 contract that involves such terms as longer service periods, revenue guarantees through
15 minimum take-or-pay amounts or other terms to ensure recovery of the Company's
16 investment in the system and facilities necessary to serve a particular customer's needs.
17 Any such situations would be evaluated on a case-by-case basis.

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

19 A. Yes, it does.